Markets regain positive momentum

Markets regained their positive momentum during the week and ended higher amidst sessions marked by volatility, with the Sensex and Nifty closing higher by 1.2% and 1.3%, respectively. BSE mid-cap and small-cap indices outperformed their large-cap counterparts, ending higher by 2.9% and 2.8%, respectively. Factors such as tabling of the Direct Tax Code Bill in the Lok Sabha, robust GDP growth of 8.8% in 1QFY2011, strong auto sales numbers, expansion in the manufacturing sector in August 2010, resumption of buying by foreign funds and mixed global cues weighed on investor sentiments during the week. On the sectoral front, most of the sectoral indices ended in green, with the BSE realty index gaining 3.2% and the BSE auto and FMCG indices gaining 3% each.

BSE auto index outperforms Sensex

The BSE auto index was a strong gainer for the week, moving up 3.0% and widely outperforming the Sensex, which increased 1.2%. Auto stocks gained on robust monthly sales numbers posted by the automakers, which showed no signs of slowing down. All the heavyweights registered a strong performance during the week except Hero Honda (HH), which underperformed the index, losing ground by 2.7%. The underperformance can be attributed to concerns arising from reports that Honda may exit the JV with HH. Meanwhile, strong momentum was witnessed in Maruti, Bajaj Auto, M&M and Tata Motors, which moved up by 4.4%, 3.3%, 3.3% and 2.2%, respectively, on robust volume growth in August 2010. Overall, we remain positive on the long-term prospects of the Indian auto sector. We prefer stocks where strong and improving business fundamentals would continue to deliver positive earnings surprises.

Inside This Weekly

Direct Tax Code - Event Update: The Finance Ministry presented the new Direct Tax Code Bill, 2010, for discussion in the Parliament on August 30, 2010. The bill has rolled back almost all the changes proposed in the original discussion paper and is not much different from the existing laws.

Lakshmi Machine Works - Initiating Coverage: Lakshmi Machine Works has dominated the Indian textile machinery sector for decades, providing its clients with world class products at the lowest prices available. The company has a healthy order book of Rs3,300cr (2.9x FY2010 sales), providing good revenue visibility.

Jagran Prakashan - Company Update: Management reiterated strong revenue growth for FY2011. With Blackstone's investment, wider portfolio (including Mid-Day publication) and underperformance of the stock, **we reiterate Buy on the stock with a Target Price of Rs154.**

PVR - Management Meet Note: We have revised our estimates upward to factor in: 1) the aggressive increase in exhibition capacity, 2) improved visibility in the production pipeline and 3) higher contribution from PVR Blu-O. **We maintain Buy with a revised Target Price of Rs226 (Rs199).**

Note: Stock Prices are as on Report release date; Refer all Detailed Reports on Angel website.

FII activity

As on	Cash (Equity)	Futures	(Rs crore) Net Activity
Aug 27	(33)	134	101
Aug 30	273	727	1,000
Aug 31	538	(949)	(411)
Sep 01	527	927	1,454
Sep 02	148	1,174	1,322
Net	**1,453**	**2,013**	**3,466**

Mutual Fund activity (Equity)

As on	Purchases	Sales	(Rs crore) Net Activity
Aug 27	499	433	66
Aug 30	386	378	8
Aug 31	447	799	(352)
Sep 01	675	514	161
Sep 02	594	574	19
Net	**2,601**	**2,698**	**(98)**

Global Indices

Indices	Aug. 27, 10	Sept. 03, 10	Weekly (% chg)	YTD
BSE 30	17,998	18,221	1.2	4.3
NSE	5409	5479	1.3	5.4
Nasdaq	2,154	2,234	3.7	(1.6)
DOW	10,151	10,448	2.9	0.2
Nikkei	8,991	9,114	1.4	(13.6)
HangSeng	20,597	20,972	1.8	(4.1)
Straits Times	2,939	3,003	2.2	3.6
Shanghai Composite	2,611	2,655	1.7	(19.0)
KLSE Composite	1,411	1,436	1.7	12.8
Jakarta Composite	3,105	3,164	1.9	24.9
KOSPI Composite	1,730	1,780	2.9	5.8

Sectoral Watch

Indices	Aug. 27, 10	Sept. 03, 10	Weekly (% chg)	YTD
BANKEX	12,216	12,471	2.1	24.3
BSE AUTO	8,710	8,970	3.0	20.6
BSE IT	5,408	5,461	1.0	5.3
BSE PSU	9,695	9,809	1.2	2.9

Direct Tax Code

Event Update

No big change

The Finance Ministry presented the new Direct Tax Code Bill, 2010 for discussion in the Parliament on August 30, 2010. The bill, if passed, will replace the existing Income Tax Act, 1961 and come into effect from April 1, 2012. The tabled bill is a distinct departure from the original discussion paper introduced last year, which had proposed several radical changes. The bill on the other hand, has rolled back almost all those changes and is not much different from existing laws. The major provisions and implications of the proposed bill are summarised below.

Corporate tax rate reduced to 30%: Under the original discussion paper, it was proposed to reduce the corporate tax rate from about 33% to 25%. However, the new bill proposes only the removal of surcharge, effectively reducing the tax rate to 30%. This is a marginal positive for the Indian companies, especially in the FMCG and Banking sectors, which currently have tax rates close to 33%.

The bill proposes to move to investment-linked tax incentives from profit-linked tax incentives for specified businesses, including developers of SEZ's and units operating in SEZ's. However, profit-linked incentives for the SEZ developers notified till the end of FY2012 and SEZ units commencing operations till the end of FY2014 would be grandfathered. The party-spoiler for SEZ developers and units is that from now on, they will be subject to MAT. Similarly, tax holiday for infrastructure companies has been grandfathered for projects eligible till March 31, 2012.

The DTC bill has capped the maximum allowable depreciation rate on physical assets at 15%, which is the same as proposed in the original draft. The bill envisages 200% of weighted deduction for in-house R&D expenditure. The dividend distribution tax for companies has been kept at 15%.

Our analysis indicates that for the total sample of 5,041 companies, the effective tax rate was about 26%. However, this includes profit from businesses such as infrastructure, exports, etc. presently exempt from taxation under various provisions such as Section 10A, 10AA, 10B, 10BA, etc. While the existing projects will not lose these benefits, over the next few years as these profit-based incentives on existing projects expire, broadly the effective tax rates for the corporate sector, as a whole, are expected to rise and normalise at nearly 30% levels, albeit leading to a convergence in effective tax rates across sectors.

Key negative of original paper rolled back - MAT to remain profit-based: The bill proposes MAT rate of 20% of adjusted book profit, compared to 19.93% (with surcharge) of adjusted book profit currently. The original draft had proposed MAT to be investment-based rather than profit-based. It was suggested to levy MAT of 2% on gross assets for non-banking companies and 0.25% of gross assets on banking companies. By reverting to profit-based MAT, the bill has provided relief to the companies with genuine losses or sub-optimal RoCE due to initial or cyclical downturn, as they may have been negatively impacted by the move to investment-based MAT.

Further, MAT credit has been allowed to be carried forward for 15 years, compared to 10 years currently. The draft paper had recommended the removal of any MAT credit. Losses from ordinary sources can be carried forward indefinitely, as per the current bill.

Higher taxes for Insurance Companies: The bill has a proposal to increase the tax on profit of life insurance companies from 12.5% currently to 30%. Besides, the bill seeks to introduce 5% dividend distribution tax for mutual funds (MF's) and unit linked insurance products (ULIP), though investors will not have to pay any tax on the dividend. Tax benefits will only be available on insurance policies that have protection of greater than 20x the annual premium and in case the amount is received on maturity. In our view, these proposals are a further negative for life insurance companies in a string of unfavourable regulatory changes in the recent past.

Individual Income Tax slabs to be increased: The DTC bill looks to increase the existing income tax slabs, effectively reducing the applicable tax rates to individuals. However, the proposed revision in the slabs is a watered down version of the one proposed in the original DTC draft. In fact, the improvement in effective tax rates is marginal. An individual earning Rs30lakh salary per annum pays an effective tax rate of 25.1% currently. Under the new bill, this person would have to pay an effective rate of 24.3% compared to the 17.8% effective rate under the original DTC draft. The increase in tax slabs, even though marginal, is a positive for domestic consumption driven sectors like FMCG, consumer goods, etc.

Research Team

Lakshmi Machine Works - Buy

Price - Rs2,327
Target Price - Rs2,819

Initiating Coverage

Machining Growth

Lakshmi Machine Works (LMW) has dominated the Indian textile machinery sector for decades, providing its clients with world class products at the lowest prices available. The company has a healthy order book of Rs3,300cr (2.9x FY2010 sales), providing good revenue visibility.

Ability to defend market share: LMW is one of the only three players in the world that manufacture the entire range of yarn spinning machinery. It has high market share of around 70% in its space in India. The company is placed advantageously owing to the promising future prospects of the textile industry in India. With an installed capacity of 41.3 million spindles, India is the second largest player in the global textile spinning industry. Being the largest player in the world's second largest textile machinery market offers significant competitive advantages to LMW.

LMW has been able to build its market share on the back of strong after-sales service coupled with providing world's best technology to customers at the cheapest rates. LMW has service centres at all the textile hubs in the country, which gives it a strong advantage over its European peers, who at the most have service centres in only 3-4 cities across the country. LMW also enjoys an edge over competition as it caters to a huge 1,300 textile players out of the total universe of around 1,600.

LMW has proven its technological prowess over the past 15 years by developing its products in-house and matching its European peers in terms of quality. A case in point is the LR9 series of machinery, which has the maximum number of spindles being currently manufactured in India. In terms of price, LMW's products are at least 10% cheaper than its European peers who have a manufacturing base in India.

Strong order book to translate into robust sales growth: LMW has a strong order book of Rs3,300cr, with the current execution period of 8-10 months. The upturn in the spinning industry has lent a boost to the company's order inflow. The yarn prices have increased at 15.0% CAGR over the last two years and most players are operating at utilisation rates of around 95%. Over the next few years, to meet the requirements of increasing demand, we believe that the players would have to expand their capacities, thus benefiting LMW. As per our calculation, LMW's total order inflow in 1QFY2011 was around Rs600cr, which is over 90% of the total order inflow in FY2010, indicative of strengthening demand.

Outlook and Valuation

The outlook for the textile machinery sector in India is positive over the next few years given the upturn in the textile industry. We are positive on LMW owing to its strong order book position. Order book of Rs3,300cr, translating into 2.9x FY2010 sales, provides substantial revenue visibility for the next few years. During FY2010-12E, we expect the company to register top-line CAGR of 48.3% and bottom-line CAGR of 51.8%.

Historically, the stock has traded in the range of 3.8x to 15.7x its one-year forward earnings, depending on the business cycle. At Rs2,327, the stock is quoting at 18.2x and 12.5x FY2011E and FY2012E EPS respectively, which we believe is attractive. We have assigned a target multiple of 15x to the stock, which is towards the higher end of the range, in view of the fact that the company is expected to face strong uptrend in business over the next few years. **We Initiate Coverage on the stock with a Buy recommendation and Target Price of Rs2,819.**

Key Financials

Y/E March (Rs cr)	FY2009	FY2010	FY2011E	FY2012E
Net Sales	**1,338**	**1,131**	**1,883**	**2,487**
% chg	*(39.3)*	*(15.5)*	*66.5*	*32.1*
Net Profit	**107**	**100**	**158**	**230**
% chg	*(55.9)*	*(6.6)*	*58.3*	*45.5*
EBITDA Margin (%)	13.8	14.2	14.3	14.8
FDEPS (Rs)	**86.5**	**80.7**	**127.9**	**186.1**
P/E (x)	26.9	28.8	18.2	12.5
P/BV (x)	3.4	3.1	2.8	2.4
RoE (%)	13.4	11.3	16.2	20.5
RoACE (%)	8.0	7.0	17.0	23.2
EV/Sales (x)	1.7	1.9	1.1	0.7
EV/EBITDA (x)	12.2	13.3	7.7	4.9

Source: Company, Angel Research; Price as on September 3, 2010; Refer detailed Company to be reseased shortly.

Research Analyst - Jai Sharda

Jagran Prakashan - Buy

Price - Rs126
Target Price - Rs154

Company Update

We conducted a concall with Jagran Prakashan management (CFO-R K Agarwal). Key takeaways are as below:

FY2011 guidance of 18% ad growth intact, circulation to be muted: Management reiterated its guidance of ~18% yoy growth in ad revenues in FY2011 contributed by higher number of colour ads and absorption of the ad-rate hike (~8-9%). JPL registered ad revenue growth of 18% in July and 27% till date in August 2010 and expects 2Q can deliver positive surprise. However, circulation revenues are expected to remain muted due to rising competition (cover price cuts).

Non-publishing divisions to record strong growth in FY2011: OOH broke even in 1QFY2011 and is expected to clock revenues of ~Rs60cr (Rs48cr) and closed FY2011 with a profit of ~Rs3-4cr. Going forward, JPL will continue to focus on tier-II and III towns without losing opportunity in the bigger towns. For expansion of business, it is aggressively scouting for joint ventures with operators or even acquisitions in the unorganised sector.

The event management business of the company is estimated to grow by 40% yoy in FY2011E to Rs32cr (Rs23cr) and Rs4-5cr in bottom-line. While FY2010 was a year of low profitability for business, in the longer run, management expects the current infrastructure to help it achieve a turnover of Rs50cr and bottom-line of Rs10cr.

Digital media is expected to grow multi-fold and garner top-line of Rs8-10cr in FY2011E and ~Rs2cr in bottom-line. We are however, a little conservative with respect to management's guidance and expect the business to post a CAGR of 98% over FY2010-12E to Rs10cr.

Aggressive growth plans for *i-Next* and *City Plus*: The three-year old brands, *i-Next* and *City Plus*, have been performing satisfactorily. With improving billing of *i-Next* month-on-month (standalone billing of advertisement stands at Rs1cr; including the combo offer, stands at Rs3.5cr), the JPL management is optimistic about its growth prospects and has guided for 20% yoy revenue growth in FY2011E from current revenues of ~Rs40cr. For *City Plus,* the management plans to expand it further beyond the footprint area of *Dainik Jagran* in FY2011E (there are currently 18 editions outside JPL's area of operation) and has guided for 100% yoy growth in its revenues from current ~Rs4cr.

Entry of DB Corp into Jharkhand not a major threat: *Dainik Jagran*'s cover price has been slashed from Rs4 to Rs2 post the entry of DB Corp in Ranchi. Consequent to the cover price cut, Jharkhand's circulation has spiked to ~50% yoy to 2.3lakh copies (1.45lakh copies). However, management maintains that it does not see DB Corp as a major threat owing to relatively smaller size of the Jharkhand market (~5% contribution to JPL's revenues).

Clearance of Blackstone investment likely in 3QFY2011: According to certain media report (*Business Line*, June 10, 2010), the Foreign Investment Promotion Board (FIPB) has deferred the proposal of FDI in Jagran Media. Management did express its dissatisfaction and expects the approval by 3QFY2011.

Outlook and Valuation

With Blackstone's investment of Rs225cr (awaiting FIPB approval) and wider portfolio (including Mid-Day publications), we believe Jagran is well poised to benefit from steady growth in the print media. While we have not factored in the Mid-Day deal (likely to be integrated with JPL by 3QFY2011), we believe that the deal is likely to be earnings accretive by ~2-3% in FY2011E. **We reiterate a Buy on the stock, with a Target Price of Rs154 based on P/E multiple of 20x FY2012E earnings.**

Key Financials

Y/E March (Rs cr)	FY2009	FY2010	FY2011E	FY2012E
Net Sales	**823**	**942**	**1,075**	**1,239**
% chg	*9.8*	*14.4*	*14.1*	*15.3*
Net Profit	**92**	**176**	**194**	**233**
% chg	*(6.6)*	*92.0*	*10.5*	*19.8*
EBITDA (%)	19.0	30.0	29.6	30.3
EPS (Rs)	**3.0**	**5.8**	**6.5**	**7.7**
P/E (x)	41.5	21.6	19.6	16.3
P/BV (x)	6.8	6.2	5.8	5.3
RoE (%)	16.7	30.0	30.6	33.9
RoCE (%)	16.6	30.0	32.8	37.8
EV/Sales (x)	4.7	4.1	3.6	3.1
EV/EBITDA (x)	24.6	13.6	12.1	10.3

Source: Company, Angel Research; Price as on August 30, 2010

Research Analyst - Anand Shah/Chitrangda Kapur/Sreekanth P.V.S

PVR - Buy

Price - Rs174
Target Price - Rs226

Management Meet Note

We met Nitin Sood, CFO, PVR. Key takeaways of the meeting are as below:

Screen additions/movie pipeline to drive exhibition business: Management has guided for a robust 2Q/3QFY2011 for the exhibition business, aided by- strong movie pipeline (both domestic and Hollywood) and substantial screen additions (PVR has added 28 screens and ~7,500 seats over last six months already). Management expects a pipeline of almost 14-15 3D English movies (most of them being sequels) to be released over the next 18-24 months, contributing ~27-28% to the top-line, with 3D movies contributing higher (2-2.5x the 2D releases).

Phoenix Mill offers considerable value unlocking, not factored in our numbers: The management is looking at sale and lease back of its property at Phoenix Mills and is positive of closing the deal by end of FY2011. While the company had acquired the property at a cost of ~Rs55-60cr and has invested ~Rs20-25cr in fit-outs, it expects the deal to rake in ~Rs80-100cr cash which will help funding future capex needs and boost the company's RoCE as the deal would unlock substantial cash which is currently locked in, dragging RoCE. We have not factored this in our numbers.

Multi-fold growth for PVR Pictures in FY2011E: PVR Pictures released *Aisha*, which is estimated to have contributed net revenue of ~Rs20cr and has two more productions lined up in FY2011. Moreover, the company has bagged pan-India distribution rights for *Action Replayy*, which will be a Diwali release. Going forward, for FY2011E, the company has guided for ~Rs125cr revenue, contributed equally by distribution and the production of movies. Owing to significant volatility ensuing in production business, we remain conservative and have revised our estimates upward to Rs95/110cr for FY11/12E (Rs55/65cr estimated earlier for the same period), on account of better visibility in movie slate.

Blu-O a profit making venture from first year: For FY2010, Blu-O registered revenue of Rs14cr and an EBIT of Rs3cr. While the company incurs Rs40-50lakh cost per lane, it has indicated a 4 year EBITDA payback for the business, with a RoCE of ~20-25%. Blu-O is expected to add a 26 lane bowling alley by 4QFY2011, in Vasant Kunj, Delhi. The company is targeting a total of 150 lanes by FY2012 and expects it to be ~Rs80-90cr business. However, we remain conservative and have revised our estimates upward for FY2012E to Rs45cr (earlier Rs25cr) on account of incremental earnings from the newly opened properties.

Outlook and Valuation

Post management meet, we have revised our estimates upward to factor in: 1) aggressive increase of the exhibition capacity, 2) improved visibility in the production pipeline and 3) higher contribution from PVR Blu-O. For FY2010-12E, we expect PVR to register 44% CAGR in its consolidated top-line, aided by 34% CAGR in exhibition revenues, 120% CAGR in PVR Pictures and 80% CAGR in Blu-O. We estimate earnings to register a CAGR of 436% over the same period on a low base and margin expansion (on low base, we expect OPM of 16-17% in FY2011-12E). At the CMP of Rs174, the stock is trading at attractive valuations of 11.5x FY2012E EPS. **We maintain a Buy with a revised Target Price of Rs226 (Rs199) based on 15x FY2012E EPS of Rs15.1. Upside risk to our estimates include significant value unlocking in case the sale and lease agreement for the Phoenix Mill property goes through.**

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2009	FY2010	FY2011E	FY2012E
Net Sales	**352.1**	**334.1**	**542.6**	**690.8**
% chg	*32.4*	*(5.1)*	*62.4*	*27.3*
Net Profit	**8.7**	**1.3**	**24.4**	**38.7**
% chg	*(59.7)*	*(84.6)*	*1,715.9*	*58.3*
EBITDA (%)	13.4	10.2	16.0	17.4
EPS (Rs)	**3.7**	**0.5**	**9.5**	**15.1**
P/E (x)	46.6	330.5	18.2	11.5
P/BV (x)	1.5	1.4	1.3	1.2
RoE (%)	3.6	0.5	7.6	11.1
RoCE (%)	2.8	1.3	7.6	10.6
EV/Sales (x)	1.5	1.6	1.0	0.8
EV/EBITDA (x)	12.4	17.6	6.9	5.0

Source: Company, Angel Research; Price as on September 3, 2010

Research Analyst - Anand Shah/Chitrangda Kapur/Sreekanth P.V.S

Auto Sector Update - August 2010

Pre-festive buying boost volumes

Auto sales continued to be in top gear in August 2010 backed by positive consumer sentiment and robust demand ahead of the festival season. All two- and four-wheeler majors maintained strong sales momentum recording robust sales growth during the month, largely aided by healthy economic growth and easy financing. Further, dealers stocking pre-festive season helped to clock higher volumes during August 2010. Demand for vehicles continues to surpass supply; this is despite the fact that most auto majors have hiked prices passing on the cost impact to the consumers owing to the high commodity prices and changes in the emission norms.

Tata Motors

- TML registered 32.4% yoy growth in total sales to 65,938 units (49,810).
- The CV segment recorded robust 24.7% yoy growth aided by the M&HCV segment, which registered a substantial 36.3% yoy growth.
- The PV segment reported growth of 46% yoy, with dispatches of 8,103 units of Nano, though down 10% mom.
- Indigo recorded sales of 6,678 units, up 151.4% yoy.
- The *Sumo/Safari/Xenon XT* range reported sales of 2,884 units, up 10.5% yoy.

Exhibit 1: Tata Motors - Sales trend

Segment	August			YTD		
	2010	2009	%chg	FY11	FY10	%chg
Total Sales	**65,938**	**49,810**	***32.4***	**315,448**	**220,977**	***42.8***
M&HCV	16,716	12,266	*36.3*	80,578	52,926	*52.2*
LCV	23,022	19,596	*17.5*	105,513	85,572	*23.3*
Total Commercial Vehicles	**39,738**	**31,862**	***24.7***	**186,091**	**138,498**	***34.4***
Utility Vehicles	2,993	2,662	*12.4*	16,121	13,518	*19.3*
Cars	23,207	15,286	*51.8*	113,236	68,961	*64.2*
Total Passenger Vehicles	**26,200**	**17,948**	***46.0***	**129,357**	**82,479**	***56.8***
Exports (Inc Above)	**5,157**	**2,684**	***92.1***	**21,641**	**10,359**	***108.9***

Source: Company, Angel Research

Maruti Suzuki

- Maruti registered sales growth of 23.6% yoy to 104,791 units (84,808).
- The A2 segment grew 25.7% yoy; sales of the C segment increased by 114.5% yoy boosted by sales of its new offering, Eeco, which was launched in January 2010.
- The company registered 32.5% yoy increase in domestic sales volumes.
- However, Maruti reported 18.4% yoy dip in exports to 12,117 units (14,847).

Exhibit 2: Maruti Suzuki - Sales trend

Segment	August			YTD		
	2010	2009	%chg	FY11	FY10	%chg
Total Sales	**104,791**	**84,808**	***23.6***	**488,972**	**389,611**	***25.5***
A1 M800	1,919	2,734	*(29.8)*	10,505	12,649	*(16.9)*
C Omni, Versa	14,157	6,601	*114.5*	61,295	36,136	*69.6*
A2 Alto, Wagon R, Zen,Swift, A-Star, Ritz	65,953	52,473	*25.7*	300,545	247,321	*21.5*
A3 SX4, Dezire	10,479	7,821	*34.0*	49,789	36,869	*35.0*
Total Passenger Cars	**92,508**	**69,629**	***32.9***	**422,134**	**332,975**	***26.8***
MUV Gypsy, Vitara	166	332	*(50.0)*	3,541	1,929	*83.6*
Domestic	**92,674**	**69,961**	***32.5***	**425,675**	**334,904**	***27.1***
Exports	**12,117**	**14,847**	***(18.4)***	**63,297**	**54,707**	***15.7***

Source: Company, Angel Research

Mahindra & Mahindra

- M&M monthly sales grew 28.1% yoy to 42,338 units (33,059).
- The tractor segment grew 26.2% yoy on account of the 22.6% yoy increase in domestic tractor sales and 102.5% rise in tractor exports.
- The automotive segment grew 29% yoy led by growth in the passenger UV, four-wheeler pick up and three-wheeler sales.
- The UV segment (including Xylo and Bolero) reported 14% yoy growth, while the LCV segment reported 33% yoy growth. Logan sales were up 71% yoy.
- Production in the UV and tractor space continues to face supply shortages.

Exhibit 3: Mahindra & Mahindra - Sales trend

Segment	August			YTD		
	2010	2009	%chg	FY11	FY10	%chg
Total Sales	**42,338**	**33,059**	***28.1***	**217,220**	**174,726**	***24.3***
Utility Vehicles	12,994	11,443	*13.6*	63,929	58,134	*10.0*
Four-wheel pick up (GIO + Maxximo)	7,533	5,188	*45.2*	37,580	23,905	*57.2*
LCV	873	658	*32.7*	4,858	4,171	*16.5*
Logan	801	469	*70.8*	2,869	2,391	*20.0*
Three wheelers	5,074	3,652	*38.9*	22,660	16,490	*37.4*
Exports	1,628	1,003	*62.3*	7,149	2,754	*159.6*
Total Automotive Sales	**28,903**	**22,413**	***29.0***	**139,045**	**107,845**	***28.9***
Domestic Tractor Sales	12,453	10,161	*22.6*	73,703	64,252	*14.7*
Exports Tractor Sales	982	485	*102.5*	4,472	2,629	*70.1*
Total Tractor Sales	**13,435**	**10,646**	***26.2***	**78,175**	**66,881**	***16.9***

Source: Company, Angel Research

Auto Sector Update - June 2010

Bajaj Auto

- Bajaj Auto reported overall sales growth of 54.6% yoy to 329,364 units (213,072).
- The motorcycle segment posted highest-ever sales for the month, registering 58% yoy growth led by two of its major brands, Pulsar and Discover.
- The three-wheeler segment reported 33.9% yoy growth to 40,188 units (30,021 units), highest ever for the month.
- New capacity for motorcycles that came on-stream in August 2010 benefited the company.

Exhibit 4: Bajaj Auto - Sales trend

Segment	August			YTD		
	2010	2009	%chg	FY11	FY10	%chg
Total Sales	**329,364**	**213,072**	**54.6**	**1,576,115**	**953,569**	**65.3**
Motorcycles	289,176	182,441	58.5	1,397,348	833,331	67.7
Scooters	-	610	-	27	2,871	(99.1)
Total 2 Wheelers	**289,176**	**183,051**	**58.0**	**1,397,375**	**836,202**	**67.1**
Three Wheelers	40,188	30,021	33.9	178,740	117,367	52.3
Export (Incl Above)	98,578	75,164	31.2	529,271	322,044	64.3

Source: Company, Angel Research

Hero Honda

- Hero Honda (HH) sold 424,617 units (415,137) during the month, registering a marginal growth of 2.3% yoy.
- Though the growth was marginal, it has come on a high base.
- *Pleasure* in the scooter segment sold over 27,000 units in August 2010.
- Ongoing constraints in supply of key components continue to restrict the overall sales growth.
- Moreover, HH is planning a series of new launches ahead of the festival season, which would help it carry forward the sales momentum.

Exhibit 5: Hero Honda - Sales trend

Segment	August			YTD		
	2010	2009	%chg	FY11	FY10	%chg
Total Sales	424,617	415,137	2.3	2,086,342	1,900,932	9.8

Source: Company, Angel Research

TVS Motor

- TVS Motor reported 33.5% yoy growth in overall volumes to 170,735 units (127,875).
- Domestic sales grew 30.6% yoy to 151,707 units (116,128).
- The scooter segment recorded 43.1% yoy growth to 40,913 units (28,582).
- The motorcycle segment grew by 30.2% yoy to 66,574 units (51,127).
- Exports reported impressive growth of 62% to 19,028 units (11,747).
- Three-wheeler sales surged 251%, registering sales of 3,626 units (1,033).

Exhibit 6: TVS Motors - Sales trend

Segment	August			YTD		
	2010	2009	%chg	FY11	FY10	%chg
Total Sales	**170,735**	**127,875**	**33.5**	**800,783**	**599,185**	**33.6**
Motorcycles	66,574	51,127	30.2	327,983	246,903	32.8
Scooters	40,913	28,582	43.1	176,756	123,505	43.1
Mopeds	59,622	47,133	26.5	281,511	224,609	25.3
Total 2 Wheelers	**167,109**	**126,842**	**31.7**	**786,250**	**595,017**	**32.1**
Export (Incl Above)	19,028	11,747	62.0	93,139	56,164	65.8
Three Wheelers	**3,626**	**1,033**	**251.0**	**14,533**	**4,168**	**248.7**

Source: Company, Angel Research

Outlook

We remain positive on the Indian auto sector. We estimate overall auto volumes to register CAGR of around 14% over FY2010-12E aided by the improved economic environment for the sector. Over the longer term, comparatively low penetration levels, a healthy economic environment and favourable demographics supported by higher per-capita income levels are likely to help the auto companies in sustaining their top-line growth. However, increase in input costs and interest rates are anticipated headwinds that could impact volume and earnings growth of the sector. We expect rising input costs to restrict profitability, despite positive view on demand. **We maintain a Buy on M&M and Tata Motors and Accumulate on Maruti Suzuki, Hero Honda and Bajaj Auto.**

Research Analyst - Vaishali Jajoo/Yaresh Kothari

Markets consolidate - Undertone still bullish

Sensex (18221) / Nifty (5479)

In our previous Weekly report, we had mentioned that the indices are near to the support levels of 18000 - 17840 / 5400 - 5350 and in view of the placement of the momentum oscillators which were in the oversold zone, a bounce from those levels could not be ruled out. As expected, the indices made a sharp recovery from the support levels mentioned and made a high of 18356 / 5514, which led the Sensex to gain 1.2% whereas the Nifty, gained 1.3% vis-à-vis the previous week.

Pattern Formation

- On the **Daily chart**, in the last two consecutive trading sessions we witnessed a narrow range body formation, which indicates indecisiveness prevailing at current levels. Further, the prices have stayed closed above the 5 & 20 EMA. This suggests of further up move. *(refer Exhibit 1)*.

Future Outlook

The coming week is likely to trade with a positive bias. On the Daily chart, in the last two consecutive trading sessions we witnessed a narrow range body formation which indicates consolidation of previous rise but not weakness. We maintain our stance that the indices are likely to test 18900 - 19050 / 5700 - 5750 levels in couple of weeks time, once they trade and close above 18475 / 5550 levels. On the downside, 18000 - 17840 / 5400 - 5350 levels remain a crucial support zone for the market.

Stock - specific activity in mid - and small - cap is likely to continue. We reiterate our view that traders with long positions in the range of 5470 - 5400 levels should maintain a STRICT stop loss at 5340 levels.

Exhibit 1: Sensex Daily chart

Source: Falcon

Weekly Pivot Levels For Nifty 50 Stocks

SCRIPS	R2	R1	PIVOT	S1	S2
SENSEX	18668	18445	18132	17909	17597
NIFTY	5612	5546	5447	5381	5282
BANK NIFY	11251	11121	10887	10757	10523
A.C.C.	931	914	886	869	841
ABB LTD.	799	790	775	766	752
AMBUJACEM	132	129	124	121	116
AXISBANK	1560	1470	1310	1220	1060
BHARAT PETRO	881	824	783	726	685
BHARTIARTL	358	349	332	323	306
BHEL	2558	2472	2424	2338	2290
CAIRN	351	343	337	329	323
CIPLA	314	310	306	303	299
DLF	327	320	309	302	290
GAIL	484	473	463	451	441
HCL TECHNOLO	429	416	396	383	363
HDFC BANK	2256	2225	2169	2138	2081
HERO HONDA	1878	1808	1739	1668	1599
HINDALCO	184	177	170	163	156
HINDUNILVR	282	277	269	265	257
HOUS DEV FIN	650	641	627	617	603
ICICI BANK	1042	1021	990	969	938
IDEA	74	73	71	69	68
IDFC	190	185	180	175	170
INFOSYS TECH	2900	2839	2753	2691	2605
ITC	170	167	163	160	155
JINDL STL&PO	723	704	690	670	657
JPASSOCIAT	121	117	112	108	104
KOTAK BANK	882	855	833	806	784
LT	1918	1877	1833	1792	1749
MAH & MAH	662	646	625	610	589
MARUTI	1338	1305	1259	1227	1181
NTPC	201	198	196	194	192
ONGC CORP.	1380	1359	1340	1319	1300
PNB	1250	1225	1197	1173	1145
POWERGRID	114	111	108	105	102
RANBAXY LAB.	542	528	502	489	463
RCOM	173	168	162	157	150
REL.CAPITAL	893	838	792	737	692
RELIANCE	985	955	935	906	885
RELINFRA	1073	1053	1018	998	963
RPOWER	162	159	155	153	148
SIEMENS	737	718	701	681	664
STATE BANK	2874	2824	2780	2730	2687
STEEL AUTHOR	199	195	190	186	181
STER	170	164	157	151	143
SUN PHARMA.	1812	1768	1742	1698	1672
SUZLON	57	53	50	46	42
TATA POWER	1306	1278	1243	1215	1180
TATAMOTORS	1060	1037	1009	985	957
TATASTEEL	566	553	535	522	503
TCS	882	860	845	823	808
UNITECH LTD	85	83	80	78	74
WIPRO	416	408	401	394	386

Technical Research Team

New high quite likely but short around 5600

Nifty spot has closed at **5479.40** this week, against a close of **5409** last week. The Put-Call Ratio has decreased from **1.45** to **1.38** levels and the annualized Cost of Carry (CoC) is positive **1.36**%. The Open Interest of Nifty Futures has increased by **10.12**%.

Put-Call Ratio Analysis

The Nifty PCR has decreased from 1.45 to 1.38 levels. In the week gone by, market was moving in a very narrow range of 5400 to 5500. During the week, significant build up has taken place in the 5500 to 5700 call options, and in Put side, the 5400 strike was the highest OI gainer. Interestingly activity in the far out of the money Puts was also observed. Highest buildup in 5400 put is suggesting the level is a immediate support for the market.

Open Interest Analysis

The total Open Interest of the market is Rs1,68,133cr, as against Rs1,42,825cr last week, and the Stock Futures' open interest increased from Rs42,437cr to Rs46737cr. Some liquid stocks where open interest has increased significantly are HEROHONDA, APOLLOTYRE, ACC, ANDHRABANK and HINDZINC. Stocks where open interest has decreased significantly are CANBK, GESHIP, PANTALOONR, UNIPHOS and POLARIS

Futures Annual Volatility Analysis

The Historical Volatility of the Nifty has decreased from 14.12% to 13.45%. IV of at the money options has decreased from 17.50% to 13.50%. Some liquid counters where HV has increased significantly are MCDOWELL-N, HOTELEELA, SUZLON, APOLLOTYRE and TECHM. Stocks where HV has decreased are ORCHIDCHEM, BRFL, LICHSGFIN, INDIACEM and OPTOCIRCUI.

Cost-of-Carry Analysis

The Nifty Sep. Future closed at a premium of 5.50 points against a premium of 7.05 points last week and the Oct future closed at a premium of 12.35 points. Few liquid counters where CoC turned from negative to positive are FEDERALBNK, HINDPETRO, SIEMENS, GAIL, and BHUSANSTL. Few stocks where CoC turned from positive to negative are ICICIBANK, M&M and COREPROTEC.

Derivative Strategy

Scrip : BHARTIARTL | **CMP : Rs. 339.25/-** | **Lot Size : 1000** | **Expiry Date (F&O) :** 30th Sep, 2010

View: Mildly Bearish | **Strategy: Ratio Put Spread**

Buy/Sell	Qty	Scrip	Strike Price	Series	Option Type	Rate (Rs.)
Buy	1000	BHARTIARTL	340	Sep	Put	9.00
Sell	2000	BHARTIARTL	320	Sep	Put	3.00

HBEP: Rs. 337.00/-
LBEP: Rs. 303.00/-

Max. Risk: Unlimited
If BHARTIARTL continues to trade below LBEP.

Max. Profit: Rs.17,000.00/-
If BHARTIARTL closes at Rs.320 on expiry.

NOTE: Profit can be booked before expiry if Stock moves in the desired range and time value decays.

Expected Payoff

Closing Price	Expected Profit/Loss
Rs. 355.00	(Rs. 3.00)
Rs. 340.00	(Rs. 3.00)
Rs. 325.00	Rs. 12.00
Rs. 310.00	Rs. 7.00
Rs. 295.00	(Rs. 8.00)
Rs. 280.00	(Rs. 23.00)

Mutual Funds - Pension Plan

UTI Retirement Benefit Pension Fund (RBP)

Scheme Objective

The fund is designed for investors who are interested in saving for retirement and have a long term perspective.

Scheme Snapshot

Inception:26th Dec 1994

Type: Open Ended Scheme

Corpus: 679.62 crores (31st July 2010)

Fund Manager: Mr. Amandeep Chopra/Mr. V Srivatsa

Benchmark Index: Crisil MIP Blended Index

Minimum Investment: Rs. 500

Entry/Exit Load: NIL /Max. 5%

Latest NAV: 19.31 (31st August 2010)

52 Week High: 22.27 (18th Jan 2010)

52 Week Low: 18.32 (25th May 2010)

Key Ratios*

Expense Ratio: 1.72%

Standard Deviation: 0.14

Beta: 2.14

Sharpe: 0.42

Jensen: 0.44

Correlation: 0.94

Average Maturity: 2.04 years

*3 Years Daily rolling return (CAGR); Returns < 1 year Absolute & > =1 year CAGR basis; Returns & Ratios as on 31st August 2010.

Top 5 Holdings as on 31st July 2010

Company Name	Nature	Rating	% of Net Assets
M&M Fin. Ser. Ltd.	Debenture	AA	5.84
Emaar MGF Land Ltd.	FRB	BBB+	5.16
Shriram Transport Finance Co. Ltd.	Debenture	AA	4.28
EXIM Bank of India Ltd.	Debenture	AAA	3.66
Reliance Utilities & Power Ltd.	Debenture	AAA	2.97

Top 5 Sectors as on 31st July 2010

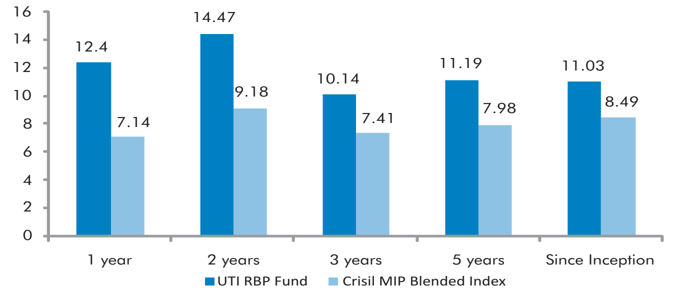
Sector Name	% of Net Assets
Banks	29.23
NBFC	16.68
FI	6.66
Realty	5.98
Oil & Gas	3.80

Investment Analysis** (as on 31st August 2010)

Company Name	Total Amount Invested	SIP Present Value	Lump sum Present Value
1 year	12000	12907	13542
3 years	36000	43882	47720
5 years	60000	79339	101224

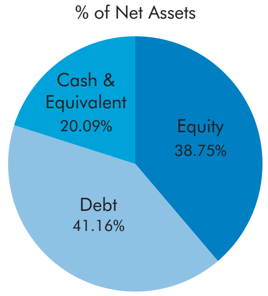
** SIP Investment of Rs. 1000 p.m.

Performance Analysis (% Returns)

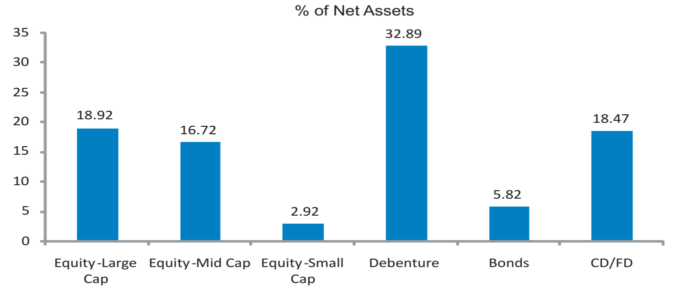


**Note: Returns are as on 31st August, 2010 on CAGR basis*

Asset Allocation as on 31st July 2010



Asset Class as on 31st July, 2010



Key Features

- Pension Plan helps the average investor to accumulate wealth over a period of time in order to meet his/her expenses after retirement.
- The scheme aims to provide pension in the form of periodical income/ cashflow to the unit holders to the extent of redemption value of their holding after they complete 58 years of age.
- The lock in period is 5 years
- UTI RBP is debt oriented balanced fund with a long term investment horizon and aims to deliver capital appreciation.
- Owing to its long term nature, it emphasis on adjusting the asset allocation and the mix within asset, depends on the prevailing market conditions.
- The fund manager has invested in high credit rating instruments like 18% in P1+, 13% in AAA and 11% in AA.
- The fund is ideally suited for investors looking at accumulating a sufficient and stable retirement corpus.
- The scheme has outperformed its Benchmark since Inception.

Templeton India Pension Plan - Growth

Scheme Objective

The scheme aims to invest in a portfolio of equity and fixed income securities with a view to generate regular income along with capital appreciation.

Scheme Snapshot

Inception: 31st Mar 1997

Type: Open Ended Scheme

Corpus: 204.84 crores (31st July 2010)

Fund Manager: Mr. Sachin Padwal Desai/Mr. Umesh Sharma

Benchmark Index: CNX500

Minimum Investment: Rs. 500

Entry/Exit Load: NIL /Max. 3%

Latest NAV: 56.71 (31st August 2010)

52 Week High: 57.02 (23rd Aug 2010)

52 Week Low: 50.76 (3rd Sept 2009)

Key Ratios*

Expense Ratio: 2.12%

Standard Deviation: 0.17

Beta: 0.41

Sharpe: 0.22

Correlation: 0.98

Average Maturity: 5.85 years

*3 Years Daily rolling return (CAGR); Returns < 1 year Absolute & > =1 year CAGR basis; Returns & Ratios as on 31st August 2010.

Top 5 Holdings as on 31st July 2010

Company Name	Nature	Rating	% of Net Assets
Tata Motors Ltd.	Bond	AAA(SO)	13.74
Reliance Gas Transportation Infra. Ltd.	Bond	AAA	13.04
Power Finance Corporation Ltd.	Bond	AAA	7.63
8.2% GOI (2022)	Gilt	Sovereign	7.38
Reliance Utilities & Power Ltd.	Gilt	Sovereign	4.88

Top 5 Sectors as on 31st July 2010

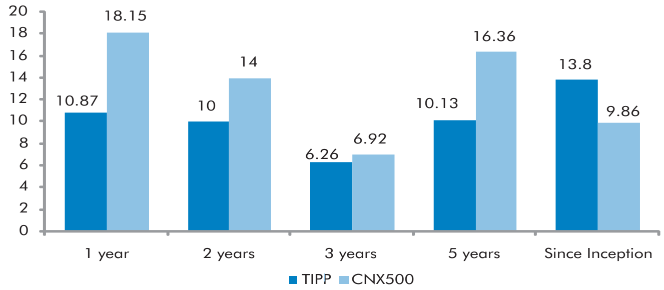
Sector Name	% of Net Assets
Sovereign	16.97
Auto & Auto Ancillaries	15.31
Transport & Logistics	13.04
FI	9.16
Oil & Gas	8.13

Investment Analysis** (as on 31st August 2010)

Company Name	Total Amount Invested	SIP Present Value	Lump sum Present Value
1 year	12000	12653	13369
3 years	36000	41565	43032
5 years	60000	75492	97103

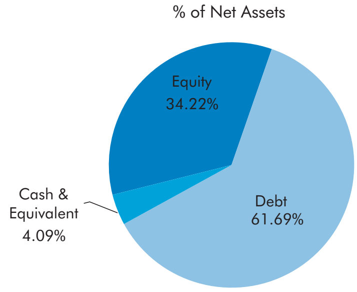
** SIP Investment of Rs. 1000 p.m.

Performance Analysis (% Returns)

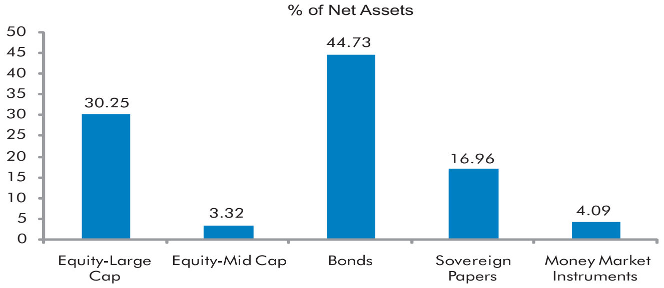


Note: Returns are as on 31st August, 2010 on CAGR basis

Asset Allocation as on 31st July 2010



Asset Class as on 31st July, 2010



Key Features

- Pension Plan helps the average investor to accumulate wealth over a period of time in order to meet his/her expenses after retirement.
- Templeton India Pension Plan (TPP) is the country's first and only central government approved private sector pension scheme.
- The scheme aims to provide pension in the form of periodical income/ cashflow to the unit holders to the extent of redemption value of their holding after they complete 58 years of age.
- The lock in period is 3 years.
- The fund manager seeks to provide steady capital appreciation by maintaining a diversified portfolio of equities and seeks to earn regular income on the fixed income component by managing interest rate movements and credit risk.
- The fund manager has invested in high credit rating instruments like 45% in AAA.
- The fund is ideally suited for investors looking at accumulating a sufficient and stable retirement corpus.

Currencies Weekly Performance Snapshot

The US Dollar Index (DX) slumped sharply at the end of the week to close at 82.02 on Friday. On a weekly basis, the DX depreciated by 0.9% against a basket of currencies. Revival in the investor sentiments on the back of better than expected US employment figures led to depreciation in the DX. Unemployment rate in the US increased to 9.6% in August from the previous of 9.5% in July. The figure was well within the market expectations. However, the positive data was the non-farm payrolls which declined less than the market expectations. Companies in the US cut 54,000 jobs in August, much less than expectations of more than 1 lakh jobs. Private companies added around 67,000 jobs in the same month, as against expectations of 40,000.

Economic updates that were announced in the last week, although not very bullish, were quite favorable, and eased investor concerns over a double-dip recession. US Consumer Confidence rose to 53.5 in the month of August from 51.0 in July. The Euro gained in the last week mainly on the back of the weaker DX and revival in sentiments in the financial markets. Unemployment rate in the Euro zone remained unchanged at 10.0% in August. Moreover, the revised GDP figures of the Euro zone indicated the economic growth in the region remained unchanged at 1% in the second quarter.

Exhibit 1: Currencies Performance

Currency	3-Sep	28-Aug	Chg	% Chg
DX	82.02	82.74	(0.72)	(0.9)
Euro	1.2893	1.2733	0.0160	1.3
INR	46.63	46.89	(0.26)	(0.6)
JPY	84.4	85.22	(0.82)	(1.0)
GBP	1.5445	1.5535	(0.009)	(0.6)

Source: Telequote

Monetary easing fails to provide respite to the appreciating Yen..

The JPY continued to hover near its 15-year high of 83.57 against the dollar despite steps implemented by the Japanese authorities to weaken the currency. The Bank of Japan increased its fixed-rate supply operation to 30 trillion yen ($351 billion) from the previous of 20 trillion yen. However, this has been of little help to avoid the appreciation in the currency as the Yen appreciated almost 1% in the last week. Investors fear that sharp appreciation of the Yen would further hinder growth in the country, making the Japanese-made good look expensive in the overseas markets

Indian Rupee appreciates against DX

The INR appreciated in the last week as better than expected Indian GDP data boosted sentiments. The Indian economy grew at the fastest pace in the last two years, with the GDP increasing by 8.8% in the first quarter, raising hopes of further capital inflows in the country. FII inflows in September 2010 have totaled Rs 674.70 crore (till 2 September 2010). In August 2010, FII inflows totaled Rs 11,687.50 crore. On a year-to-date basis, FII inflows in India have totaled Rs 60,594.90 crore (till 2 September 2010). In the last week, the Rupee also appreciated as weakness in the DX supported gains.

Exhibit 2: Spot Rupee Weekly Price Chart

Source: Telequote

Fundamental and Technical Outlook

In the last week, economic data from the US has been fairly supportive but continues to raise doubts over strength of recovery in the country. But in this week, there is no major economic data announcement from the US and risk sentiments are expected to remain upbeat, taking cues from the positive data in the last week. We expect the Rupee to trade with an appreciation bias, taking cues from weakness in the DX coupled with upbeat market sentiments.

Exhibit 3: Technical Levels

Currency	Support	Resistance
DX	81.00	83.80
Euro	1.2530	1.3000
INR	46.30	47.30
JPY	82.40	86.90
GBP	1.5190	1.5700

Source: Telequote

Research Analyst (Commodity) - Reena Walia Nair

Commodities Update

Exhibit 1: Commodities Weekly Performance

	4th Sep. 2010	28th Aug. 2010	% Change
Non Agri- Commodities (MCX)			
Top Gainers			
Lead	101.55	97.50	4.2
Natural Gas	183.2	176.6	3.7
Silver	31375	30430	3.1
Top Losers			
Crude Oil	3472	3551	-2.2
Agri Commodities (NCDEX/MCX)			
Top Losers			
Guar	2127	2009	5.8
Maize	1098	1041	5.5
Mentha Oil	800	758.6	5.5
Top Losers			
Turmeric	12222	13056	-6.4

International Perspective: Base metal prices gained in the last week on the MCX as well as on the LME as favorable manufacturing data from the US and China boosted prices. Moreover, other economic updates from the US, although not very bullish, were more on the favorable side, in line with the market expectations. China's manufacturing index climbed to 51.7 in August from previous of 51.2 in July. Markets had expected the index to report figure of 51.6 in August. Moreover, the HSBC manufacturing PMI increased to 51.9 in August from 49.4 in July. China is the major consumer and driver of base metal prices. The US ISM manufacturing index rose to 56.3 in August from 55.5 in July. Markets had expected the index to decline to 53.2 in August. Pending home sales increased by 5.2% in July from the decline of 2.8% in the previous month. However, gains in commodity prices on the Indian exchanges were lesser as compared to the international prices on the back of appreciation in the Indian Rupee. Spot rupee gained around 0.6% against the dollar in the last week to close at 46.63 on Friday.

Crude oil prices traded on a volatile note in the last week. On a weekly basis, oil prices lost more than 2% on the MCX platform. On the Nymex, crude oil prices touched a low of $71.53/bbl after the US Energy department reported that US crude oil inventories increased by 4.8 million barrels in the week ending August 27. However, the commodity prices pared major losses after an oil and gas platform in Gulf of Mexico region burst into flames. This raised concerns over disruption of supplies from the oil-rich Mexico region.

Agri Perspective: In the agri segment major gain was witnessed in Maize with prices surging by 5.5 percent after trading bearish in the last week. Lower global carryover stocks of corn/maize and shrinking world supplies of wheat has supported the prices to strengthen. Wheat is substitute of maize and is widely consumed as cattle feed. According to International Grain Council world carryover stocks of maize or corn are estimated at a 4 year low of 134 million metric tonnes. **Guar** prices surged Rs 118 a quintal on account of short covering after continuous fall of last 6 consecutive weeks. **Mentha** traded firm in the previous week and surged by 5.5% due to supportive fundamentals. Production of mentha is projected to be lower by around 25% and is projected at 25-27 thousand tonnes in 2010. Lower availability is helping bulls in the domestic market. Among the losers, Turmeric fell by 6.4 % on account of better production of turmeric in 2010-11 as compared to previous year. Lacklustre demand from the overseas and domestic buyers continued to weigh on prices.

Exhibit 2: Major Economic Data Releases this week

Date	Country	Indicator	Forecast	Previous
7-Sep	EURO	German Factory Orders m/m	0.6%	3.2%
8-Sep	US	Beige Book	-	-
9-Sep	US	Trade Balance	-47.4B	-49.9B
10-Sep	US	Wholesale Inventories m/m	0.4%	0.1%
10-Sep	China	Trade Balance	26.9B	28.7B

Outlook: In this week there is no major economic data from the US apart from the Fed Beige book and trade balance. Financial markets are expected to trade on a positive note in this week as latest economic data from the US will help to ease concerns over a double-dip depression. Since no major economic releases are expected from the US, we expect last week's economic data to provide support in the near-term. Base metal and crude oil prices are expected to rise and Gold prices could come under pressure if risk sentiments improve.

In the agri segment this week prices in Oil Complex are expected to recover particularly Mustard / Rape Mustard Seed with revival of demand from the local stockists. Guar and Chana are also expected to remain in green due to bargain buying at lower levels. Any revival of demand from the overseas buyers will provide support to the spices in the coming week.

Research Analyst (Commodity) - Nalini Rao/ Naser Parkar

Global economic concerns add pressure on Aluminum prices

Commodity prices are trading on a volatile note as ongoing concerns over the global economy continue to dominate market sentiments. Apart from core fundamentals, base metals too are taking cues from the macroeconomic scenario. Aluminum is no exception and the metal has slumped almost 4% on a year-to-date basis, with prices touching a low of $1,825/tonne on the LME. In the month of August, aluminum prices on the LME declined 4% again as strength in the US Dollar Index (DX) coupled with poor economic scenario in the US weighed on prices. Risks of a double-dip recession are also doing rounds as the world's major economies suffer the worst debt crisis. Aluminum inventories on the LME too witnessed a rise of around 1.4% in the month of August and currently stand at 44,26,825 tonnes. However, on a year-to-date basis inventories have declined 4.4%.

Aluminum premiums remain under pressure

Easing supply tightness in the case of aluminum has led to a downside pressure on premiums. Supply concerns are easing due to which US Midwest premiums remain in the range of 6-.6.50 cents per pound. According to the latest report by the Aluminum Association the annual rate of primary US aluminum production was up 8% to 1,722,329 tons in July from 1,594,096 tons in the same month last year, and showed a 0.2% increase from June's annual rate of 1,719,625 tons. Actual production for July totaled 146,280 tons, up from 135,389 tons in July 2009, and from 141,339 tons produced in June.

But global aluminum output for the month of July declined by 1.8% from the month earlier, according to the data from the International Aluminum Institute (IAI). Chinese production dropped to 66,300 tonnes per day on average in July from 66,600 tonnes per day in June, while global daily output excluding China dropped by 45,700 tonnes from 47,500 tonnes. Total global production of aluminum for July (31 days) was 3.471 million tonnes, down from 3.423 million tonnes in June (30 days) but up from 3.038 million tonnes in July 2009 (31 days). This supported sharp downside in aluminum prices.

Another factor that continued to pressure downside in aluminum prices was the recent estimates of surplus of the metal in the market.

The World Bureau of Metal Statistics (WBMS) recently estimated that the global market recorded a surplus of 314kt in the first half of the year compared with a surplus of 755kt in the equivalent period of 2009. Last year, reported stocks (LME + SHFE + IAI + Japanese port stocks) rose by 2,439kt.

Exhibit 1: Aluminum LME Monthly Price Chart

Source: Telequote

Global economic scenario

In the last few days, the state of the US economy has been at the forefront. A decline in second-quarter GDP figures coupled with high unemployment rate has led to concerns over future prospects of the world's largest economy. At the Jackson Hole Symposium, held in the last week of August, Federal Reserve Chairman Ben Bernanke said that the US economy had slowed down and the central bank will take aggressive steps of quantitative easing until recovery is seen. Ben Bernanke also indicated that a collective effort will be needed in order to bring back strong and stable recovery.

Unconventional measures will be applied especially as the outlook deteriorates. But interest rates are already at near zero levels and unconventional measures would mean providing further stimulus. As compared to the US, the Euro Zone has dealt with its debt crisis in a far better way as the implementation of stimulus coupled with strict austerity measures helped the economy bounce back faster. Economic data from Germany indicates improvement and the job scenario is also better off. Unemployment in Germany fell in the month of August to its lowest since November 2008. This means that not only stimulus spending but also a curb in public expenditures can help economy's bounce back.

Currently, financial markets are witnessing reduced risk appetite as fears over a double-dip recession are doing rounds. Further deteriorating economic data is expected to trigger negative sentiments in the global financial markets. The US witnessed slow GDP growth in the second-quarter on the back of a rise in imports as compared to the previous quarter and a slowdown in inventory investment. But sharp slowdown in GDP was cushioned due to a rise in business investment and federal government spending.

Continue...

Global economic concerns add pressure on Aluminum prices

The US second-quarter GDP grew at 1.6% annual pace against growth of 3.7% in the first-quarter. Slowdown in GDP has raised concerns over poor economic growth. Despite monetary policy easing coupled with stimulus measures by the US central bank, recovery has been slow. The US Federal Reserve continues to maintain low interest rates and is expected to do so for an extended period. Overall impact of the Federal Reserve stimulus is waning as even manufacturing activity in the US indicates slowdown. Consumers continue to remain under pressure of high debt levels and general level of unemployment rate is also high at 9.6%. Housing market state in the US is also grim and latest data on existing home sales indicates that sales fell to the lowest level in 15 years.

In his latest testimony, Fed Chairman Ben Bernanke said that if the economic outlook weakens further then the Federal Reserve may provide additional stimulus measures to boost the economy. Weak economic data from the US also indicates that interest rates will continue to remain low for an exceptionally long period.

Fundamental Outlook

Aluminum prices are expected to come under pressure in the short-term as the demand outlook continues to remain uncertain. Also, global economic worries remain at the forefront and will provide direction to prices in the short-term. With economic worries gripping the US and the Euro Zone and with the current slowdown in China, we expect demand for aluminum to remain a major concern. Demand from the European countries is expected to flatten out with the slowdown in the construction and automobile space.

In the second-half of this year, Aluminum demand is expected to witness a slowdown. The outflow of the metal from the LME warehouses is expected to witness a decline as consumers in the US are well stocked. If the inventories on the LME stabilize then this factor too will add downside pressure on prices.

Technical Levels

S1	97	**S2**	94
R1	104	**R2**	115

Annual Global Supply/Demand Balance for Aluminum 2005-2010

000' tonnes	2005	2006	2007	2008	2009	2010
			Production			
China	7,743	9,349	12,607	13,076	13,550	16,524
World	**31,841**	**33,884**	**38,007**	**39,339**	**37,732**	**40,192**
World YoY % Chg	6.7	6.4	12.2	3.5	(4.1)	6.5
China YoY % Chg	17.5	20.7	34.8	3.7	3.6	21.9
China % World Production	24.3	27.6	33.2	33.2	35.9	41.1
			Consumption			
China	7,091	8,480	11,497	12,934	14,100	16,000
World	**32,009**	**34,246**	**37,554**	**38,531**	**35,882**	**38,663**
World YoY % Chg	5.0	7.0	9.7	2.6	(6.9)	7.8
China YoY % Chg	16.5	19.6	35.6	12.5	9.0	13.5
China % World Consumption	22.2	24.8	30.6	33.6	39.3	41.4
Demand/Supply Balance	**-168**	**-362**	**453**	**808**	**1,850**	**1,529**

Sr. Technical Analyst (Commodities) - Badruddin

Commodity Technical Report

MCX October Gold

Last week, Gold prices opened week at Rs.18, 879 per 10 grams. Initially, moved sharply higher to Rs.19158 breaking the initial resistance but could not sustain at higher levels. Later, prices fell sharply and made a low of Rs.18,850 and finally closed the week at Rs.18,970 up by Rs 74 as compared with previous week's close of Rs.18,897.

Trend : UP (MCX GOLD Daily Chart)

Source: Telequote

Key Levels For Week :

S1 - 18,820	**R1 - 19,130**
S2 - 18,680	**R2 - 19,300**

MCX December Silver

Last week, Silver prices opened at Rs.30453 per kg. Initially, prices fell slightly lower and found strong support at Rs.30212 levels. Later, Silver prices recovered sharply breaking the initial resistance and made a high of Rs. 31444 levels. Prices finally ended the week with a huge gain of Rs.885 to close at Rs.31321 as compared with previous week's close of Rs.30435.

Trend : UP (MCX SILVER Daily Chart)

Source: Telequote

Key Levels For Week :

S1 - 30,520	**R1 - 31,750**
S2 - 29,750	**R2 - 32,230**

MCX November Copper

Copper prices opened last week at Rs.352.35 per kg. During the past week, Copper initially moved lower but found strong support at Rs 348.50. Later, prices moved with positive biased, rallied sharply breaking the initial resistance and touched a high of 362.50.Copper prices finally ended the week with a gain of Rs.6.6 to close at Rs.359.35 as compared with previous week's close of Rs.352.75.

Trend : UP (MCX COPPER Daily Chart)

Source: Telequote

Key Levels For Week :

S1 - 351	**R1 - 365**
S2 - 342	**R2 - 371**

MCX September Crude

In the past week, Crude prices opened on its high at Rs.3,552 per barrel. Later, prices fell sharply lower breaking the initial support made a low of Rs 3397 per barrel , but prices recovered again sharply and not been able to break the high of the week and prices finally ended the week with a marginal loss of Rs.81 to close at Rs.3471 as compared with previous week's close of Rs.3551.

Trend : SIDEWAYS (MCX CRUDEOIL Daily Chart)

Source: Telequote

Key Levels For Week :

S1 - 3395	**R1 - 3550**
S2 - 3315	**R2 - 3630**

Technical Analyst (Commodities) - Abhishek Chauhan

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