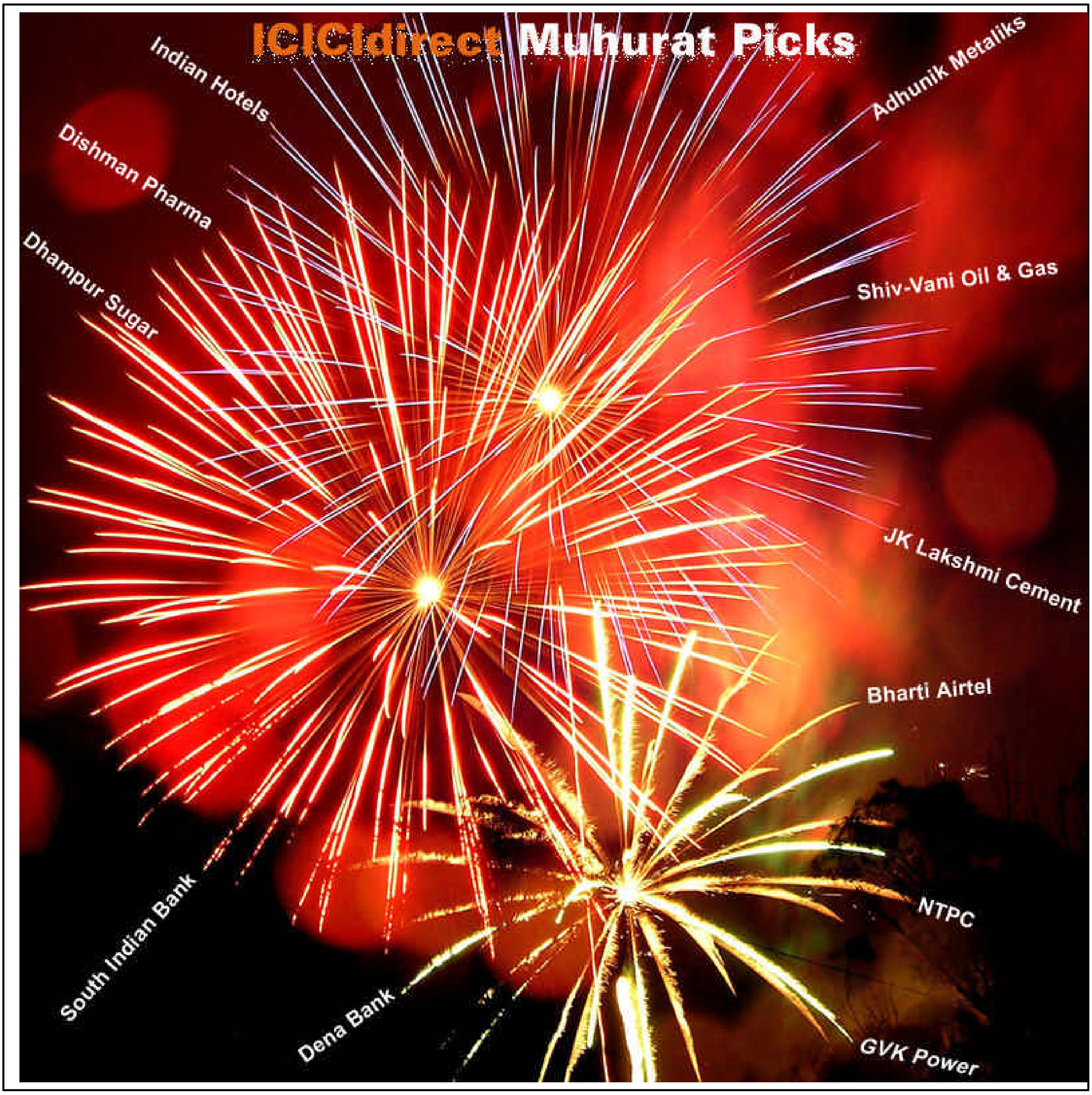
ICICIdirect Muhurat Picks
Indian Hotels
Dishman Pharma
Dhampur Sugar
Adhunik Metaliks
Shiv-Vani Oil & Gas
JK Lakshmi Cement
Bharti Airtel
NTPC
GVK Power
Dena Bank
South Indian Bank

October 14, 2009

Mahurat Picks 2009

With equity indices making new yearly highs, our equity strategy will be to buy on any significant declines in the markets as we are cautiously optimistic as the velocity of markets is surely exceeding the earnings expectation. Also, in October 2009, the markets will get sensitised by the earnings reported by Corporate India. So, any positive/negative surprises will have a corresponding impact on the markets. At best, investors should hold on to long positions while aggressive buying is not advisable at present market levels.

Keeping in view our cautious approach we would be wary of sectors that have run hard on hopes of global recovery and improving liquidity scenario (sectors like metals, auto and real estate). As valuations in these sectors have reached the fair to expensive zone, we would like them on significant declines rather than buying now to play the momentum game. Instead, we would like to focus on quality mid caps where there exists value and fair degree of visibility in an improving economic environment.

With enough liquidity in the markets, the incremental flow will now go into more risk taking. This means that even if the broader indices consolidate in a range, the action will shift to quality mid caps and small caps though they may warrant profit taking at higher levels.

The markets at 17000 levels are fairly valued. Now, since India is trading at 20x and 16x its FY10E and FY11E its consensus earnings, respectively, we believe there will be stock specific movements with respect to index components. We are of the view that liquidity can take markets to 5300. On the downside, a correction can happen till 4750 levels on the Nifty. The only risk to our call is better than expected Q2FY10E earnings and subsequent earnings upgrades can justify the current index levels then. We prefer pharma, infrastructure, power, banking and agri commodities.

This Mahurat trading, we are recommending 11 stocks that mainly come from the mid cap universe. These companies are recommended from a one-year perspective and have the potential to deliver returns ranging from 20-30%.

Company	Sector	Target Price
Adhunik Metaliks	Metals	149
Bharti Airtel	Telecom	455
Dena Bank	BFSI	86
Dishman Pharma	Pharma	325
Dhampur Sugar	Sugar	126
Indian Hotels	Hospitality	103
JK Lakshmi Cement	Cement	165
GVK Power	Infrastructure	54
NTPC	Power	245
Shiv Vani Oil	Oil& Gas	456
South Indian Bank	BFSI	172

Mahurat Pick

ICICI direct.com
On-line Share Trading

October 14, 2009

Adhunik Metaliks (ADHMET)

Powering future growth…

Adhunik Metaliks' (AML) aggressive foray into merchant mining with reserves of 90 million tonnes (MT) of iron ore and 50 MT of manganese ore has placed it in a superior position compared to its peers. The company has also forayed into the merchant power business recently, through its 98.7% subsidiary Adhunik Power & Natural Resources (APNRL) with an initial capacity of 540 MW (2X270) at Jamshedpur by FY12. With the full ramping up of mining activities coupled with power business we believe the company would show significant growth in both topline and bottomline within a couple of years.

- **Mining to be one of the key focus areas**

  The company in its full subsidiary Orissa Manganese & Minerals Ltd (OMML) has high quality iron ore and manganese ore reserves. OMML has been ramping up production with iron ore and manganese sales volume expected to be around 1.1 MT and 2.4 lakh tonnes, respectively, for FY10E on a conservative basis. We expect OMML to post PAT of around Rs 100 crore in FY11E. Looking at the improvement in the domestic steel industry, we believe the company has the potential to surprise positively in this front.

- **Power to drive further growth**

  The company's foray into the merchant power business through APNRL has provided a fillip to its long-term outlook. At the first phase, the company would commission 540 MW (2X270) at Jamshedpur by FY12E (with further possibility of expanding up to 1080 MW within the next two to three years). AML is in the process of raising Rs 300 crore through an equity issue for the project, which is likely to be completed within a couple of months and will hold 60% in APNRL. Out of 540 MW, the company can sell 440 MW in the open market (as so far it has an agreement to sell only 100 MW power to Tata Power @ Rs 2.75/ unit). With its captive coal mines, the power business has the potential to contribute around Rs 25/ share to the consolidated EPS.

Valuation

At the current price of 116, the stock is discounting its FY11E BV by 1.9x, FY11E EV/EBITDA by 6.85x and FY11EPS by 10.6x. We value the company on its FY10E consolidated BV. Taking into account the stable business outlook, high quality mining reserves and the prospects ahead with foray into merchant power, we are assigning a multiple of 2.4x FY11E BV of Rs 62.1 to the stock and revising our target price to Rs 149.

Technical Outlook

- The stock has formed a rounding bottom pattern on the weekly chart. The price rise with huge volume during last week's trade suggests bullishness in the stock
- On the weekly chart, it has formed a bullish Engulfing candlestick pattern and closed above the trading range (90-109) of the last two months
- On the lower side, the stock has strong support at Rs 102 levels from the long tern trend line joining the low of March 6 2009 (Rs 24) and June 19 2009 (61.60)

Rating matrix

CMP	:	**Rs 116**
Target	:	**Rs 149**
Target Period	:	**12 months**
Potential Upside	:	**28%**

Key Financials

(Rs Crore)	FY08	FY09	FY10E	FY11E
Net Sales	1034.51	1270.25	1322.36	1557.23
EBITDA	179.87	233.19	304.51	354.71
Net Profit	82.08	46.65	77.51	121.78

Valuation summary

	FY08	FY09	FY10E	FY11E
PE (x)	12.92	22.74	16.65	10.60
Target PE (x)	16.556	29.129	21.337	13.582
EV to EBITDA (x)	11.14	9.96	7.96	6.85
Price to book (x)	3.37	3.02	2.20	1.87
RoNW (%)	26.1	13.3	13.2	17.7
RoCE (%)	11.0	9.9	12.1	15.0

Stock data

Market Capitalisation	Rs 1061 crore
Debt (FY09)	Rs 988 crore
Cash (FY09)	Rs 45.3 crore
EV	Rs 2003.7 crore
52 week H/L	121.1/20.8
Equity capital	Rs 91.23 Crore
Face value	Rs. 10
MF Holding (%)	2.7
FII Holding (%)	10.5

Technical Check

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October 14, 2009

Bharti Airtel (BHATE)

Rating matrix

CMP	:	**Rs 351**
Target	:	Rs 455
Target Period	:	12 months
Potential Upside	:	30%

Key Financials

(Rs Crore)	FY08	FY09	FY10E	FY11E
Net Sales	27,025.0	36,961.5	41,059.2	46,971.7
EBITDA	11,371.5	15,167.7	16,730.4	19,561.1
Net Profit	6,700.8	8,469.9	9,356.9	11,102.5

Valuation summary

	FY08	FY09	FY10E	FY11E
PE (x)	9.9	15.7	14.2	12.0
Target PE (x)	12.9	20.4	18.4	15.6
EV to EBITDA (x)	6.5	9.4	8.2	6.7
Price to book (x)	3.1	4.4	3.4	2.7
RoNW (%)	30.9	27.9	23.9	22.2
RoCE (%)	24.3	24.6	22.2	22.5

Stock data

Market Capitalisation	Rs 133256 crore
Debt (FY09)	Rs 11880 crore
Cash (FY09)	Rs 1124 crore
EV	Rs 137397 crore
52 week H/L	518 / 241
Equity capital	Rs 1898 Crore
Face value	Rs 5
MF Holding (%)	3.5
FII Holding (%)	19.6

Technical Check

Analyst's name

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Market leader, resilient to price war…

- **Strong subscriber growth**

Airtel has a pan-India presence and over 107 million subscribers, with every fourth mobile user being its customer. The subscriber base has grown at a CAGR of 69.3% from 6.8 million in FY04 to 93.9 million at the end of FY09. The company would maintain its leadership position with 143 million subscribers and a market share of 24% by FY11E

- **Strongest balance sheet among peers**

The company has a strong balance sheet. Airtel also turned FCF positive in FY09. The company has net debt of Rs 6963 crore, implying a gearing ratio of 0.23x, net debt to EBITDA of 0.46x and interest coverage ratio of 22.0x. Compared to its peers, Airtel is relatively better placed to raise capital for 3G or fund a global expansion

- **Increase in power tariff to improve margin**

We expect Bharti Airtel to not enter the price war and rely on innovative measures to tackle competition. This would help the company to sustain ARPM closer to current levels. The company's management has also reiterated that it would not join the pricing war and would look at leveraging its brand value and triple play proposition to maintain leadership in the wireless domain.

Valuation

We value the company using the SOTP method. Ascribing a value of Rs 393 to the core businesses, Rs 24.2 to Infratel and Rs 37.5 to Indus contribution, we have arrived at a target price of Rs 455/share. Our target price for Airtel discounts the FY10E EPS of Rs 29.2 by 15.5x implying a 38% premium to RCom and more or less in line with the multiple assigned to Idea.

Technical Outlook

- The stock is recently being hammered and approaches supports around Rs 325 levels. Weekly charts continue to form higher top and higher bottoms
- The weekly trend line joining the lows of October 31 (241.50) and March 13 2009 (270.55) offer support near Rs 325 where we expect fresh buying interest to emerge
- Despite recent declines, the weekly RSI remains above 40 levels and may support the bullish argument

Mahurat Pick

October 14, 2009

Dena bank (DENBAN)

Re-rating on the cards...

Dena Bank is a mid-sized PSB that is doing well on the business front and is currently trading at 0.9x its FY11E ABV. The bank is expected to deliver RoE in the range of 17-18% in the next couple of years. We expect a re-rating of this bank because of comfortable valuations.

- **Capital infusion to help in near-term growth**

  With Tier I capital hovering near 6.8% and GoI stake at 51%, capital infusion from GoI will fuel growth in the near term. The bank has submitted a proposal to GoI for capital infusion to the tune of Rs 1300 crore over the next three years. The bank is very confident, that GoI will infuse Rs 500 crore in this fiscal that will help the bank to grow its balance sheet by 17-18% in FY10E. Of this Rs 500 crore preferential allotments will be to the tune of Rs 300 crore. This will raise GoI's stake to around 58% from 51% currently.

- **Getting ready for around 25% balance sheet growth in next fiscal**

  The bank is planning to add around 100 branches in FY10E. The focus of the bank has shifted away from the western region to improve its pan-India presence. This will help the bank to grow its balance sheet in the coming period. The lower base effect of the current fiscal due to sluggish growth will enable the bank to grow its balance sheet by around 24-25% in the next fiscal according to the management. We have factored in 20% balance sheet growth in FY10E to Rs 66417 crore.

- **NIM aim of 2.75% from current 2.42%**

  Currently, bulk deposits comprise only 14% of total deposits. This is also likely to get repriced in the coming quarters. Liability side repricing and expected improvement in loan disbursement in H2FY10E will help improve NIMs for the bank. We expect the NIM to inch up to 2.63% in FY10E.

Valuation

At the CMP of 68, the stock is trading at 0.9x FY11E ABV. The bank is expected to report RoA of close to 1% and RoE in the range of 17-18% in the coming two years. The asset quality of the bank is expected to stay stable. We feel the bank should be re-rated from current levels owing to stable performance in the past few quarters. We, therefore, value the stock at 1.1x FY11E ABV to arrive at a fair value of Rs 86 for the stock.

Technical Outlook

- Dena Bank continues to form higher top and higher bottom on the weekly chart indicating positive intermediate trend
- The stock recently broke out of a longer consolidation pattern above Rs 60 and is forming "Inverse Head and Shoulder" bullish pattern
- Further, 21 and 34 days exponential moving averages (EMA) suggest continuation of an uptrend on the daily charts

Rating matrix

CMP	:	**Rs 68**
Target	:	Rs. 86
Target Period	:	12 months
Potential Upside	:	26 %

Key Financials

(Rs Crore)	FY08	FY09	FY10E	FY11E
Net Interest Income	892	1064	1242	1443
Total income	1337	1495	1734	1981
PPP	686	726	906	1041
PAT	360	423	489	573

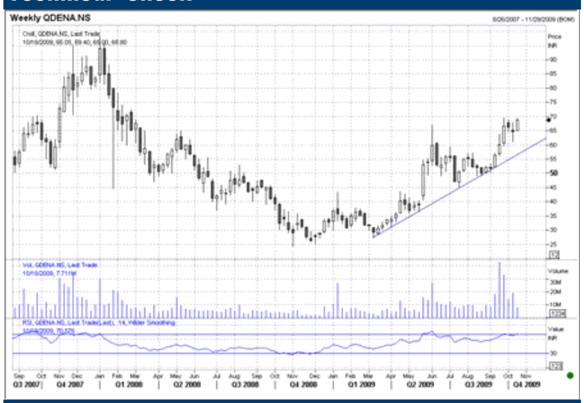
Valuation summary

	FY08	FY09	FY10E	FY11E
PE (x)	5.4	4.6	5.4	4.6
P/ABV (x)	1.2	1.1	1.0	0.9
GNPA (x)	2.5	2.1	2.2	2.2
NNPA (x)	0.9	1.1	1.0	1.0
RoA (%)	1.0	1.0	0.9	0.9
RoE (%)	21.8	21.3	18.8	17.7

Stock data

Market Capitalisation	Rs 1973 crore
GNPA (Q1FY10)	Rs 629 crore
NNPA (Q1FY10)	Rs 353 crore
NIM (Q1FY10)	2.4 %
52 week H/L	70 / 24
Equity capital (Q1FY10)	Rs 287 Crore
Face value	Rs. 10
MF Holding (%)(Q1FY10)	2.4
FII Holding (%)(Q1FY10)	8.5

Technical Check



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October 14, 2009

Dishman Pharma (DISPHA)

Rating matrix

CMP	:	**Rs 232**
Target	:	Rs 325
Target Period	:	12 months
Potential Upside	:	23 %

Key Financials

(Rs Crore)	FY08	FY09	FY10E
Net Sales	803.1	1062.4	1286.91
EBITDA	157.9	261.6	319.3
Net Profit	118.9	146.8	224.9

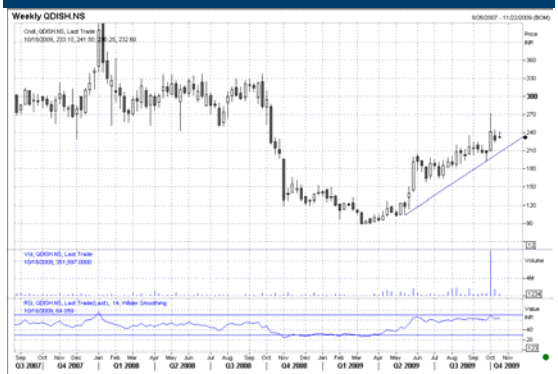
Valuation summary

	FY08	FY09	FY10E
PE (x)	15.5	12.8	8.3
Target PE (x)	21.8	17.9	11.7
EV to EBITDA (x)	15.5	9.8	7.1
Price to book (x)	3.4	2.7	2.3
RoNW (%)	21.6	20.9	27.8
RoCE (%)	9.7	13.7	17.5

Stock data

Market Capitalisation	Rs 1872.2 crore
Debt (Q2FY10)	Rs 723.7 crore
Cash (Q2FY10)	Rs 45.5 crore
EV	Rs 2550.4 crore
52 week H/L	273/87
Equity capital	Rs 16.1 Crore
Face value	Rs. 2
MF Holding (%)	16.2
FII Holding (%)	9.6

Technical Check



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Waiting for a leap...

US drugmaker Abbott's $6.6-billion agreement to buy Belgium-based Solvay Group's pharma business will give Dishman Pharma a booster shot. Dishman has a 10-year deal till 2013 with Solvay and expects additional contracts to flow in from Abbott's portfolio. The deal opens up a wide opportunity canvas for Dishman, given the larger market reach of the merged entity.

- **Gradual improvement in Teveten sales**

  Dishman had stopped the production of Eposartum Mesylate from January 2009 till June 2009 due to inventory rationalisation at the customer end. However, Teveten (the finished product made out of Eposartum Mesylate), is showing a gradual improvement in sales. We believe this will be significantly beneficial for Dishman as Solvay contributes ~15% to overall sales.

- **Wider client base to reduce dependency on Solvay**

  Post the acquisition of Carbogen-Amcis, Dishman Pharma has developed strong relations with clients such as Novartis, J&J, Astra Zeneca, GlaxoSmithKline, Merck, etc. The company has succeeded in adding new contracts from existing clientele base. We expect a robust growth in non-Solvay business with the India CRAMS operations gaining good ground. Although order sizes are relatively lower in the non-Solvay business, incremental contracts from clients will help Dishman to reduce dependency on Solvay.

- **Solvay acquisition by Abbott, seen as big positive for Dishman**

  Dishman Pharma has a decade of relationship with Solvay and is currently working on 15 molecules for Solvay. The current order book from Solvay to be executed in FY10 stands at Rs 100 crore. The management is positive on Solvay's acquisition by Abbott and is eyeing more opportunities from Abbott's portfolio.

Valuation

At the CMP, Dishman is trading at 8.3x its FY10E EPS of Rs 27 and 7.1x FY10E EV/EBITDA. The capex cycle is almost over with Rs 100 crore being planned for FY10E and FY11E. The China facility is expected to go on-stream in the next two quarters. The management is guiding 15% growth in acquired business from Solvay in FY09-10. We expect Dishman's revenue and profits to grow 21% and 53%, respectively, through FY10E. We are assigning a target price of Rs 325 on the stock.

Technical Outlook

- The stock after consolidating in the range of 185-220 for the last three months has given a positive breakout with a surge in volumes signalling bullishness in the stock
- It has taken support at 196 levels, which is the 50% retracement level of the recent rally from 158 to 236 levels and has bounced back to form a higher top in the daily chart
- Among oscillators, the RSI is currently at 58 levels and is in buy mode showing positive momentum

October 14, 2009

Dhampur Sugar (DHASUG)

Rating matrix

CMP	:	Rs 97
Target	:	Rs 126
Target Period	:	12 months
Potential Upside	:	29.8 %

Key Financials

(Rs Crore)	SY07	SY08	SY09E	SFY10E
Net Sales	661.9	721.9	865.1	1354.9
EBITDA	-2.5	140.5	214.0	308.2
Net Profit	-60.7	3.6	57.2	132.6

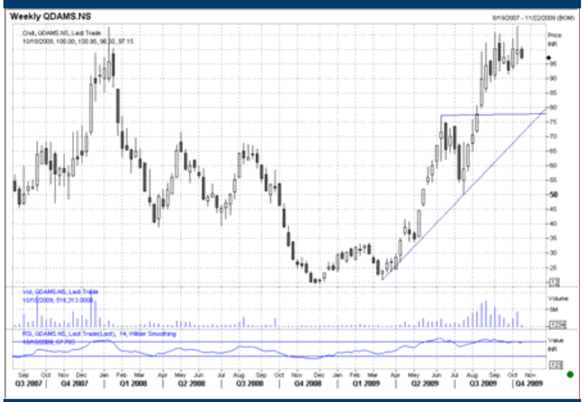
Valuation summary

	SY07	SY08	SY09E	SFY10E
PE (x)	NA	NA	8.9	3.8
Target PE (x)	NA	NA	11.6	5.0
EV to EBITDA (x)	NA	9.4	6.4	4.2
Price to book (x)	2.0	1.9	1.7	1.4
RoNW (%)	NA	0.8	12.0	16.0
RoCE (%)	NA	5.8	10.6	18.0

Stock data

Market Capitalisation	Rs 511 crore
Debt (Q2FY10)	Rs 594 crore
Cash (Q2FY10)	Rs 15 crore
EV	Rs 1090 crore
52 week H/L	108 / 19.3
Equity capital	Rs 52.7 Crore
Face value	Rs. 10
MF Holding (%)	1.5
FII Holding (%)	9.5

Technical Check



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Dark horse…

With Dhampur Sugar importing significant amount of raw sugar, the company is set to benefit from the rise in domestic sugar prices. We believe increase in power tariffs from Rs 3 per unit to Rs 4 per unit would further improve the EBITDA margin of the company.

- **Firm sugar prices to boost realisation**

  With the country witnessing a significant decline in sugar production and a consistent growth in consumption, sugar prices have surged to Rs 29 per kg. This, in turn, has resulted in higher margins for the company. With the country still needing to import 4-5 million tonnes of sugar to meet the consumption of SY10E, sugar prices will firm up at least 10-15% from current levels.

- **Imports to benefit**

  The company has contracted 96,000 lakh tonnes of raw sugar in Q3SY09 increasing its total raw sugar imports to 1,53,000 lakh tonnes. The landed cost of imports has been Rs 20.0 per kg, which translates to a margin of more than Rs 8.0 per kg.

- **Increase in power tariff to improve margin**

  Power tariffs have gone up from Rs 3 per unit to Rs 4 per unit. This would improve the company's margin from power segment. It has 140 MW of power. Of this, 80 MW is saleable to the state grid. We believe the company will benefit from high realisations in SY10E.

Valuation

At the current price of Rs 97, the stock is trading at 9.0x its SY09E EPS of Rs 10.8 and 3.8x its SY10E EPS of Rs 25.2. Given Dhampur's large inventory holdings and large quantity of raw sugar imports, we believe the company is well set to benefit from rising sugar prices. We value the stock at 5x its SY10E EPS of Rs 25.2 to arrive at a target price of Rs 126.

Technical Outlook

- The stock has broken out of the bullish "Inverse Head and Shoulder" pattern above Rs 78 levels during early August 2009. Then it rallied up to Rs 108 and now is consolidating for the past six weeks
- Pattern implication gives us targets of Rs 130-140 during an intermediate term
- Although prices pulling back to the breakout area may not be ruled out, it could be seen as a buying opportunity

October 14, 2009

GVK Power (GVKPOW)

Rating matrix

CMP	:	**Rs 44**
Target	:	Rs 54
Target Period	:	12 months
Potential Upside	:	23%

Key Financials

(Rs Crore)	FY08	FY09	FY10E	FY11E
Net Sales	470	511	1913	2168
EBITDA	186	176	590	773
Net Profit	136	108	205	241

Valuation summary

	FY08	FY09	FY10E	FY11E
PE (x)	65	81	34	29
Target PE (x)	80	100	41	35
EV to EBITDA (x)	50.6	52.7	16.3	12.4
Price to book (x)	2.8	2.7	2.2	2.0
RoNW (%)	7.5	3.4	8.6	8.7
RoCE (%)	3.8	2.2	6.1	6.6

Stock data

Market Capitalisation	Rs 6,961crore
Debt (Q2FY10)	Rs 2,980 core
Cash (Q2FY10)	Rs 156 crore
EV	Rs9,784 crore
52 week H/L	51/10
Equity capital	Rs 158 Crore
Face value	Rs. 1
MF Holding (%)	8.6
FII Holding (%)	17.1

Price movement (stock vs. Nifty)

Analyst's name

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All set for takeoff...

GVK Power & Infra (GVK PIL), India's leading private sector diversified infrastructure play, has a presence in power, aviation, transportation, mining, oil & gas and SEZ. After the initial hiccups in the power segment due to non-availability of gas, GVK PIL has now commissioned three gas-based power plants with an overall capacity of 901 MW in Andhra Pradesh. The new plants are operating at almost full capacity. In aviation also, Mumbai Airport (MIAL) went through a turbulent patch of passenger traffic de-growth of 9% in FY09. Passenger traffic is now showing signs of pick up. We expect growth to return from Q2FY10 onwards. Also, road traffic at Jaipur Expressway (JKEL) continues to see robust growth, which will support operating profitability of the road segment. JKEL has witnessed growth of 8.2% YoY in traffic in Q1FY10.

- **Mumbai airport along with real estate – A valuable asset**

  GVK is the developer and operator of the busiest airport in India and handles ~23 million passengers, commanding ~21.5% market share of the overall Indian aviation in passenger traffic. After the lean patch of passenger de-growth in FY09, passenger traffic is showing signs of revival. GVK is in the process of finalising the master plan for development and monetisation of 276 acres of land. The master plan is expected to be public by December 2009.

- **Four fold growth in capacity, merchant play to offer upside**

  GVK has commissioned the operations at JP-II and Gautami power plants scaling the overall generating capacity to 901 MW. Revenues of the power segment are expected to witness a near five fold jump to Rs 1,750 crore in FY10E. GVK is expected to get the requisite approval for sale of 138 MW of power through the merchant route by December 2009.

Valuation

At the current market price of Rs 44, the stock is trading at a P/BV of 2.2x in FY10E and 2.0x in FY11E. We have adopted an SOTP-based methodology by valuing each segment distinctly. Improving visibility of growth for their projects and allaying balance sheet concerns will help them scout for growth opportunities further. Thus, we recommend the stock with a price target of Rs 54.

Technical Outlook

- The stock continues to form higher top and higher bottom on the weekly charts
- The weekly trend line joining lows of December 31 2008 (10.40) and March 13 2009 (17.60) is likely to lend the support around Rs 40
- The weekly RSI is sustaining above the 50 mark and supports the bullish argument

October 14, 2009

Rating matrix

CMP	:	**Rs 80**
Target	:	Rs 103
Target Period	:	12 months
Potential Upside	:	28.8%

Key Financials

(Rs Crore)	FY08	FY09	FY10E	FY11E
Net Sales	2920.0	2686.4	2958.5	3508.1
EBITDA	892.0	558.3	717.6	961.7
Net Profit	354.9	12.5	256.7	413.2

Valuation summary

	FY08	FY09	FY10E	FY11E
PE (x)	22.8	378.8	18.4	11.4
Target PE (x)	20.9	598.0	29.0	18.1
EV to EBITDA (x)	11.2	18.2	14.1	10.2
Price to book (x)	2.9	1.8	1.6	1.5
RoNW (%)	15.0	0.4	7.2	10.4
RoCE (%)	12.5	4.7	7.1	9.4

Stock data

Market Capitalisation	Rs 5,787 crore
Debt (FY09)	Rs.4,646 crore
Cash (FY09)	Rs 252.8 crore
EV	Rs. 10,180 crore
52 week H/L	82/34
Equity capital	Rs 72.34 Crore
Face value	Rs. 1
MF Holding (%)	4.6
FII Holding (%)	14.9

Technical Check

Analyst's name

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Indian Hotels Company Ltd (INDHOT)

Expansions to check in cheer…

With the onset of an improvement in the macroeconomic scenario and at the same time with the exclusion of the hotel industry from commercial real estate classification, we expect hotel companies, especially Indian Hotels, to benefit the most over the long term.

- **Robust expansion plans**

  Indian Hotels (IHCL) has laid down robust expansion plans. This has been done to benefit the most from growing travel & tourism demand, which is expected to grow faster at 8.2% per annum over the next ten years in India. The company plans to double its room base from 10,300 to 19,200 rooms under its various segments. By FY11E, the company is expected to add around 3,500 rooms. With these additions, the company would be able to clock revenue CAGR of over 14% in our forecast period FY09-11E.

- **Well diversified room portfolio**

  Among peer companies, IHCL has a very well diversified room portfolio in India with room availability at various price points. In order to benefit from improving domestic tourist traffic segment it is expanding its rooms under the economy segment through the Ginger brand. The company currently has 17 Ginger hotels in this segment and is adding another 30 hotels in Tier II and Tier III cities over the next two to three years.

- **Positive industry outlook**

  Our long-term view on the company remains positive given India's continuing high growth trajectory and lesser room availability compared with other Asian countries. Post revival in the economy, we expect the demand for hotel rooms to increase faster in India compared to other regions over the long run.

Valuation

We are revising our earnings estimates and valuation multiples upwards to take in to account the improved economic scenario and exclusion of hotel sector from real estate classification. We value the stock at 12x FY11 EV/EBITDA (earlier 11.5x) and raise our target price to Rs 103 from Rs 77.

Technical Outlook

- The stock resumed a fresh up move after 18 weeks of consolidation and seems poised for a breakout above the Rs-80 mark
- Recent high volume activity along with positive crossover of RSI oscillator on the weekly charts suggest fresh buying interest in the stock
- Break out above Rs 80 would complete the bullish "Cup and Handle" pattern. Such a pattern has a potential of throwing the stock into the higher orbit. The stock may see substantial upsides in the coming months

October 14, 2009

JK Lakshmi Cement (JKCORP)

North-based value play…

Despite strong fundamentals and increase in replacement cost, the stock is trading at a discount to the last down cycle. It is trading at less than half of its replacement cost despite the fact that its return ratios are unlikely to deteriorate below cost of capital. Also, as compared to frontline cement companies, it is trading at more than 50% discount although its return ratios are in line with the industry.

- **Capacity addition to drive volumes**

  JK Lakshmi (JKL) is in the process of increasing its capacity by 67% from its existing 4.75 million tonne (MT) to 7.95 MT by FY13 by setting up a new greenfield plant and debottlenecking the existing plant. Due to a rise in capacity by debottlenecking, cement volumes of JKL are expected to grow at a CAGR of 7.2% (FY09-11E).

- **Cost savings to help cushion margin**

  JKL mainly uses petcoke as a fuel for its operations. It has contracted the fuel at lower prices until October 2009 at Rs 4000 per tonne. Also, the company is in process of increasing its captive power plant (CPP) capacity from 36 MW at the end of FY10 to 66 MW by the end of FY11. Power and fuel constitutes about 34% of the total cost. Contracting power and fuel at low cost has increased the earnings visibility.

- **Healthy balance sheet**

  JKL has cash and investments of Rs 475 crore (Rs 77 per share) and comfortable net debt equity ratio of 0.23x at the end of Q1FY10.

- **Strong quarterly results expected**

  We expect JKL to report 29% YoY topline growth in Q3FY10 on the back of higher volumes and cement prices. The EBITDA margin is expected to increase by 1440 bps YoY due to a decline in power & fuel cost and improvement in realisation. We expect the PAT to increase by 162.2% YoY.

Valuation

At the CMP of Rs 135, JKL is trading at 3.1x and 4.2x its FY10E and FY11E earnings, respectively. On an EV per tonne basis, it is trading at $48 and $45 at its FY10E and FY11E capacities, respectively.

Technical Outlook

- The stock has formed a rounding bottom formation in the weekly chart and taken support at the 50 days simple moving average (SMA) that is placed at 130 during every correction signalling the uptrend is intact
- The stock is currently trading near the high of April 2008 (Rs 130). Sustaining above this will be positive
- Among oscillators, the MACD is in buy mode and RSI is at 50 levels indicating strength in the current uptrend

Rating matrix

CMP	:	**Rs 135**
Target	:	Rs 165
Target Period	:	12 months
Potential Upside	:	22 %

Key Financials

(Rs Crore)	FY08	FY09	FY10E	FY11E
Net Sales	1107.7	1224.7	1513.4	1473.4
EBITDA	351.3	310.7	471.4	391.5
Adj. Net Profit	242.6	178.6	266.7	198.9

Valuation summary

	FY08	FY09	FY10E	FY11E
EPS (Rs)	39.6	29.2	43.6	32.5
PE (x)	3.4	4.6	3.1	4.2
Target PE (x)	4.2	5.7	3.8	5.1
EV to EBITDA (x)	3.3	3.6	2.2	2.9
Price to book (x)	1.3	1.0	0.8	0.7
RoNW (%)	42.4	24.2	28.0	17.1
RoCE (%)	23.5	16.8	23.6	16.5

Stock data

Market Capitalisation	Rs 826.2 crore
Debt (Y09)	702.7
Cash Investments (FY09)	Rs 415.6 crore
EV	Rs 1113.3 crore
52 week H/L	149.5/30.3
Equity capital	Rs 61.2 Crore
Face value	Rs. 10
MF Holding (%)	0.1
FII Holding (%)	9.3

Price movement (Stock vs. Nifty)

Analyst's name

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Mahurat Pick

October 14, 2009

NTPC (NTPC)

Rating matrix

CMP	:	**Rs 210**
Target	:	Rs 245
Target Period	:	12 months
Potential Upside	:	17%

Key Financials

(Rs Crore)	FY08	FY09	FY10E	FY11E
Net Sales	36,946	41,924	47,578	55,049
EBITDA	11,166	10,398	13,961	17,227
Net Profit	7,311	8,201	8,741	9,622

Valuation summary

	FY08	FY09	FY10E	FY11E
PE (x)	23.4	21.1	19.8	18
Target PE (x)	27.2	24.6	23.1	21.0
EV to EBITDA (x)	17.0	18.3	13.7	11.1
Price to book (x)	3.2	2.9	2.7	2.5
RoNW (%)	13.9	14.9	14.7	15.1
RoCE (%)	14.9	13.3	14.2	13.8

Stock data

Market Capitalisation	Rs 173154crore
Debt (FY10E)	Rs 34567 crore
Cash (FY10E)	Rs 16271 crore
EV	Rs 191452 crore
52 week H/L	233/113
Equity capital	Rs 8245.5 Crore
Face value	Rs. 10
MF Holding (%)	4.2
FII Holding (%)	3

Technical Check

Analyst's name

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Solidarity to continue…

NTPC is a power sector behemoth and one of the most efficient power generators having ~29% share in generation for the country. NTPC expects to command a portfolio of 50 GW by 2012. After a lull with respect to capacity addition in FY10E, we expect the pace to pick up in FY11E. The company will add ~6,400 MW. NTPC has also started exploring the green initiative actively and will help the company in faster addition of generation capacity.

- **Aggressive foray into merchant capacity**

  NTPC is considering development of nearly 2,120 MW of merchant capacity over the next three years. This will provide returns that do not fall under the purview of regulatory returns and lead to improvement in the overall operating parameters of the company.

- **Green initiatives to require lesser gestation period**

  NTPC is contemplating alternatives for increasing the use of green fuel in the overall generation portfolio to 29.3% by FY17E. The company has envisaged an overall installed capacity of 75,000 MW by FY17. NTPC will be diversifying into various fuel sources including hydro, wind, nuclear and gas. Capacity addition would require comparatively less time than setting up a thermal power station. We also believe that over the coming years NTPC will focus on brownfield expansions at gas-based capacities that will ramp up comparatively faster than conventional coal-based facilities.

- **Govt likely to offload another 5% stake in NTPC**

  With the disinvestment programme of the UPA, we believe the government can dilute another 5% stake by as early as March 2010.

Valuation

At the current market price of Rs 210, the stock is trading at P/BV of 2.7x in FY10E and 2.5x in FY11E. We believe a solid outlook to the growth of the sector and additional capacity coming up at a faster pace will lead to a rerating of the stock on the upside. We maintain our price target of Rs 245 over the next 12 months.

Technical Outlook

- The stock has been trading in an upward rising channel for the last few months and is showing signs of bullishness
- The stock is currently trading above the 200 days simple moving average (SMA) that is at 195 levels and can act as a strong support at every downtrend
- The MACD oscillator has given a positive crossover near the base line that supports the positive momentum in the stock

Mahurat Pick

October 14, 2009

Shiv Vani Oil & Gas (SHIVAN)

Rating matrix

CMP	:	**Rs 355**
Target	:	Rs 456
Target Period	:	12 months
Potential Upside	:	28.4 %

Key Financials

(Rs Crore)	FY08	FY09	FY10E	FY11E
Net Sales	574.3	871.3	1307.4	1502.8
EBITDA	221.5	352.2	531.5	576.3
Net Profit	92.7	192.7	232.7	270.2

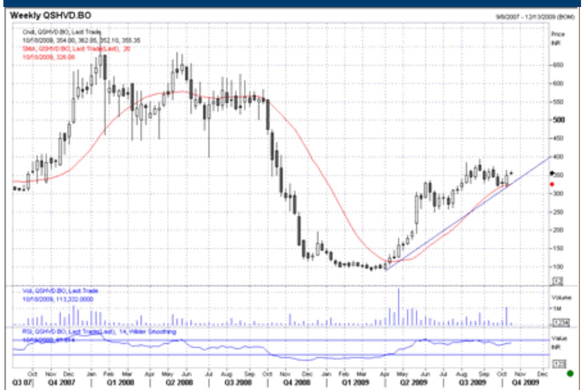
Valuation summary

	FY08	FY09	FY10E	FY11E
EPS (Rs)	21.1	43.9	53.0	61.6
PE (x)	16.8	8.1	6.7	5.8
Target PE (x)	21.6	10.4	8.6	7.4
EV to EBITDA (x)	10.2	10.0	6.2	5.2
Price to book (x)	2.3	1.8	1.4	1.2
RoNW (%)	13.8	22.4	21.4	20.0
RoCE (%)	12.5	10.9	14.9	16.1

Stock data

Market Capitalisation	Rs 1558.5 crore
Debt (FY09)	Rs 2071.2 crore
Cash (FY09)	Rs 103.4 crore
EV	Rs 3526.3 crore
52 week H/L	508/88
Equity capital	Rs 43.9 Crore
Face value	Rs. 10
MF Holding (%)	8.7
FII Holding (%)	5

Technical Check



Analyst's name

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Stellar performer…

Shiv-Vani Oil & Gas Exploration Services has created a niche for itself in the capital intensive exploration and production (E&P) services sector. The company has the capability to execute large orders and its diversified service offerings de-risk its business. Shiv Vani's increase in capability via rigs addition and strong order book give higher visibility to its earnings.

- **Different from others in onshore biz –composite service provider**

  Shiv-Vani provides a wide range of services to onshore exploration companies, from seismic data acquisition services to drilling services. This makes it a composite services provider and differentiates it from other players. Moreover, being a one-stop shop it becomes the clients' preferred bet for the entire range of services.

- **Strong order book position of 4.4x FY09 revenues**

  Shiv-Vani Oil has a strong order book position of ~Rs 3900 crore, which is to be executed over the next ~2.5 years. With strong order execution capability and addition in number of rigs, we believe the company would report robust numbers for the next two years.

- **Good quarterly performance**

  Shiv-Vani Oil has reported strong Q2FY10 numbers with a topline growth of 70.8% YoY to Rs 319.8 crore and EBITDA growth of 52.2% YoY to Rs 138.2 crore. The company reported a net profit growth of 18.5% YoY from Rs 47.6 crore in Q2FY09 to Rs 56.4 crore in Q2FY10. The EPS for Q2FY10 stood at Rs 12.8 per share.

Valuation

Shiv Vani's current order book of ~Rs 3900 crore to be executed over the next ~2.5 years has improved its visibility, going forward. Traction in execution has also improved the fundamentals of the company. Shiv-Vani has bid for tenders worth Rs ~3,000 crore and it would consider equity dilution for capital expansion if it bags orders for some of the above tenders. The stock is currently trading at 5.5x FY11E EPS of Rs 61.6 and at an EV/EBITDA multiple of 5.1x FY11E. We have valued Shiv-Vani at 6x FY11E EV/EBITDA with a price target Rs 456.

Technical Outlook

- The stock made a lifetime high of Rs 738 in January 2009 and then faced a sharp decline up to around Rs 100 levels where it made a good base during the early part of 2009. The stock then resumed its upward rally along with good volumes
- It continues to form higher top and higher bottom on the weekly charts indicating a strong intermediate up trend. After consolidation between Rs 330 and Rs 250 levels for about six weeks, recently it broke above the Rs 330 mark. Pattern implication suggests fresh targets up to Rs 450 and Rs 486
- Momentum oscillators such as 14 period RSI remain in buy mode and support the bullish argument

October 14, 2009

South Indian Bank (SOUINO)

Compelling valuations amid strong Q2FY10

With consistent business growth over FY06-FY09 coupled with reasonable RoEs of 16%, we believe South Indian Bank is relatively undervalued in the midcap banking space and, therefore, deserves a re-rating.

- **Consistent business growth coupled with high NIMs**

  The bank has grown its core business by 20% over FY02-09. The loan book is highly retail centric with retail loans forming 58% of the total book. This has helped the bank to maintain higher yield on assets. Also, the bank has a good amount of NRE deposits as it is based in Kerala. NRE deposits relatively carry less cost compared to term deposits. This, along with CASA deposits of 25%, has helped the bank to contain its NIMS at 3% levels. Going forward, we expect the bank to maintain its business growth of 20% and NIMs of 2.9-3% levels over FY09-11.

- **Comfortable asset quality**

  Over a period of time, the asset quality of the bank has improved significantly. As of Q1FY10, the GNPA and NNPA stood at 1.9% and 0.7%, respectively. Also, the restructured loans as of Q1FY10 were at 2.7% of the total loan book. This is well below the industry average. Going forward, we believe there may be little incremental slippage in its asset quality, which is already built in the stock price. The bank also has sufficient capital adequacy as the CAR stood at 16.5% sufficient enough to keep growth ticking.

- **Q2FY10 result reiterates our optimistic stance**

  The bank continues to deliver robust results as in Q2FY10 the PAT grew by 40% YoY. The asset quality also improved since NNPA as of Q2FY10 stood at 0.43%. Even the management has guided a strong 25% growth in advances vs. the earlier target of 20% for FY10E.

Valuation

At the CMP of Rs 132, the stock is trading at 1x and 0.9x its FY10E and FY11E ABV, respectively. We believe that with such business credential and consistency in generating reasonable return ratios, the stock deserves a higher investment multiple vis-à-vis its peers. We are assigning a target of Rs 172 (1.2x FY11E ABV) to the stock representing a 30% upside over twelve months.

Technical Outlook

- On the daily chart the stock continues its up trend, with higher top and higher bottom formation. Also, the 50 day simple moving average (SMA) at 118.50 continues to act as a strong support
- The stock has taken support at Rs 108, which is the 38.2% retracement level of the last rally from 84 to 124
- Among momentum oscillators, the RSI and stochastic has given a positive cross over and is signalling strength and positive momentum in the coming week

Rating matrix

CMP	:	**Rs 132**
Target	:	Rs 172
Target Period	:	12 months
Potential Upside	:	30%

Key Financials

(Rs Crore)	FY08	FY09	FY10E	FY11E
Net Interest Inc.	394	523	610	717
Total Income	537	687	787.5	910
PPP	289	359	424.5	508
PAT	152	195	229	269

Valuation summary

	FY08	FY09	FY10E	FY11E
PE (x)	7.9	7.6	6.5	5.5
P/ABV (x)	1.0	1.2	1.1	0.9
GNPA (x)	1.8	2.2	1.9	1.85
NNPA (x)	0.3	1.1	0.75	0.75
RoNW (%)	16.4	15.9	16.45	16.75
RoA (%)	1.0	1.0	1.0	1.0

Stock data

Market Capitalisation	Rs 1491crore
EV	Rs112366 crore
52 week H/L	136.5/43
Equity capital	Rs 113 crore
Face value	Rs.10
MF Holding (%)	4.5
FII Holding (%)	37.1

Technical Check

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