



### Cement Monthly Update - December 2008

#### Consumption grew 13.1% yoy; fastest in the current fiscal

Domestic cement consumption witnessed strong growth of 13.1% yoy in December 2008. Central and East region recorded their highest growth in the year of 25.5% yoy and 18.2% yoy respectively due to accelerated infrastructure activity in the region. We expect cement growth to slowdown to 7.2-7.5% in FY09 and 6.2-7.0% in FY10. We believe the rebound in real estate activity is likely to take time resulting into an elongated weak demand environment. However, we expect increase in cement demand from infrastructure segment (~16% of total cement consumption) on account of stimulus package and election.

#### Weakening demand along with excise cut drag prices

All-India cement prices were down 1.5% mom but were higher 1.3% yoy in December 2008. Excluding the impact of excise cut, prices were firm in South and West region. Prices were weak in the Central, North and East region despite robust dispatches as companies dumped inventories at lower rates. We expect all-India cement prices to decline from Q4 FY09 on account of ~28mtpa capacity coming on stream by the end of the year.

#### Significant increase in capacity utilization mom was surprising

All-India cement capacity utilization stood at 91.7%, higher 838bps mom but lower 570bps yoy. During the month, Dalmia Cement added 2.25mtpa capacity at Kadapa in Andhra Pradesh. Total industry capacity stood at 207mtpa at the end of December 2008. We expect capacity utilization to dip in coming quarters as new capacities become operational.

#### Key performers were players who have recently added capacities

With new capacity stabilizing, Shree Cement, Jaypee Cement and Birla Corp (North and Central based companies) registered strong dispatch growth. South-based companies that have recently expanded capacity such as Kesoram Industries (19.0% yoy) and Orient Paper (10.5% yoy) continued their robust performance. India Cements, in the midst of a brownfield expansion, had to shut operations at various plants resulting in flat dispatch growth during the month.

#### Coal prices crash; freight index still down ~91% from peak

International coal prices crash to US\$77/ton by the end of December. On end-of-month basis, prices were down 35.1% yoy. On an average rate basis, prices were lower 16.9% yoy. The coal prices have plummeted further in early January to US\$64/ton. Baltic Freight Index, a measure of commodity shipping costs, is at its lowest levels in the decade. It has recently rebounded from 666 levels and is trading at sub 900 levels, still down ~91% from the peak.

#### All-India cement figures

(mn tons)	Dec-08	Dec-07	Nov-08	yoy (%)	mom (%)
Production	15.82	14.05	14.34	12.6	10.3
Dispatches	16.01	14.20	14.43	12.7	10.9
Consumption	15.66	13.84	14.10	13.1	11.0
Cap Utilization (%)	91.73	97.43	83.35	(570bps)	838bps

Source: CMA, Bloomberg

### Commodity Monthly Update - January, 2009

Commodity prices badly hammered during Q4 2008 finally found some support in the past 30 days. Metal prices, except aluminium, either closed flat or ended in green in the trailing one-month period. Steel and iron ore prices showed strength led by revival in global demand and decrease in Chinese iron ore inventory respectively. Base metals rallied in mid-January 2009 aided by the bailout announcement of Chinese automobile makers and on expectations that the new US President will announce a superior stimulus package. However, with no fresh announcements on the US bailout package, the rally fizzled out.

Economic data points from the developed as well as emerging nations show increasing stress. China's Q4 2008 GDP growth slowed sharply to 6.8%, the lowest quarterly pace in seven years. Aluminium inventory surged over the past month even after a 7% decline in production, raising concerns over fragility of current demand situation. Chinese steel manufacturers have shifted iron ore procurement to the spot market from long-term contracts. This is an advertent move to put pressure on Australian and Brazilian miners to lower prices for next year's contract. We expect iron ore contract rates to fall 35% yoy.

#### Aluminium worst hit among base metals

Aluminium, with a fall of 14.8% over the last 30 days, was the worst performer among the base metals' pack. Aluminium inventory levels, which were at its decade high last month, jumped 24.3% further in the last one month. Contrary to our expectations of a fall, aluminium production rose 3.2% mom in December. The rebound in production is a negative sign for the sector and will keep prices lower.

#### Steel demand shows some signs of revival

Steel prices stabilized following a revival in demand. The bounce back witnessed in Chinese export prices in the first week of December extended further to January. After touching a low of US\$470 per ton, steel prices currently are trading at US\$580 per ton. Chinese exports as well as production increased in December. High raw material costs for the European steel producers have led to large production cuts being announced. Prices are expected to remain around the current levels in the near term and drop further in Q2 2009 as lower raw material costs set in.

#### Chinese iron ore inventory drops 11.7% in December

Spot iron ore prices have been steady for the last one month. A rebound in Chinese steel production increased the demand for iron ore. Additionally, the rise in demand for spot iron ore was on account of Chinese steel manufacturers shifting their iron ore procurement to the spot market from long-term contracts. This is an advertent move to put pressure on Australian and Brazilian miners to lower prices for next year's contracts. This was evident as Chinese imports from India surged 150% mom in December to 10.2mn tons.

#### Commodity prices

Price * (US\$/ton)	Jan-09	Jan-08	yoy (%)	Dec-08	mom (%)
Aluminium	1,301	2,375	(45.2)	1,527	(14.8)
Copper	3,187	6,914	(53.9)	2,835	12.4
Zinc	1,132	2,188	(48.3)	1,136	(0.4)
Steel US HRC	533	634	(15.9)	535	(0.4)
Iron ore China (cfr)	82	194	(58.0)	81	1.2

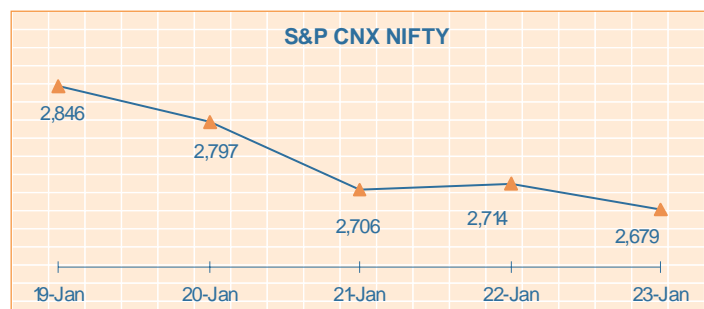
Source: Bloomberg, India Infoline Research

\*Prices as of 21st January, 2009

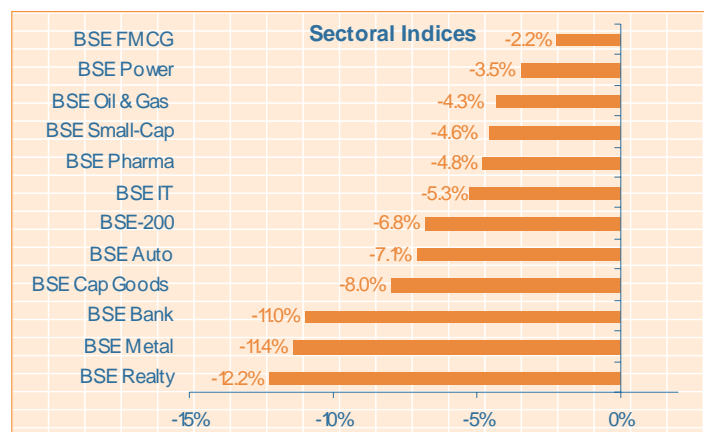
# India Infoline Weekly Wrap

## Market review

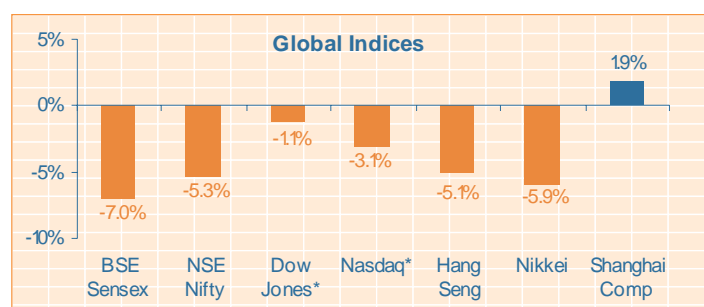
The Indian market remained at the mercy of global cues amid fresh batch of bad news, both on corporate as well as economic front. Wipro reported disappointing numbers while Reliance Industries lived up to its reputation by beating street estimates. Educomp shares slumped amid rumours of questionable accounting. But, the management has denied any wrongdoing and has sought a probe into the stock crash. Finally, the BSE Sensex slid 7% during the week to close at 8,674 and the NSE Nifty shed 5.3% to 2,679.



Realty stocks continued to take a beating on fears that falling home loan rates have failed to revive demand for property. DLF led the fall even as doubts persist about the industry's financial health. Banking stocks fell sharply, led by SBI on reports that the RBI may not cut interest rates in its quarterly review next week. IT shares dropped on concerns that currency fluctuations and global recession would remain key challenges.



The Obama magic failed to work on Wall Street, as main US stock indices suffered their worst presidential inaugural day decline. A slew of negative news from the economy and corporate front continued to cast a spell on the market. In Europe, the UK slipped into a recession after 17 years. RBS announced a massive loss of US\$41bn even as the government unveiled a new rescue plan for banks. China's economy grew at the slowest pace in seven years in Q4 CY08.



\*As per previous close

## FII & MF activity

Date	FII	MF
	Net Investment	Net Investment
15-Jan	(479)	(238)
16-Jan	(563)	285
19-Jan	(440)	112
20-Jan	(292)	(122)
21-Jan	(762)	(254)
Total 2009	(3,698)	(2,088)

## BSE Sensex & BSE 200 Top Five Gainers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Cipla	186	1.6	Ultratech Cement	396	6.8
Hero Honda	847	0.2	EID Parry	153	6.4
-	-	-	Colgate	417	6.2
-	-	-	Marico	60	5.5
-	-	-	Pfizer	514	4.7

## BSE Sensex & BSE 200 Top Five Losers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Tata Steel	166	(18.5)	Aban Offshore	453	(24.4)
M&M	265	(18.4)	Glenmark	203	(23.5)
DLF	161	(17.5)	IVRCL Infra	89	(20.2)
ICICI Bank	364	(14.1)	Kotak Bank	256	(18.8)
Ranbaxy	188	(13.8)	Punj Lloyd	92	(18.8)

## Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
19-Jan	ICICI Pru	Bajaj Holdings	B	19.1	225
19-Jan	Deutsche Sec	Satyam	B	37.3	26
19-Jan	Citigroup	Zuari Ind	S	1.5	146
19-Jan	Merrill Lynch	Hanung Toys	S	1.4	29
22-Jan	Copthall	MIC Elect	S	5.9	23

## Book closures and record dates

Company	Date	Purpose
Crompton Grv	30-Jan-09	Interim Dividend
NTPC	30-Jan-09	Interim Dividend
SAIL	2-Feb-09	Interim Dividend

## Insider trades

Company	Name	B/S	Qty ('000)
Kiri Dyes	Manish Kiri	B	25.0
Garware Off	Ashok Garware	B	11.4
Gati	Mahendra K	B	57.0
AMD Ind	Harswarup G	B	8.8

# India Infoline Weekly Wrap

## Technical ideas

### L&T SELL CMP Rs641



L&T has been on a downtrend since its peak of 1,455 in second week of December 2007. However, the stock managed to find support around Rs680 in October. After that, the stock has witnessed near-term rallies, but faced resistance at higher levels.

This week, we saw the stock breaking below its multiple support levels. The recent decline was accompanied by higher than average volumes. Friday's decline confirms the breakdown from the multiple support zone. Further, it has formed Bearish Engulfing candlestick pattern on the weekly chart, confirming the negative trend.

Currently, the stock is trading around its 52-week low, suggesting weakness. The breakdown from key support zone could see the stock declining to around Rs560 and below.

We recommend traders to initiate short positions at current levels and on rallies to Rs660 for targets of Rs560 and Rs550. A stop loss of Rs685 is recommended on all short positions.

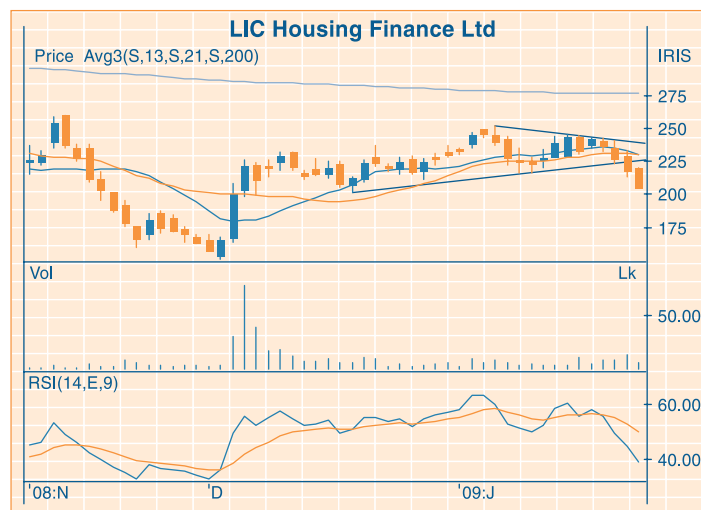
### Positive open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
Mah Seamlas	3.9	6.4	0.7
Reliance Infra	0.3	6.2	34.8
ABB	2.0	5.4	4.1
ITC	-	5.0	30.5
Tata Motors	1.4	4.6	28.2

### Technically strong

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Asian Paints	921	914	0.8	0.1
Pfizer	514	488	0.4	0.0
Cipla	186	183	40.2	10.8
Titan	919	918	2.3	1.0
EID Parry	153	148	0.2	0.1

### LIC Housing Finance SELL CMP Rs206



On the daily chart, the stock has broken down from a Symmetrical Triangle pattern. The stock had been moving back and forth within the Triangle from the third week of December.

Generally, Symmetrical Triangles patterns are considered as continuation of a pattern. A negative breakdown from the pattern indicates further downside in the coming sessions. As shown in the above chart, the stock price consolidated within the triangle in the range of Rs204-253. However, on Friday, the stock closed below the lower trendline (support), confirming the downside. Moreover, the stock has closed well below its key moving averages.

The daily MACD is in sell mode, whereas the daily RSI has generated a crossover sell signal indicating further weakness.

We recommend traders to sell the stock up to the levels of Rs215 for initial targets of Rs180 and Rs175. It is advisable to maintain a stop loss of Rs222 on all the short positions.

### Negative open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
Crompton Greaves	(1.0)	58.8	3.2
Canara Bank	(15.2)	53.4	77.3
Ambuja Cement	(2.7)	24.4	30.6
Mcdowell	(13.3)	18.0	14.8
Lupin	(0.8)	14.2	0.9

### Technically weak

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
CESC	228	238	0.2	1.2
Patni	113	118	0.1	0.6
Wipro	214	233	15.2	44.4
Videocon Ind	91	98	1.7	4.9
Suzlon	49	50	169.3	325.6

# India Infoline Weekly Wrap

## Mutual fund round-up

### India Infoline picks

Mutual Funds	Assets	NAV	Absolute return (%) as on January 22, 2009							
	(Rs Cr)	(Rs)	1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
DSP-BR Top 100 Equity - RP (G)	918	49.1	(2.4)	(3.9)	(6.5)	(28.5)	(37.7)	(15.6)	22.9	122.2
Franklin India Bluechip (G)	1,535	93.2	(2.8)	(8.5)	(11.0)	(28.4)	(41.4)	(31.2)	0.5	82.2
HDFC Top 200 Fund (G)	2,024	84.5	(5.1)	(8.2)	(10.5)	(34.0)	(43.4)	(24.9)	3.4	107.0
Kotak 30 (G)	619	52.5	(3.8)	(7.3)	(7.2)	(34.7)	(47.0)	(25.0)	6.3	119.1
Sundaram BNP Tax Saver (G)	499	22.7	(3.2)	(5.2)	(8.1)	(27.9)	(41.4)	(20.8)	0.7	173.0

### Fund this week: Sundaram BNP Paribas Taxsaver - Growth

Fund snapshot		Asset allocation (%)	
Fund manager	Satish Ramanathan	Equity	85.9
NAV - January 22, 09	Rs22.7	Debt	0.0
NAV 52 high/low	Rs45/22	Cash/call	14.1
AUM - December 31, 08	Rs499cr	Top 5 holdings (%)	
Type	Open-ended	ICICI Bank	5.3
Class	Equity - tax planning	Punjab National Bank	5.0
Options	Growth & dividend	State Bank of India	5.0
Min investment	Rs500	Hindustan Unilever	4.1
Entry load	2.25%<Rs5cr	ITC	4.1
Exit load	1%<Rs5cr<1yr	Top 3 sectors (%)	
Benchmark	BSE200	Banking	23.3
No. of stocks	34	Oil & Gas	10.4
Expense ratio	2.2%	Power	8.5

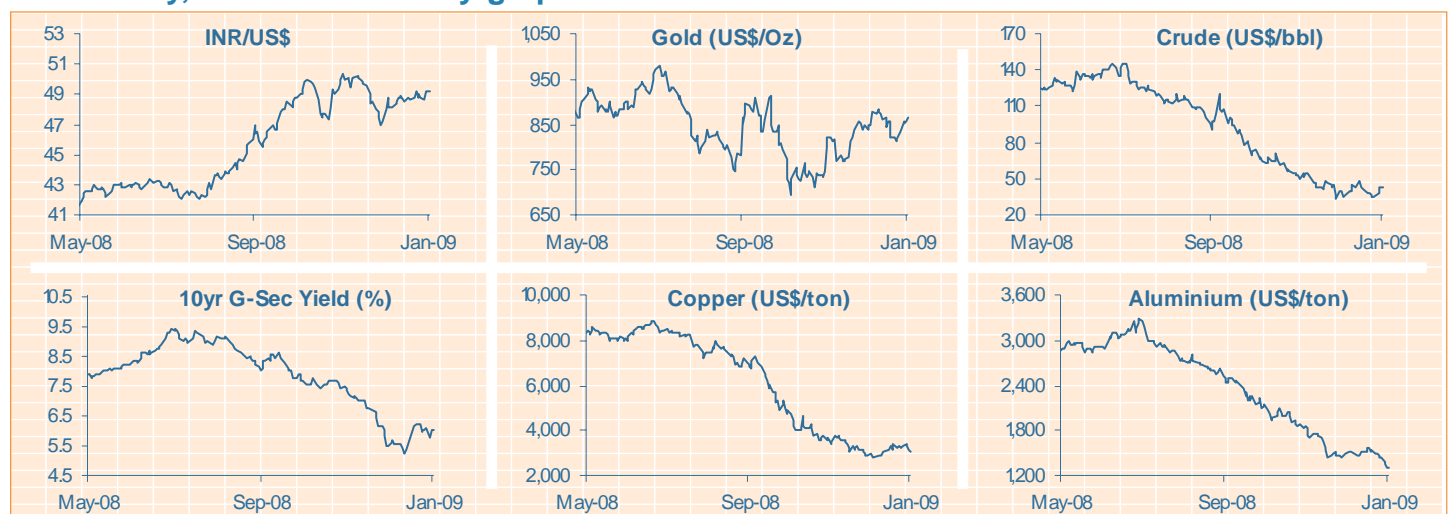
### NFO update

Fund Name	Close	Type	Class
Fidelity Wealth Builder Fund	5-Feb	OE	Hybrid -FOF
Bharti AXA Tax Advtg -Eco	12-Feb	OE	Equity - ELSS
DBS Chola Tax Advantage	19-Mar	CE	Equity - ELSS

### Dividend update

Mutual Fund	Dividend %	Record date	Class
Lotus India Q Intvl Plan J	100.0	26-Jan	Debt - Intvl
ICICI Pru Sr 42 - 13M - B	100.0	27-Jan	Debt - FMP
Tata Fixed Invt Plan Sr 4 - B	100.0	27-Jan	Debt- FMP

## Commodity, debt and currency graphs



\* As per previous close

India Infoline Ltd, One India Bull Center, Jupiter Mill Compound, 841, Senapati Bapat Marg, Nr, Elphinstone Road, Lower Parel (W), Mumbai 400 013.

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