

## A bumpy start!

**When one is happy there is no time to be fatigued; being happy engrosses the whole attention.**

Looks like the bulls are suffering from fatigue after a seven-month rally. Most of the good news appears to have been discounted. The road ahead will be a little bumpy.

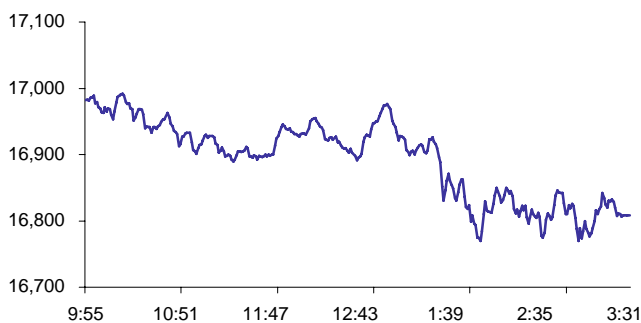
Today we expect the market to open on a cautious note amid mixed global cues. Stocks in the US and Europe closed in the red on Friday. Asian markets are bit of a mixed bag.

The choppy trend may continue till the earnings and other near-term triggers are digested.

However, liquidity is abundant and risk appetite is showing no signs of abating anytime soon. Overall, there aren't too many headwinds that could upset the current momentum. At the same time, valuations are not cheap. The Nifty could swing in a 5000-5100 range in the near term. On the downside, watch out for 4940 and 4825.

Banks will be in the limelight ahead of tomorrow's RBI policy review. The central bank is unlikely to jack up rates though it may hint at a change in stance as inflation is starting to inch up. Aside from earnings, other events to watch out for this week are the F&O expiry and US GDP data.

### Sensex intra-day



ADR/GDR	Latest (US\$)	Price % chg	% Prem/Disc
Dr. Reddys	20.4	3.7	(1.0)
HDFC Bk	118.5	(1.2)	8.6
ICICI Bk	38.7	(1.7)	(0.5)
ITC	5.6	5.1	(0.4)
Infosys	48.6	0.9	(0.0)
Satyam	5.7	0.5	20.0
Ranbaxy	8.1	1.4	1.0
Reliance	89.7	(2.5)	1.9
Wipro	18.8	0.3	48.5
SBI	102.0	2.8	0.8
Tata Motors	11.5	(2.1)	0.6
Sterlite	17.6	(1.5)	(1.5)
L&T	33.9	(0.4)	0.4

Indian market	Last close	1 day	% change	
			3 mth	YTD
Sensex	16,811	0.1	9.3	74.3
Nifty	4,997	0.2	9.4	68.9
BSE 100	2,090	0.3	11.5	80.7
BSE 200	6,547	0.4	12.4	82.0
CNX Midcap	6,988	1.1	21.1	87.1
BSE Smallcap	7,674	0.3	26.8	108.3

Developed market	Last close	1 day	% change	
			3 mth	YTD
Dow Jones	9,972	(1.1)	9.7	13.6
Nasdaq	2,154	(0.5)	9.6	36.6
S&P 500	1,080	(1.2)	10.2	19.5
FTSE	5,243	0.7	14.6	18.2
CAC	3,808	(0.3)	13.1	18.3
DAX	5,740	(0.4)	9.8	19.3
Hang Seng*	22,590	1.7	13.0	57.0
Nikkei*	10,383	1.0	4.4	17.2
S&P/ASX200*	4,844	(0.3)	18.4	30.1

\* Markets are open

Emerging market	Last close	1 day	% change	
			3 mth	YTD
Shanghai Comp	3,099	(0.3)	(8.1)	70.2
Brazil Bovespa	65,059	(1.6)	19.5	73.3
Mexico Bolsa	30,618	(0.5)	14.9	36.8
Kospi*	1,658	1.1	10.4	47.5
Micex	1,365	0.4	32.9	120.3
Taiwan*	7,737	1.1	10.9	68.5
Straits*	2,717	0.0	7.2	54.2

\* Markets are open

Institutional activity (Rs cr)	Cash	F&O	MTD	YTD
FIs	(296)	(73)	12,264	70,123
MFs	(558)	-	(4,899)	(1,834)
FIs Prov.	(479)			
MFs Prov.	173			

Commodities	Last close	1 day	% change	
			3 mth	YTD
Crude (US\$/bbl)	80.5	(0.8)	17.4	79.1
Gold (US\$/oz)	1,055	(0.4)	11.1	19.8
Copper (US\$/mt)	6,626	0.9	19.9	117.8
Aluminium (US\$/mt)	1,938	0.3	9.8	28.5
Zinc (US\$/mt)	2,248	1.0	34.1	90.4

Advance/Decline stocks (Nos)	A	B	S	Total
Adv	127	807	207	1,414
Dec	76	789	198	1,327
Unch	1	66	16	110
A/D ratio (x)*	1.7	1.0	1.0	1.1

\*A/D excluding Unch

Trade value (Rs cr)	% chg	
Cash NSE	16,682	(3.4)
Cash BSE	4,959	(11.5)
Total Cash	21,641	(5.4)
Delivery (%)	-	-
Derivatives	79,720	(7.7)

Currency	Last close	1 day	% change	
			3 mth	YTD
Rs/US\$	46.52	(0.5)	4.2	4.9
Rs/EUR	69.96	0.4	(2.0)	(2.8)
US\$/GBP	1.63	(0.1)	(1.2)	11.6
US\$/EUR	1.50	0.2	5.7	7.7
Yen/US\$	91.60	(0.5)	3.9	(1.0)

Bond market	Last Close (%)	Bps chg
10yr Gsec	7.45	0.10
Call rate	3.30	0.05

## Corporate snippets

- ✦ **RIL** partner Hardy Oil said it would abandon a well in the K-G basin that showed "poor" reservoir sands. (FE)
- ✦ **TCS, CMC** to bid jointly for unique ID project worth Rs50bn. (ET)
- ✦ The finance ministry has allowed **SAIL** to go for follow on public offer (FPO) to the tune of 20% of its paid up capital. (FE)
- ✦ **JSW Steel** has decided to shelve the Mozambique mines project after the coal therein was found to be of inferior quality and hence unusable. (DNA)
- ✦ **Sun Pharma** to stop making Alzheimer's drug after losing patent battle to Forest Lab's. (FE)
- ✦ **GAIL** may be allowed to levy marketing margin on gas. (BL)
- ✦ **Asian Paints** will invest Rs4.5bn for setting up a plant at Rohtak in Haryana with an initial capacity of 1,50,000 kilolitres. (FE)
- ✦ **Gammon India** will raise US\$200mn by the way of private placement of shares with qualified institutional buyers. (FE)
- ✦ **ADAG** group firms said their respective promoters have revoked all the shares pledge. (FE)
- ✦ **SAIL** ruled out any increase in prices of its products for November citing stable market scenario. (ET)
- ✦ **Reliance Infra** tells EGoM to stop **Reliance Industries** marketing margin. (BS)
- ✦ **Reliance Communication** debunks special audit reports, expects no liability. (BS)
- ✦ **SBI** has raised Rs36bn through bonds from the overseas market. (BS)
- ✦ The Finance Ministry has sought certain clarifications on the proposed disinvestment in **Coal India**, and has asked the Coal Ministry to submit a revised proposal on it. (BS)
- ✦ **Patel Engineering** is looking to set up a 1,200MW thermal power project in Gujarat and a 90 mw hydel power unit in Arunachal Pradesh. (ET)
- ✦ **Air India** is likely to receive between Rs10bn and Rs20bn of government funding by December. (BL)
- ✦ **Binani Cement** plans to raise US\$30mn via a bond issue in three months to fund China

operations. (DNA)

- ✦ **Lavasa Corporation**, a subsidiary of **HCC**, plans to raise around Rs20bn through an IPO during the second half of next year. (FE)
- ✦ **NMDC** is deferring a Rs12bn investment in **Sponge Iron India** because of a steep drop in global sponge iron prices. (Mint)

## Economy snippets

- ✦ The country's foreign exchange reserves rose by US\$2.97bn to US\$284.8bn in the week ended October 16. (FE)
- ✦ PM to fast track talks with ASEAN. (FE)
- ✦ India, Russia & China will hold ninth trilateral meeting next week in India to discuss ways for expanding co operations in regional and international issues such as global financial crisis, terrorism and UN reforms. (FE)
- ✦ An internal check conducted by DoT's monitoring cell recently had found that most telecom operators were overstating their subscriber base. (TOI)
- ✦ SEBI allows stock exchanges to extend trading time by almost two-and-a-half hours, permitting them to operate between 9 a.m. and 5 p.m. (BL)
- ✦ Nuclear liability bill set to be introduced in Winter session. (FE)
- ✦ The government said foreign firms would be allowed to bid for spectrum for third generation mobile services and will start auctioning the radio waves from January 14, 2010. (BS)
- ✦ Excise collections dropped 17% in September to Rs81.8bn from the year-ago period. (ET)
- ✦ Union Food Ministry has made the state governments responsible for paying the difference between their State Advised Price and the center's declared cane rate. (BL)

**Result Table**

Companies (mn)	Revenue	YoY growth	PAT	YoY growth
JSW steel	45,539	6.0	4,515	42.0
NTPC	107,828	12.0	21,520	2.0
ITC	42,926	14.0	10,098	26.0
GSK Consumer	4,951	17.0	600	13.0
GSPL	2,548	115.0	1,101	288.0
Adhunik Metaliks	3,117	(17.0)	115	(52.0)
Century Tex	10,140	19.0	826	107.0
Nagarjuna Fert	5,332	(38.0)	81	(1.0)
Taj GVK	535	(13.0)	70	(57.0)
Maruti	70,807	47.0	5,700	92.0
Petronet LNG	34,061	106.0	1,207	17.0

### Nifty price/volume



The succession of higher tops on the Nifty on a weekly basis have been broken. However, a trend reversal will only be confirmed once it falls below 4,950. In such a scenario, the next reliable support for Nifty is around its 50-DMA, i.e. 4,820. This week, F&O expiry will dictate the direction of the market.

### Support/Resistance levels

	Close	Support	Resistance
Nifty	4,997	4,950	5,045
Sensex	16,811	16,630	16,940

### Abnormal change in delivery

Stock	NSEdely (%)	Prev NSEdely (%)	Price % chg
Nirma	45.4	17.8	(0.7)
Tatacoffee	47.1	19.5	(5.5)
Omaxe	26.8	11.9	0.4
Varunship	49.2	25.2	(1.4)
Ambujacem	92.9	48.0	0.3

### Positive breakout

Company name	CMP	10 Days MVG avg	Price % chg	20 Days MVG avg
Britannia Inds	1,730.5	1,687.7	2.5	1,616.6
Atlas Copco Ind	849.6	828.6	2.5	801.0
Texmaco Ltd	135.6	132.4	2.4	132.6
Max India Ltd	186.0	181.9	2.2	182.8
Castrol India	575.4	561.9	2.4	535.3

### Stocks in uptrend

Company name	Vol % chg	Delivery %	Price % chg
Eidparry	9.5	62.3	3.1
Hindunilvr	68.4	63.6	0.8
Glaxo	44	97.1	1.2
Panaceabio	5	72.6	0.3
Sunpharma	27.4	59.4	2.0

**ITC (BUY, CMP Rs260, Target Rs275):** On Friday, the stock surged sharply on impressive volumes above its critical resistance levels of Rs258-259. It has entered into a new zone. If the volume pattern is maintained in the coming trading sessions, it could attempt Rs275 and above. Our argument is further validated after the stock gave an upside breakout in Friday's session as the price broke through the top of a trading range. Moreover, the stock has given a close above its short-term moving averages. **We recommend traders with high risk appetite to buy the stock in the range of Rs257-263 with a strict stop loss of Rs252 for a target of Rs275.**

**Dr Reddy's Labs (BUY, CMP Rs960, Target Rs1,000):** The stock is pointing to continued strength in the sessions to come as it has broken a downward-sloping trend line since second week of October 2009. A detailed study of the daily chart shows that the stock has corrected from the high of Rs994 to touch a low of Rs890 in the last week. The position of the short-term oscillators also indicates that the stock has formed an intermediate bottom. A sustained rally past the levels of Rs1,000 could see the stock attempting a new peak. **We recommend traders with high risk appetite to buy the stock in the range of Rs955-965 with a strict stop loss of Rs930 for a target of Rs1,000.**

### Negative breakout

Company name	CMP	10 Days MVG avg	Price % chg	20 Days MVG avg
Indian Overseas	133.4	133.5	(0.1)	129.5
Motherson Sumi	109.8	110.0	(0.2)	111.5
Icra Ltd	792.6	794.0	(0.2)	786.5
Tv Today Network	93.0	93.1	(0.2)	94.7
Bharat Electron	1,530.1	1,534.1	(0.3)	1,526.4

### Stocks in downtrend

Company name	Vol % chg	Delivery %	Price % chg
Sirpaper	58.9	98.1	(1.1)
Boschltd	84.8	89.9	(0.6)
Abirlanuvo	210.7	88.9	(0.6)
Asianelec	52.5	60.5	(1.7)
Jyotistruc	23.2	58.9	(0.5)

### Pivot table

Company	CMP (Rs)	Supp 1	Supp 2	Pivot	Res 1	Res 2
ABB	788	778	765	792	801	810
ACC	763	757	745	768	775	781
Ambuja Cem	90	89	88	90	91	92
BHEL	2,385	2,343	2,283	2,403	2,445	2,487
BPCL	519	512	502	523	529	536
Bharti	331	326	318	334	339	344
Cairn	285	283	279	287	290	292
Cipla	285	282	277	286	289	293
DLF	455	430	385	475	500	524
Gail	363	354	340	368	377	385
Grasim	2,151	2,111	2,045	2,178	2,217	2,256
HCL Tech	326	320	312	328	334	341
HDFC Bank	1,692	1,669	1,654	1,684	1,707	1,730
Hero Honda	1,583	1,547	1,507	1,587	1,623	1,658
Hindalco	141	139	137	141	143	145
HUL	281	279	276	281	283	285
HDFC	2,721	2,684	2,645	2,724	2,760	2,797
ICICI Bank	904	895	887	904	912	920
Idea	59	58	56	59	60	61
Infosys	2,260	2,223	2,197	2,249	2,286	2,323
ITC	260	253	249	257	264	271
L&T	1,570	1,544	1,503	1,586	1,612	1,638
M&M	927	913	902	923	938	952
Maruti	1,519	1,497	1,478	1,517	1,538	1,560
Nalco	364	359	355	362	368	373
NTPC	215	213	211	215	217	219
ONGC	1,176	1,167	1,158	1,176	1,185	1,193
Powergrid	110	109	109	110	111	112
PNB	865	847	834	859	877	896
Ranbaxy	372	368	362	374	379	383
Rcom	230	226	221	232	235	238
Reliance	2,047	2,005	1,931	2,080	2,122	2,164
Reliance Infra	1,231	1,211	1,179	1,243	1,263	1,283
Reiance Power	159	158	156	160	161	162
Satyam	111	108	106	111	113	116
Siemens	580	573	567	578	585	593
SBI	2,355	2,292	2,247	2,336	2,399	2,462
SAIL	182	179	175	183	186	190
Sterlite	829	819	807	830	841	851
Sunpharma	1,351	1,329	1,316	1,342	1,363	1,385
Suzlon	84	83	82	85	86	87
Tata Com.	470	462	456	468	476	484
TCS	640	631	624	638	647	656
Tata Motors	529	519	502	536	546	557
Tata Power	1,462	1,435	1,415	1,455	1,482	1,509
Tata Steel	530	520	503	537	547	556
Unitech	99	96	93	100	102	104
Wipro	589	581	574	588	595	603
Zee	227	220	208	232	239	247

A pivot is a level at which the market direction changes for the day. These points can be critical support and resistance levels for that day. Pivot levels are only broad indicators and not necessarily our view on the stock or index.

### Top movers

Company	Price (Rs)	Price % chg	% YTD chg
Kirloskar Oil En	140.3	14.3	226.7
Jubilant Organos	237.4	12.3	99.5
Asian Paints Ltd	1,678.6	9.7	87.6
Cranes Software	41.5	7.4	(41.1)
Dishman Pharmace	259.2	7.4	85.0

### Top losers

Company	Price (Rs)	Price % chg	% YTD chg
Bajaj Auto Fin	265.6	(4.5)	314.7
Gail India Ltd	362.8	(4.5)	75.9
Reliance Inds	2,047.4	(4.1)	66.1
Teledata Inform	7.2	(3.8)	(6.8)
Nagarjuna Const	158.6	(3.7)	120.5

### Volume Toppers

Company	Price (Rs)	Price % chg	Vol % chg
Ksb Pumps Ltd	393.0	1.7	6,343.0
Glaxosmithkline	1,248.1	2.2	1,116.8
Berger Paints	59.4	5.8	640.8
Redington India	281.7	5.3	632.7
Ambuja Cements L	90.2	0.3	557.3

### Sector watch

BSE Indices	Last close	Price % chg				50 DMA
		1 day	1 week	1 mth		
BSE Bankex	10,099	(2.0)	7.4	20.1	8,585	
BSE Realty	4,524	(4.6)	2.5	24.4	3,905	
BSE HC	4,313	(1.5)	6.4	12.2	3,872	
BSE Metals	15,354	(1.8)	6.4	29.7	12,500	
BSE Oil & Gas	10,285	(1.6)	1.4	7.3	9,793	
BSE Auto	6,430	(1.0)	(2.5)	21.9	5,550	
BSE IT	4,438	0.8	(2.7)	19.7	3,862	
BSE Power	3,136	(1.5)	3.4	9.8	2,940	
BSE FMCG	2,742	0.9	7.8	7.6	2,494	
BSE PSU	8,974	(1.4)	2.3	9.6	8,355	
BSE Cap Goods	13,644	(2.7)	1.2	12.4	12,827	
BSE CD	3,620	(2.6)	4.4	18.1	3,171	
BSE 200	2,082	(1.5)	1.6	12.3	1,898	
BSE 500	6,523	(1.5)	1.9	13.2	5,917	
BSE Mid Cap	6,444	(2.1)	4.9	21.7	5,598	
BSE Small Cap	7,648	(2.0)	4.1	28.7	6,492	
CNX 500	4,090	(1.5)	1.5	12.2	3,747	

**Note:**

Ideas given under the 'Technicals' section are for intraday purpose or up to a period of three trading sessions. Stocks recommended under this heading are not necessarily part of our fundamental buy or sell list.

**Bulk deals**

Date	Scrip name	Client name	B/S	Qty ('000)	Avg price (Rs)	Deal size (Rs m)
23/10/2009	XI Telecom	Sansar Capital	S	135	40.8	5.5
23/10/2009	Sel Manuf	Transglobal Sec	B	211	78.7	16.6
23/10/2009	Sel Manuf	Mbl & Co. Ltd.	B	116	77.8	9.0
23/10/2009	Sel Manuf	Opg Securities	B	198	78.7	15.6
23/10/2009	Sel Manuf	Naman Securities	B	132	77.8	10.3
23/10/2009	Sel Manuf	Transglobal Sec	S	211	79.0	16.7
23/10/2009	Sel Manuf	Mbl & Co	S	116	78.2	9.0
23/10/2009	Sel Manuf	Opg Securities	S	198	78.7	15.6

**Insider trades**

Company name	Acquirer	Transaction date	B/S	Qty ('000)	Avg price (Rs)	Deal size ('000)	Shares transactions (%)	Holding after transaction (%)
GTL Infra	Charudatta Naik	03/10/09	S	35.0	42	1.33	0.1	0.1
Indage Vintners	Merrill Lynch	30/09/2009	S	54.7	66	0.44	2.9	2.9
India Lease Dev	Ram Prakash	15/10/2009	B	2.0	11	0.37	3.6	3.6
Indiabulls Real Estate	Sloane Robinson	08/10/09	B	1,990	288	21.77	5.4	5.4

\*Closing price on the transaction day is assumed to be average price of the deal

### Nifty Call open interest up by 6lacs shares.

- ✦ Put open interest down by 3lacs shares.
- ✦ Future open interest up by 2lacs shares.
- ✦ Nifty Put Call ratio of open interest now stands at 1.36 vs 1.39.
- ✦ Nifty Put Call ratio of volume now stands at 1.12 vs 1.23.
- ✦ Nifty near Future at a premium of Rs11.
- ✦ Maximum open interest of Call is at 5,300 strike.
- ✦ Major strikes in puts ranging from 4,900 to 5,500 strike have seen unwinding of open interest, except strike 5,000.
- ✦ Maximum open interest of Put is at 5,000 strike.
- ✦ Nifty volatility index stands at 24.
- ✦ Nifty sees Rollover of 25%.

### Strategies

- ✦ **Long GSPL Nov Future @ Rs90** for the target price of Rs96 and stop loss placed at Rs87.50.

**Lot size:** 6,100

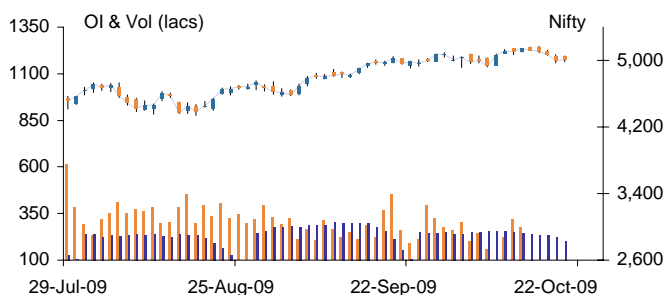
Remarks: Net maximum profit of Rs36,600 and net maximum loss Rs15,250.

- ✦ **Short Sintex Nov Future @ Rs243** for the target price of Rs231 and stop loss placed at Rs248.

**Lot size:** 1,400.

Remarks: Net maximum profit of Rs16,800 and net maximum loss Rs7,000.

### Nifty open interest chart



### Nifty snapshot

	Current	Previous	% Chg
Near month price	5,008	4,997	0.2
Near month Pre/Disc	10.8	8.8	23.3
Mid month price	5,017	5,006	0.2
Mid month Pre/Disc	19.5	17.8	9.6
OI* ('000)	26,902	26,731	0.6
Volume ('000)	28,017	31,508	(11.1)
PCR (OI)	1.3	1.3	(2.8)
PCR (Vol)	1.1	1.2	(9.2)
Roll-over (%)	25.2	17.6	42.9

### FII derivative data

(Rs cr)	Buy	Sell	Net	Contracts	OI % chg
Index Futures	2,357	2,057	300	(652)	(0)
Index Option	3,834	4,460	(626)	2,159	0
Stock Futures	3,037	2,896	141	4,344	1
Stock Options	123	12	112	4,862	20

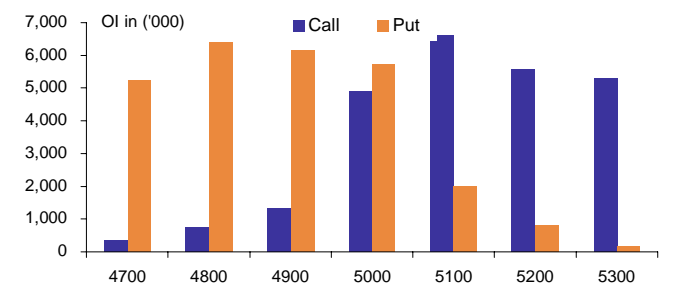
### Institutional activity

(Rs cr)	Cash	F&O	MTD	YTD
FII's	(295.7)	(72.7)	12,264.2	70,123.3
MF's	(558.0)	-	(4,898.9)	(1,833.6)
FII's Prov.	(478.8)			
MFs Prov.	173.0			

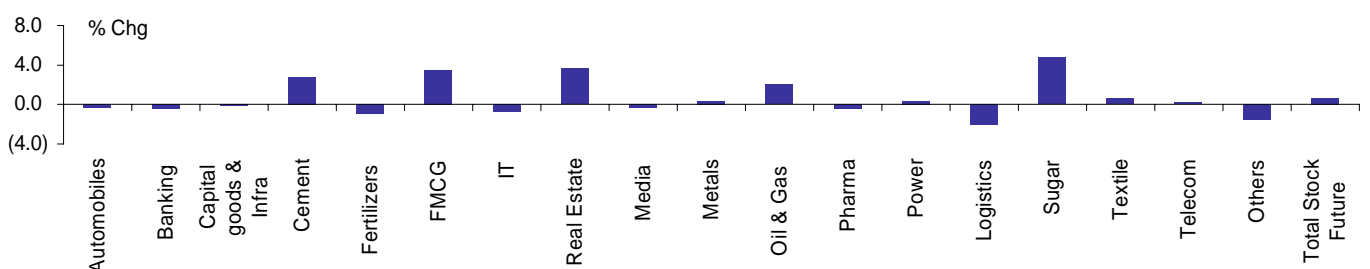
### Overall market

	23-Oct-09	22-Oct-09	21-Oct-09	Value % chg
Index Future (Rs cr)	15,951	18,099	13,162	(11.9)
Stock Future (Rs cr)	23,985	24,554	24,928	(2.3)
Index Options (Rs cr)	36,928	41,120	27,446	(10.2)
Stock Options (Rs cr)	2,855	2,610	2,400	9.4
Index Future (Cont '000)	652	740	528	(11.9)
Stock Future (Cont '000)	692	714	709	(3.1)
Index Options (Cont '000)	1,460	1,624	1,078	(10.1)
Stock Options (Cont '000)	85	76	69	11.7
PCR (OI)	1.1	1.2	1.2	(9.2)
PCR (VOI)	0.4	0.3	0.3	34.7

### Nifty strikes open interest



### Sector-wise OI



### Futures open interest gainers

Scrip	OI ('000)	% change	CMP (Rs)	% change	Volume ('000)	% change	Prem/Disc (Rs)
Grasim	1,392.7	123.2	2,160.3	(2.8)	438.2	(7.4)	(9.7)
Idea	34,676.1	111.2	59.1	-	7,497.9	-	(0.2)
Sintex	572.6	107.6	241.5	(3.1)	291.2	-	(1.2)
Tatamotors	18,761.2	85.5	529.2	(0.3)	9,180.0	(1.4)	0.1
Acc	3,640.8	78.1	760.3	(0.5)	1,101.7	8.1	3.2
Sesagoa	16,239.0	73.7	322.5	0.4	16,414.5	19.1	1.4
Optocircui	1,729.9	67.9	211.2	0.8	567.1	(76.9)	(0.9)
Hindzinc	315.5	61.4	938.2	7.8	900.5	502.3	(4.3)
Renuka	11,655.0	51.0	215.4	4.3	16,130.0	52.5	(0.9)
Tv-18	5,978.7	46.1	85.6	(0.3)	549.3	(14.0)	(0.2)
Icsa	1,783.2	39.0	221.5	0.2	1,064.4	(68.5)	(0.7)

### Futures open interest losers

Scrip	OI ('000)	% change	CMP (Rs)	% change	Volume ('000)	% change	Prem/Disc (Rs)
Tatachem	874.8	(29.9)	282.5	1.3	160.7	(15.6)	0.4
Nagarconst	2,614.0	(24.5)	159.2	(3.4)	1,896.0	101.7	(0.6)
Drreddy	607.6	(22.1)	958.7	5.8	1,259.2	326.6	1.0
Jpassociat	14,898.4	(19.2)	237.8	(0.0)	20,740.5	(14.7)	(0.1)
Colpal	145.8	(18.7)	709.8	2.5	60.5	48.6	(1.5)
Biocon	2,833.2	(12.4)	274.4	0.4	1,215.0	(74.0)	(0.1)
Kingfisher	13,761.5	(12.0)	53.2	(1.0)	2,384.3	(36.9)	(0.2)
Ildb	16,264.8	(10.2)	128.3	1.8	7,416.0	(33.1)	(0.3)
Tcs	5,323.0	(8.2)	637.8	2.3	4,082.0	3.6	2.0
Nationalum	1,674.4	(7.5)	363.2	2.3	399.1	(36.9)	0.8
Glaxo	89.7	(7.1)	1,626.6	1.3	70.5	351.9	(5.8)

### Most active stock calls

Scrip	Strike	OI ('000)	% change	CMP(Rs)	Volume ('000)
Reliance	2100	522.2	53.2	16.5	3,322.0
Reliance	2160	371.9	44.5	6.5	2,784.0
Reliance	2130	359.6	5.0	9.8	2,766.0
Reliance	2190	534.5	3.8	3.5	2,001.0
Reliance	2220	552.3	3.9	2.8	1,730.0
Tatasteel	560	717.4	25.7	2.4	1,072.0
Tatasteel	540	531.0	29.9	6.1	1,099.0
Reliance	2070	152.9	95.6	29.0	1,389.0
Unitech	100	2,745.0	22.2	2.3	901.0
Unitech	105	3,397.5	8.3	0.8	863.0

### Most active stock puts

Scrip	Strike	OI ('000)	% change	CMP(Rs)	Volume ('000)
Lt	1560	604.8	17,688.2	54.0	3,036.0
Reliance	2100	204.2	11.6	60.0	2,474.0
Bhartiartl	340	1,119.5	216.7	21.4	1,533.0
Tatasteel	540	171.9	(18.2)	14.6	542.0
Reliance	2010	67.2	19.1	19.0	723.0
Reliance	2040	51.2	9.6	28.0	665.0
Reliance	2130	51.5	(18.3)	82.0	616.0
Reliance	2070	55.4	36.2	43.0	612.0
Icicibank	900	144.6	63.9	14.0	601.0
Unitech	100	1,417.5	(7.4)	2.8	382.0

### Most active Nifty calls

Strike	OI ('000)	% change	CMP(Rs)	Volume('000)
5100	5,625.7	4.0	20.0	10,473.7
5000	4,015.6	7.0	58.0	10,440.6
5200	4,560.8	(8.6)	5.9	4,409.5
5300	4,125.9	(6.9)	1.8	1,434.3
5100	971.8	68.2	102.0	1,198.9
4900	1,075.2	(20.2)	125.0	1,187.8
5200	1,007.2	12.2	65.0	770.1
5700	883.6	(23.7)	24.8	645.4
5000	894.3	26.9	152.0	634.4
5300	1,176.1	18.1	37.0	609.7

### Most active Nifty puts

Strike	OI ('000)	% change	CMP(Rs)	Volume('000)
5000	3924.4	(8.0)	51.5	12897.1
4900	5276.1	(13.3)	21.0	7809.0
5100	1642.6	(18.4)	112.0	4448.8
4800	4332.1	(1.4)	7.5	3059.3
4700	4022.4	(2.7)	3.0	1712.9
5000	1799.3	44.2	136.0	1446.7
4800	2063.2	18.6	69.5	1260.3
4900	869.2	17.9	97.0	1056.8
5200	624.1	(28.5)	194.8	687.2
4700	1217.9	13.4	48.6	659.0

#### Note:

Ideas given under the 'Derivatives' section are positional trades for the stated F&O expiry. Stocks recommended under this heading are not necessarily part of our fundamental buy or sell list.



### Trade recommendation

Commodity	Strategy	Levels	Target	Stop-Loss
Gold - Dec	Buy	At 15950	15985, 16020	15925
Silver - Dec	Buy	27300-27330	27470, 27600	27180
Copper - Nov	Buy	Around 310	313, 316	307.7
Zinc - Oct	Buy	At 104	105.3, 106.5	103.2
Lead - Oct	Sell	Below 108.8	107.4, 106	109.9
Aluminum - Oct	Buy	At 90	91, 92	89.3
Nickel - Oct	Sell	Around 900	887, 875	908.3
Crude Oil - Nov	Sell	Below 3720	3695, 3675	3740
Natural Gas - Oct	Sell	Below 222	219, 216	224.7

### Market commentary

- ✦ Gold futures ended lower for the second consecutive day following the strength in the dollar against major currencies.
- ✦ Gold futures initially rose to a high of \$1,068 as the dollar was trading lower in the afternoon session.
- ✦ However, a slide in the equity markets led to some buying in the dollar pushing gold prices to a low of \$1,050.4.
- ✦ The National Association of Realtors said that existing home sales were at an annual rate of 5.57mn units, up 9.4% in September and the most in two years.
- ✦ UK's real GDP was down 0.4% in the third quarter and down 5.2% from a year ago, weaker than expected.
- ✦ Eurostat said that new industrial orders were up 1.2% in August, but down 22.3% from a year ago. Also, a composite index of manufacturing and services in the Euro zone increased from 51.1 to 53.0 in October, stronger than expected.
- ✦ The positive housing data in the US and the improved industrial orders data in the Euro Zone led to base metal prices rallying on Friday.
- ✦ Copper futures closed at its 13 month high of \$6,649 after touching a high of \$6,714.
- ✦ Crude oil prices ended in the red, but managed to stay above the \$80 mark.
- ✦ The rally in the dollar pushed crude oil prices from a high of \$81.8 to a low of \$79.6.

### Precious metals

	High	Low	Close	%Chg	OI
MCX					
Gold(Dec) (Rs/10 gm)	16,000	15,965	15,979	(0.0)	13,424
Silver(Dec) (Rs/kg)	27,469	27,415	27,441	0.0	15,809
NCDEX					
Gold (Rs/10 gm)	16,000	15,950	15,967	0.1	21
Silver (Rs/kg)	27,250	27,150	27,200	0.9	960
COMEX (US\$/oz)					
Gold(Dec)	1,069	1,050	1,056	(0.2)	353,655
Silver(Dec)	18.0	17.5	17.7	1.0	94,580

### Base metals

	High	Low	Close	%Chg	OI
MCX (Rs/kg)					
Alum.(Oct)	91	90	90	(0.1)	1,369
Copper(Nov)	312	311	312	0.0	21,293
Lead(Oct)	110	110	110	0.4	1,977
Nickel(Oct)	895	891	893	(0.0)	8,992
Zinc(Oct)	105	104	105	0.1	3,233
LME(3mths) (US\$/ton)					
Aluminum	2,000	1,956	1,972	0.3	5,538
Copper	6,714	6,571	6,649	0.9	2,405
Lead	2,459	2,360	2,360	(1.9)	654
Nickel	19,600	18,825	18,995	(0.8)	636
Tin	15,600	14,895	15,145	1.0	475
Zinc	2,298	2,237	2,272	1.0	1,837

### Energy

	High	Low	Close	%Chg	OI
MCX					
Cr. oil(Nov) (Rs/bbl)	3,740	3,716	3,724	(0.6)	16,663
Nat.gas(Nov) (Rs/mmBtu)	224	222	223	(0.4)	6,009
NCDEX (Rs/bbl)					
Brent Cr.oil	3,734	3,734	3,719	(0.4)	3
Sweet Cr.oil	3,794	3,726	3,765	(0.5)	301
NYMEX					
Cr. oil(Dec) (US\$/bbl)	81.8	79.6	80.5	(0.9)	366,506
Nat.gas(Dec) (US\$/mmBtu)	5.1	4.8	4.8	(3.3)	48,236

### Currency

	Close	Prev close	%Chg
INR/US\$	46.74	46.74	0.5
US\$/EUR	1.50	1.50	(0.0)
US\$/GBP	1.67	1.66	0.2
JPY/US\$	91.63	91.30	0.4

### LME Inventory levels

('000 tons)	Close	Prev close	Chg
Aluminum	4,586	4,586	(4.4)
Copper	364	364	1.5
Lead	129	129	(0.4)
Nickel	124	124	(0.1)
Tin	27	27	(0.1)
Zinc	426	426	(0.5)

## Pivot table

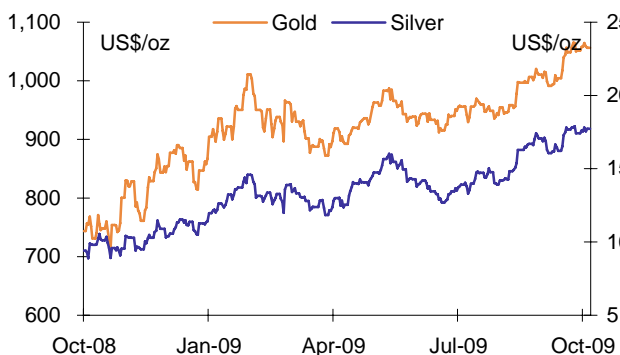
Commodity	MCX Levels					International Levels				
	R2	R1	Pivot	S1	S2	R2	R1	Pivot	S1	S2
Gold	16,014	15,993	15,979	15,958	15,944	1,075	1,062	1,056	1,044	1,038
Silver	27,495	27,467	27,441	27,413	27,387	18.2	18.0	17.7	17.5	17.2
Aluminum	91	91	90	90	90	2,016	1,988	1,972	1,944	1,928
Copper	312	312	312	311	311	6,792	6,727	6,649	6,584	6,506
Lead	111	111	110	110	110	2,459	2,360	2,360	2,261	2,261
Nickel	897	894	893	890	889	19,770	19,165	18,995	18,390	18,220
Zinc	105	105	105	105	104	2,333	2,308	2,272	2,247	2,211
Crude oil	3,748	3,732	3,724	3,708	3,700	82.7	81.5	80.5	79.2	78.3
Nat. Gas	225	224	223	222	221	5.1	4.8	4.8	4.5	4.5

A pivot is a level at which the market direction changes for the day. These points can be critical support and resistance levels for that day. Pivot levels are only broad indicators and not necessarily our view on the commodity.

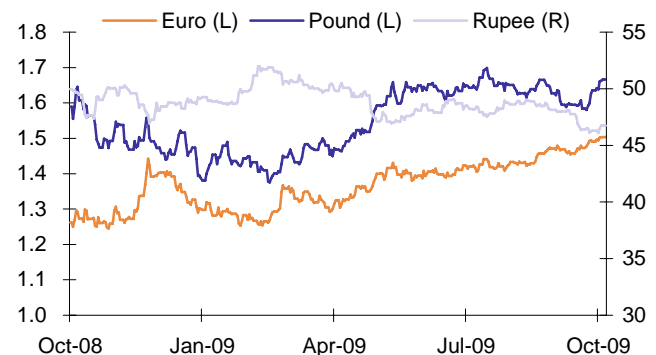
## Important data to watch

Date	Country / Currency	Event	IST	Actual	Cons.	Previous
27-Oct	USD	Consumer confidence (OCT)	19:30		53.5	53.1
	USD	Richmond fed manufacturing index (OCT)	19:30		14	14
28-Oct	USD	Durable goods orders (SEP)	18:00		1.0%	(2.6%)
	USD	Durable ex transportation (SEP)	18:00		0.7%	(0.3%)
	USD	New home sales (SEP)	19:30		440K	429K
29-Oct	USD	GDP (3Q A)	18:00		1.5%	-
	USD	Personal consumption (3Q A)	18:00		3.0%	(0.9%)
	USD	Initial jobless claims (OCT 24)	18:00		525K	531K
30-Oct	USD	Personal spending (SEP)	18:00		(0.5%)	1.3%
	USD	Personal income (SEP)	18:00		-	0.2%
	USD	U. of Michigan confidence (OCT)	19:30		70.0	69.4

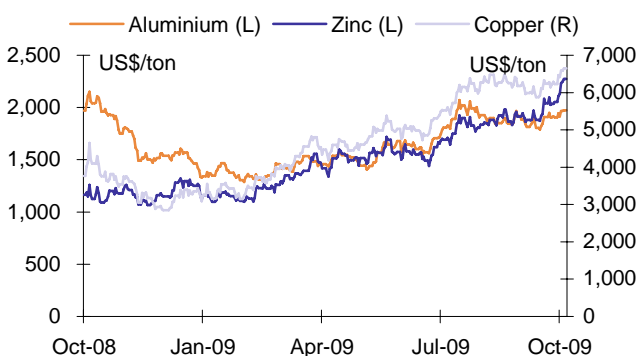
## Precious metals



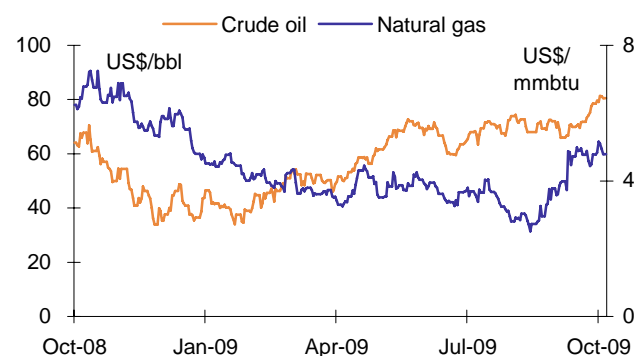
## Currency



## Base metals



## Energy



### Trade recommendation

Commodity	Strategy	Levels	Target	Stop-Loss
Pepper - Nov	Buy	Above 14320	14475, 14620	14285
Jeera - Nov	Buy	Around 12580	12700, 12800	12490
Turmeric - Nov	Buy	Above 9560	9600, 9640	9530
COCUDCAKL - Dec	Buy	529-530	533.5, 537	527.7
Chana - Nov	Sell	Below 2475	2450, 2430	2495
Guar seed - Nov	Buy	Above 2475	2505, 2530	2457
Soya bean - Nov	Buy	2120-2125	2150, 2175	2107
Soya oil - Nov	Buy	Above 455	458, 461	452.6
Mustard seed - Nov	Buy	Around 564	567.3, 570	561.4
Mentha oil - Oct	Sell	Below 513	510, 507	515.7

\*\*Strict Stop-Loss \*Book Partial Profits

Note: Calls given above are purely technical calls and not based on fundamentals.

### Market commentary

- Chilli exports declined by 10.2% to 14,500 tons in Sept.09, as against 16,150 tons in the same month last year.
- Jeera exports from India have almost tripled to 6,000 tons in Sept.09, as against 2,090 tons in the same month last year. Revenues grew by 159% to Rs645 mn.
- Exports of pepper improved to 1,500 tons in the month of Sept.09, as against 1,475 tons in the same month last year.
- Turmeric exports have declined to 4,250 tons in Sept.09 from 4,750 tons last year however revenues grew by 34% to Rs308.13 mn. This is mainly due to prevailing higher prices.
- Exports of small cardamom continued to show firm trend despite rising prices at domestic auctions. Exports grew by about 53% to 100 tons while revenues have almost doubled.
- Soya bean arrivals stood at 5lakh bags at MP market while more than 2lakh bags arrived across various regions of Maharashtra.
- Spot rate of Soya bean Indore (Ex-mandi) closed at Rs20 per kg & that of Mustard seed Rajasthan closed at Rs25.8 per kg.
- Guar futures surged more than 6% last week on strong demand from millers & exporters. Supplies have remained low due to the reluctance of farmers & stockists to sell.
- Export of mint products including mentha oil have declined to 1,450 tons in qty terms & to Rs938.15 mn in revenue terms in the month of Sept.09 as against same month last year.

### Spices

Commodity	High	Low	Close	%Chg	OI
Chilli (Rs/qntl)					
NCDEX Dec	5,940	5,850	5,905	1.1	2,445
NCDEX Feb	5,433	5,381	5,433	1.4	270
Jeera (Rs/qntl)					
NCDEX Nov	12,799	12,512	12,680	(0.1)	6,924
NCDEX Dec	12,940	12,651	12,842	(0.0)	5,277
Pepper (Rs/qntl)					
NCDEX Nov	14,299	14,160	14,268	0.8	6,914
NCDEX Dec	14,475	14,340	14,450	0.8	2,211
Turmeric (Rs/qntl)					
NCDEX Nov	9,555	9,230	9,535	1.8	17,990
NCDEX Dec	9,157	8,830	9,149	1.9	11,240
Cardamom (Rs/kg)					
MCX - Nov	780	774	775	(0.3)	229
MCX - Dec	756	750	752	(0.3)	100

### Oil Seeds

Commodity	High	Low	Close	%Chg	OI
Soyabean (Rs/qntl)					
NCDEX Nov	2,167	2,088	2,142	1.8	126,040
NCDEX Dec	2,202	2,125	2,180	2.0	111,260
CPO (Rs/10kg)					
MCX - Oct	325	320	325	0.9	1,107
MCX - Nov	327	321	326	0.7	2,258

### Guar Complex

Commodity	High	Low	Close	%Chg	OI
Guar seed (Rs/qntl)					
NCDEX Nov	2,490	2,461	2,470	0.2	125,690
NCDEX Dec	2,538	2,504	2,517	0.2	198,450
Guar Gum (Rs/qntl)					
NCDEX Nov	5,325	5,200	5,247	0.7	14,160
NCDEX Dec	5,414	5,289	5,345	0.9	37,155

### Others

Commodity	High	Low	Close	%Chg	OI
Mentha Oil (Rs/Kg)					
MCX - Oct	515	506	514	1.1	2,990
MCX - Nov	522	513	522	1.4	2,663

### Spot prices

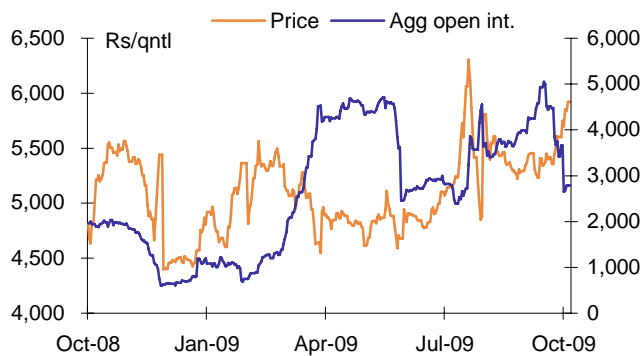
Commodity	Close	Pr. Close	% Chg
Chilli (Rs/qntl)	5,711	5,711	0.0
Jeera (Rs/qntl)	12,190	12,168	0.2
Pepper (Rs/qntl)	14,195	14,150	0.3
Turmeric (Rs/qntl)	9,752	9,752	0.0
Cardamom (Rs/kg)	736	736	(0.1)
Soyabean (Rs/qntl)	2,096	2,074	1.1
Soyaoil (Rs/kg)	441	439	0.4
CPO (Rs/kg)	324	322	0.4
Guar seed (Rs/qntl)	2,447	2,416	1.3
Guar gum (Rs/qntl)	5,236	5,150	1.7
Mentha oil (Rs/kg)	545	546	(0.2)

## Pivot table

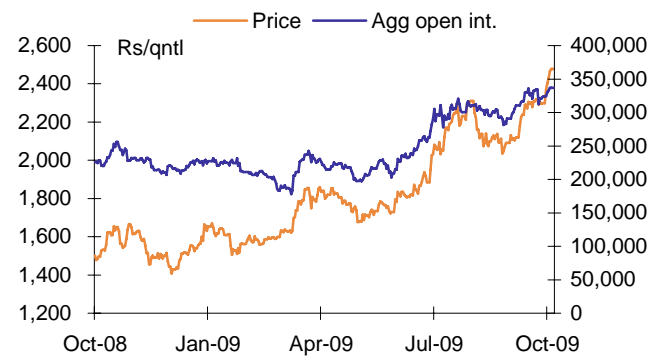
Commodity	R3	R2	R1	Pivot	S1	S2	S3
Chilli - Dec	5,976	5,950	5,926	5,905	5,884	5,860	5,834
Jeera - Nov	12,905	12,824	12,747	12,680	12,613	12,537	12,455
Pepper - Nov	14,377	14,338	14,301	14,268	14,235	14,199	14,159
Turmeric - Nov	9,790	9,698	9,611	9,535	9,459	9,373	9,280
Cardamom - Nov	780	778	777	775	773	772	770
Soya bean - Nov	2,204	2,181	2,160	2,142	2,123	2,102	2,079
Soya oil - Nov	459	457	454	452	450	447	445
CPO - Oct	329	328	326	325	324	323	321
Guar seed - Nov	2,493	2,485	2,477	2,470	2,463	2,456	2,447
Guar gum - Nov	5,345	5,310	5,276	5,247	5,218	5,185	5,149
Mentha Oil - Oct	520	518	515	514	512	509	507
Chana - Nov	2,512	2,501	2,490	2,480	2,470	2,460	2,448

A pivot is a level at which the market direction changes for the day. These points can be critical support and resistance levels for that day. Pivot levels are only broad indicators and not necessarily our view on the commodity.

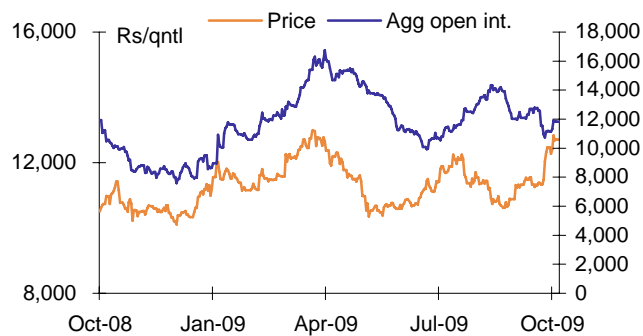
## Chilli



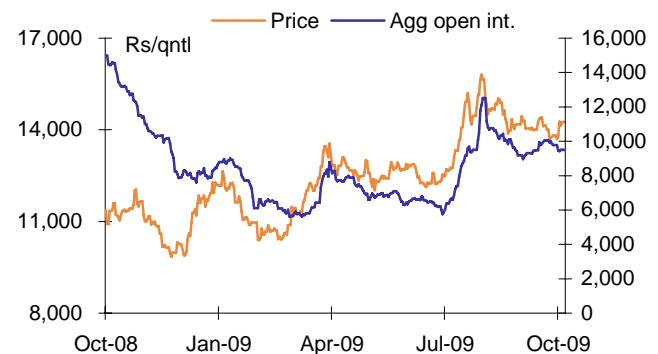
## Guar seed



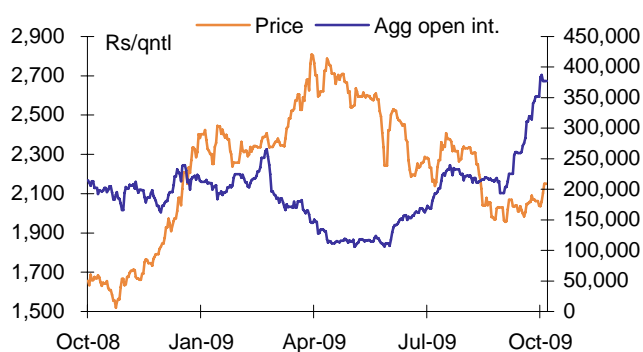
## Jeera



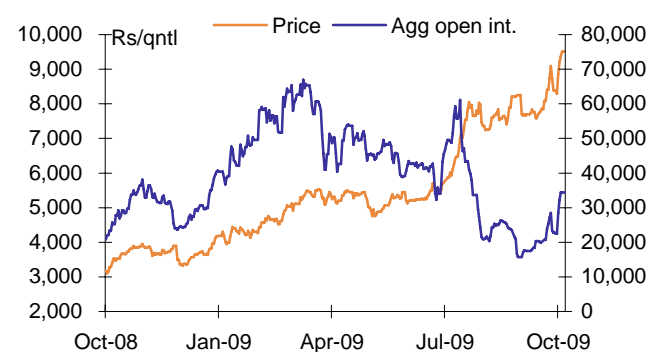
## Pepper



## Soyabean



## Turmeric



## Note:

Ideas given under the 'Commodities' section are for intraday purpose or up to a period of three trading sessions. Recommendations under this heading are not necessarily part of our fundamental buy or sell list.

**Fund focus****Reliance Monthly Income Plan****Invest**

Fund manager	A Tripathy, Ashwani Kumar	Min investment	Rs10,000
Latest NAV	Rs19.3	Entry load	Nil
NAV 52 high/low	Rs20/14	Exit load	1% <1 year
Latest AUM	Rs568cr	Latest dividend (under dividend option)	1.2% (21-Aug-09)
Type	Open-ended	Benchmark	Crisil MIP Blended
Class	Hybrid: Monthly Income	Asset allocation	Equity (15%), Debt (77%), Cash (8%)
Options	Growth & dividend	Expense ratio	2%

**Top recommended funds***(Absolute returns (in %) are based on previous close)*

Equity – Diversified	Assets (Rs Cr)	NAV (Rs)	1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
Birla SL Frontline Equity Fund (G)	1,217	74.9	(2.3)	1.8	13.0	57.0	100.6	7.7	62.3	274.4
DSP-BR Top 100 Equity – RP (G)	2,098	86.9	(1.4)	2.4	12.5	49.9	82.7	8.3	68.6	286.3
HDFC Equity Fund (G)	4,836	217.7	(1.9)	5.7	18.2	71.5	106.8	12.2	58.8	301.7

**Equity – Thematic**

Reliance Banking Fund (G)	997	77.1	(3.2)	8.6	24.7	76.1	111.5	42.7	117.7	344.4
Reliance Diver. Power – RP (G)	5,836	77.1	(1.7)	4.7	16.3	64.5	108.4	17.8	151.1	604.4
UTI Pharma & Health (G)	61	27.2	(0.3)	9.4	19.6	41.9	50.4	22.1	28.7	83.7

**Equity – Tax saving**

Birla SL Tax Relief (D)	1,034	83.1	(2.0)	3.0	16.9	68.3	110.2	(12.9)	36.7	192.6
ICICI Prudential Tax Plan (G)	943	110.9	0.2	5.2	20.2	68.8	110.1	6.2	21.5	230.4
Sundaram Tax Saver (G)	1,209	41.5	(1.9)	2.4	16.8	58.8	80.8	8.4	66.6	322.3

**Balanced**

DSPBR Balanced Fund (G)	637	56.3	(1.1)	2.5	13.9	43.7	63.8	13.7	55.9	189.6
HDFC Prudence Fund (G)	3,066	165.0	(1.4)	4.2	15.9	57.6	86.5	16.1	56.1	235.5
Reliance Monthly Income Plan (G)	568	19.3	0.1	1.2	5.7	11.2	35.3	33.1	43.6	88.1

**Debt – Money market**

HDFC Cash Mgmt Fund – SP (G)	4,240	18.9	0.1	0.4	1.1	2.4	6.3	15.8	25.0	40.1
LIC MF Income Plus Fund (G)	5,769	12.1	0.1	0.4	1.2	2.8	7.0	17.3	--	--
SBI Magnum Insta Cash (G)	3,689	20.1	0.1	0.3	0.9	2.1	5.9	15.0	23.6	37.9

**Debt – Floating rate**

LIC MF Floating Rate Fund (G)	872	14.8	0.1	0.4	1.3	2.9	7.3	18.0	28.0	44.3
Kotak Floater Fund – LTP(G)	10,000	14.3	0.1	0.4	1.2	2.6	7.0	16.6	26.5	41.7
UTI Floating Rate –STP-RP (G)	1,188	1,473.1	0.1	0.4	1.2	2.6	7.1	17.4	24.2	39.6

**NFO Update**

Fund name S	Open date	Close date	Type <sup>#</sup>	Class
Religare PSU Equity Fund	29-Sep	28-Oct	OE	Equity – thematic
Franklin Templeton FTF Series XII Plan B	29-Sep	30-Oct	CE	Debt – FMP

#OE: Open Ended, CE: Close Ended

**Recent actions**

- ✦ UTI Mastershare Fund declares 27% dividend on its face value. Record date has been fixed as October 30, 2009.
- ✦ Fortis Mutual Fund declares 10% dividend under its two schemes Fortis Sustainable Development Fund and Fortis Dividend Yield Fund. Record date has been fixed as October 27, 2009.
- ✦ Birla SL Fixed Term Plan – Series BH declares dividend under its retail and institutional plan. Record date has been fixed as October 28, 2009.
- ✦ ING Dynamic Asset Allocation Fund declares dividend. The quantum of declaration would be 100% of the distributable surplus as available on October 29, being the record date.

Disclaimer: Mutual Fund is subject to market risk, please read the offer document carefully before investing.

**Sector: Utilities**

Sensex:	16,811
CMP (Rs):	215
Target price (Rs):	204
Downside (%):	5.0
52 Week h/l (Rs):	233 / 113
Market cap (Rscr) :	176,989
6m Avg vol ('000Nos):	7,128
No of o/s shares (mn):	8,245
FV (Rs):	10
Bloomberg code:	NATP IB
Reuters code:	NTPC.BO
BSE code:	532555
NSE code:	NTPC

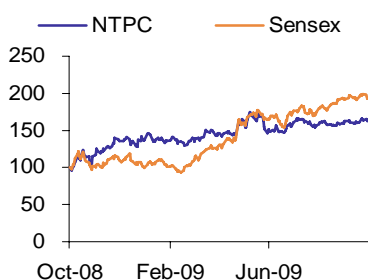
Prices as on 23 Oct, 2009

**Shareholding pattern**

<b>September '09</b>	<b>(%)</b>
Promoters	89.5
Institutions	7.2
Non promoter corp hold	1.1
Public & others	2.2

**Performance rel. to sensx**

<b>(%)</b>	<b>1m</b>	<b>3m</b>	<b>1yr</b>
NTPC	0.2	(7.5)	(28.5)
Tata Power	13.0	14.9	40.7
CESC	(1.8)	21.8	24.1
Reliance Infra	1.1	(4.6)	128.7

**Share price trend**


- ⊕ Generation grows by 7.1% to 50.4BU during Q2 FY10
- ⊕ Higher generation was on account of improved gas supply, higher commercial capacity and better performance of existing stations
- ⊕ Higher volumes aid 7.5% growth in revenues to Rs105bn
- ⊕ Pre-exceptional PAT de-grows 16% yoy to Rs18.8bn against Rs22.2bn last year
- ⊕ Only 500MW of 3,300MW commissioned during FY10, remaining capacity to be added during Q4 FY10
- ⊕ Trades near to fair value, re-iterate *Market Performer* with a target price of Rs204/share

**Result table**

(Rs m)	Q2 FY10	Q2 FY09	% yoy	Q1 FY10	% qoq
Generation (BU)	<b>50</b>	<b>47</b>	7.1	<b>55</b>	(9.2)
Sales (BU)	<b>47</b>	<b>44</b>	7.5	<b>52</b>	(9.7)
<b>Realization (Rs/unit)</b>	<b>2.23</b>	<b>2.23</b>	-	<b>2.30</b>	<b>(3.1)</b>
<b>Net sales</b>	<b>105,069</b>	<b>97,725</b>	7.5	<b>120,005</b>	(12.4)
Material cost	(66,068)	(59,559)	10.9	(77,427)	(14.7)
Personnel cost	(5,040)	(6,047)	(16.6)	(5,904)	(14.6)
Other overheads	(4,582)	(5,533)	(17.2)	(4,939)	(7.2)
<b>Operating profit</b>	<b>29,378</b>	<b>26,587</b>	10.5	<b>31,735</b>	(7.4)
<b>OPM (%)</b>	<b>28.0</b>	<b>27.2</b>	<b>76 bps</b>	<b>26.4</b>	<b>152 bps</b>
Depreciation	(6,438)	(5,267)	22.2	(6,128)	5.1
Interest	(5,407)	(5,264)	2.7	(4,447)	21.6
Other income	7,410	7,448	(0.5)	7,763	(4.5)
<b>PBT</b>	<b>24,944</b>	<b>23,505</b>	6.1	<b>28,923</b>	(13.8)
Tax	(6,183)	(1,289)	379.8	(7,009)	(11.8)
<b>Effective tax rate (%)</b>	<b>24.8</b>	<b>5.5</b>		<b>24.2</b>	
<b>Pre-exceptional PAT</b>	<b>18,760</b>	<b>22,216</b>	(15.6)	<b>21,914</b>	(14.4)
Adjustments	3,748	(2,827)	-	(22)	-
<b>Adjusted PAT</b>	<b>22,509</b>	<b>19,389</b>	16.1	<b>21,892</b>	2.8
<b>Adj. PAT margin (%)</b>	<b>21.4</b>	<b>19.8</b>	<b>158 bps</b>	<b>18.2</b>	<b>318 bps</b>
EPS (Rs)	10.9	9.4	16.1	10.6	2.8

Source: Company, India Infoline Research

**Revenues marginally below expectations**

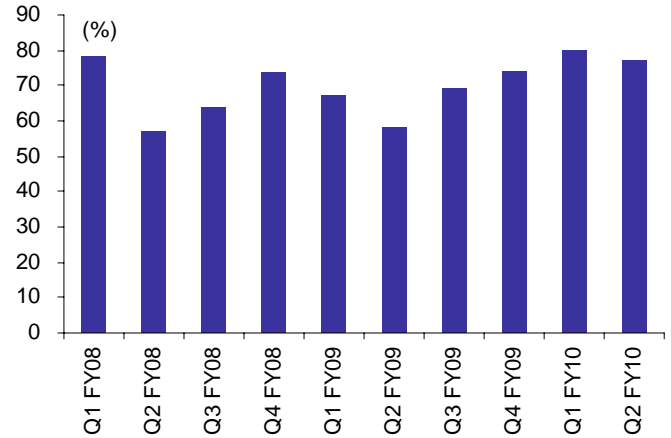
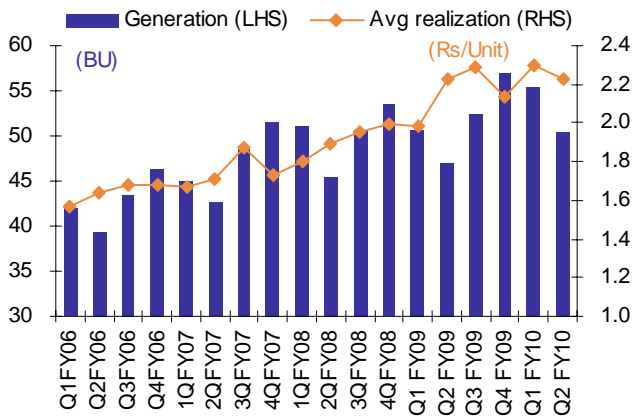
Traditionally the second quarter is a slow quarter for NTPC. This was demonstrated once again during Q2 FY10. NTPC's generation stood at 50.4BU, 7.1% higher over the corresponding period last year, but 9% lower sequentially. Sales volume was higher by 7.5% yoy to 47BU but de-grew by 9.7% sequentially.

Generation was higher on account of 1) higher capacity and 2) improved gas supplies. Although no capacity was added during the quarter, the full impact of 500MW at Kahalgaon - which was added towards the end of Q1 FY10 - was seen during the quarter. Its coal and gas plants operated at 82.4% and 76.9% PLF respectively. Gas stations PLF improved due to increased purchase of gas from the spot market, fall back RLNG and improved APM/PMT supplies. NTPC consumed 13.8mmscmd of gas against 10.6mmscmd.

Average realizations for the quarter remained flat at Rs2.23/unit. The company experienced higher coal prices which offset savings on account of lower cost of naphtha, gas and oil. NTPC imported 3.7mn tons of coal during the quarter. All of this was from FY09 import sanction. NTPC is yet to import coal from FY10 import target of 12.5mn tons. Adjusting its revenues for one timer - AAD of Rs2.7bn - NTPC's revenues reported 7.5% growth to Rs105bn.

**Q2 is generally weak for NTPC**

**Gas stations continue to operate at high PLF**



Source: Company, India Infoline Research

**Cost analysis**

As a % of net sales	Q2 FY10	Q2 FY09	bps yoy	Q1 FY10	bps qoq
Material cost	62.9	61.6	124	64.5	(164)
Personnel cost	4.8	6.3	(146)	4.9	(12)
Other overheads	4.4	5.7	(137)	4.1	24
<b>Total costs</b>	<b>72.0</b>	<b>73.6</b>	<b>(159)</b>	<b>73.6</b>	<b>(152)</b>

Source: Company, India Infoline Research

**Pre-exceptional PAT de-grows by 16%**

During the quarter NTPC reported PAT of Rs21.5bn. However there were corresponding adjustments that translates into adjusted PAT of Rs22.5bn. Due to a change in the tariff structure, the company recognized Rs2.7bn as revenues which is the amount of AAD required to meet the shortfall in the depreciation component in revenues. It also provided Rs1.4bn towards employee wage revision and other benefits, FERV (Rs748mn), Deferred FERV ((-) Rs377mn) and prior period adjustments ((-) Rs781mn) during the quarter. It continued to report higher tax rate at 24.8%, thus translating into 16% de-growth in pre-exceptional PAT, higher than our expectation.

**Adjustments in Q2 FY10 results**

Particulars	Rs mn
Previous year sales	11
Impact of FERV adjustments	748
Deferred FERV adjustments	(377)
Prior-Period adjustments	(781)
Wage revision/ Addl incentive	1,399
AAD	2,748
<b>Total Adjustments</b>	<b>3,748</b>

Source: Company, India Infoline Research

**NTPC targets to add 3.3GW during FY10, admits to partial slippages during the XI<sup>th</sup> plan**

NTPC plans to add 3.3GW during the year, against which it has managed to add only 500MW till date. It indicated that the balance capacity will come up during Q4 FY10. The management raised its FY10 capital outlay target to Rs177bn for the standalone entity. It currently has 17.9GW under construction which is expected to be commissioned by the end of XI<sup>th</sup> five year plan. The management has admitted to partial slippages during the plan period, which is what we have been estimating. CEA estimates NTPC's capacity addition to be at ~15GW.

### FY10 capacity addition target

Project	Capacity (MW)
Sipat Stage-I	1,320
Kahalgaon Stage-II*	500
Korba Stage-III	500
NCTPP Stage-II	980
<b>Total</b>	<b>3,300</b>

Source: Company, India Infoline Research \*Commissioned

### Trades at 2.6x FY11E book, re-iterate Market Performer

The stock has under performed the broader market in the recent past, in line with our past recommendation. At the current price, it trades at 2.6x FY11E book, thus leaving little room for upside. We factor a capacity addition of 15GW over FY08-12 against the company's target of 22GW, as the company has not been able to place orders for equipments. Maintain as Market Performer and target price of Rs204/share.

### Continues to trade above its long term P/B multiple



Source: Bloomberg, India Infoline Research

### Financial summary

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	370,988	410,218	526,203	633,279
yoy growth (%)	13.3	10.6	28.3	20.3
Operating profit	115,471	96,042	148,546	177,928
OPM (%)	31.1	23.4	28.2	28.1
Pre-exceptional PAT	75,487	72,229	88,252	95,520
Reported PAT	74,148	82,013	88,252	95,520
yoy growth (%)	8.0	10.6	7.6	8.2
EPS (Rs)	9.2	8.8	10.7	11.6
P/E (x)	23.5	24.5	20.1	18.6
Price/Book (x)	3.4	3.1	2.9	2.6
EV/EBITDA (x)	16.5	20.6	13.9	12.4
Debt/Equity (x)	0.5	0.6	0.7	0.8
RoE (%)	14.9	13.1	14.8	14.8
RoCE (%)	15.7	11.8	15.1	15.0

Source: Company, India Infoline Research



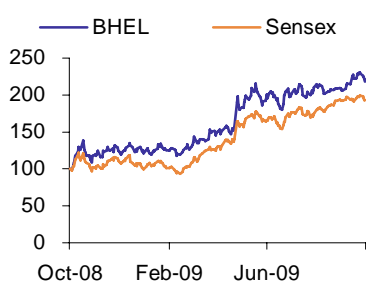
Sector: Capital Goods	
Sensex:	16,811
CMP (Rs):	2,384
Target price (Rs):	2,256
Downside (%):	5.4
52 Week h/l (Rs):	2550 / 984
Market cap (Rscr) :	116,716
6m Avg vol ('000Nos):	1,159
No of o/s shares (mn):	490
FV (Rs):	10
Bloomberg code:	BHEL IB
Reuters code:	BHEL.BO
BSE code:	500103
NSE code:	BHEL

Prices as on 23 Oct, 2009

Shareholding pattern	
September '09	(%)
Promoters	67.7
Institutions	25.9
Non promoter corp hold	4.5
Public & others	2.0

Performance rel. to sensx			
(%)	1m	3m	1yr
BHEL	5.3	(1.1)	24.9
L&T	(5.4)	(4.1)	7.4
Siemens	2.6	13.4	25.2
ABB	(0.0)	(3.6)	(33.7)

#### Share price trend



- ⊕ Revenue grows 24% yoy driven by a healthy 23% yoy growth in power division
- ⊕ Lower costs led by savings in raw materials translate into 375bps margin expansion
- ⊕ Better margins lead to robust 39% PAT growth to Rs8.6bn
- ⊕ Order book stands at Rs1.25trn, 21% growth over the corresponding period last year
- ⊕ Upgrade target price to Rs2,256/share, but recent run up in stock price leaves no room for further upside, re-iterate *Market Performer*

#### Result table

(Rs m)	Q2 FY10	Q2 FY09	% yoy	Q1 FY10	% qoq
<b>Net sales</b>	<b>66,252</b>	<b>53,426</b>	24.0	<b>55,957</b>	18.4
Material costs	(37,932)	(31,812)	19.2	(35,452)	7.0
Personnel costs	(10,690)	(8,898)	20.1	(11,137)	(4.0)
Other overheads	(6,335)	(5,609)	12.9	(4,206)	50.6
<b>Operating profit</b>	<b>11,295</b>	<b>7,107</b>	58.9	<b>5,162</b>	118.8
<b>OPM (%)</b>	<b>17.0</b>	<b>13.3</b>	<b>375 bps</b>	<b>9.2</b>	<b>782 bps</b>
Depreciation	(934)	(744)	25.5	(961)	(2.8)
Interest	(45)	(22)	104.5	(43)	5.1
Other income	2,978	3,072	(3.1)	3,029	(1.7)
<b>PBT</b>	<b>13,294</b>	<b>9,413</b>	41.2	<b>7,187</b>	85.0
Tax	(4,715)	(3,256)	44.8	(2,654)	77.6
<b>Effective tax rate (%)</b>	<b>35.5</b>	<b>34.6</b>		<b>36.9</b>	
<b>Reported PAT</b>	<b>8,579</b>	<b>6,157</b>	39.3	<b>4,533</b>	89.3
<b>PAT margin (%)</b>	<b>12.9</b>	<b>11.5</b>	<b>142 bps</b>	<b>8.1</b>	<b>485 bps</b>
Ann. EPS (Rs)	70.1	50.3	39.3	37.0	89.3

Source: Company, India Infoline Research

#### Share of power division in revenues continues to grow

During Q2 FY10 yet again, share of the power division in BHEL's revenues continued to grow. It contributed 77.3% of the total gross revenues while the balance was contributed by industry. Revenues of the power division reported a healthy 23% yoy growth to Rs54.2bn while industry continued to report muted 6.6% yoy growth to Rs15.9bn. Muted performance of the industry segment was due to the weak economic condition, which is expected to improve from next quarter onwards. BHEL's Q2 FY10 revenues reported 24% yoy growth despite a high base.

#### Order book growth continues to slow down

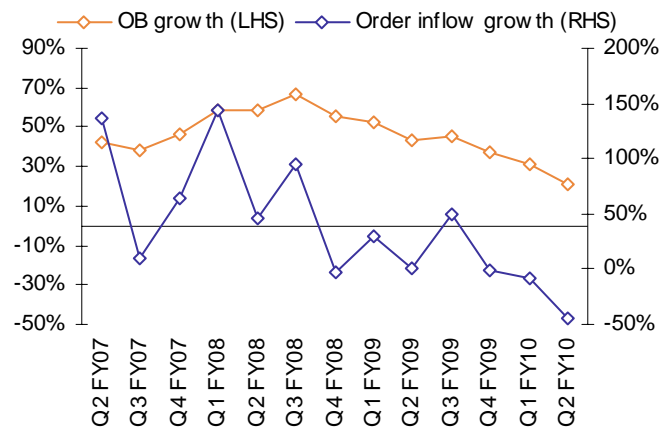
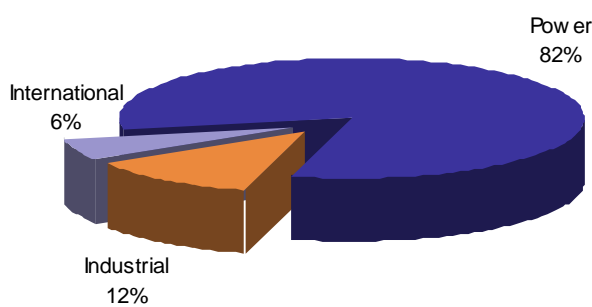
During Q2 FY10, BHEL's order book grew by 21% yoy to Rs1.25trn, 4.4x trailing four quarter revenues, thus providing strong earnings visibility. However, the order book growth has been losing steam with Q2 FY10 being the slowest since the past 14 quarters. Order intake declined for the third straight quarter and was the lowest in the past 11 quarters. BHEL's Q2 FY10 order inflow stood at Rs80.3bn.

Private sector continued to dominate the order book. BHEL made a break through in Belarus during the quarter by bagging Rs2.7bn order for installing a co-generation power plant. It bagged Rs13bn order from NTPC during the quarter and also the single-largest order in transportation business from the Indian Railways.

The existing order book includes both super critical and sub critical orders. Generally 660MW super critical orders take about 39-45 months to execute while the 800MW super critical orders take about 54 months. As compared to this the sub critical orders take about 36-39 months to execute. The execution of its order book will accelerate as the company commences operations from its expanded capacity. With majority of the orders being sub critical, visibility on conversion of this order book in earnings continues to be strong for the next couple of years. We expect the company to witness 23% revenue CAGR over FY09-11E.

**Power continues to dominate the OB**

**Order book and intake growth declines**



Source: Company, India Infoline Research

**Key orders bagged during the quarter**

Customer	Location	Contract	Units/ Nos	MW	Order Value (Rs bn)
NTPC-TNECL	Vallur	Supply and installation of BTG	1x500	500	13
Indian Railways	-	Mfg and supply of electric locomotives	150	-	9.9
Grodnoenergo	Belarus	Set up a co-generation power plant	1x120	120	2.7
Oil India	Assam	Turnkey contract for setting up gas turbine based captive power plant	1x20	20	1.9
Monnet Power Company	Orissa	BTG package for the greenfield thermal power plant	2x525	1,050	26.3
Jindal India Thermal Power Ltd	Orissa	BTG package for the greenfield thermal power plant	2x600	1,200	26.0
Adhunik Power and Natural Resources	Jharkhand	Main package for upcoming thermal power plant	1x270	270	6.4
PDO	Oman	Supply of gas turbine generators	1xFr. 9E	-	2.1
Sterlite	Tuticorin	Supply of BTG set and electricals	2x80	160	2.7

Source: Company, India Infoline Research

**Savings in cost translate into 375bps operating margin expansion**

As the company consumed its low cost raw material, whose inventory it was building since September 2008, its raw material cost declined as a percentage of net sales by 229bps. In addition it also enjoyed savings from lower employee cost and overheads. These savings translated into 375bps margin expansion to 17% in Q2 FY10 against 13.3% last year.

### Cost analysis

As a % of net sales	Q2 FY10	Q2 FY09	bps yoy	Q1 FY10	bps qoq
Material costs	57.3	59.5	(229)	63.4	(610)
Personnel Costs	16.1	16.7	(52)	19.9	(377)
Other overheads	9.6	10.5	(94)	7.5	205
<b>Total costs</b>	<b>83.0</b>	<b>86.7</b>	<b>(375)</b>	<b>90.8</b>	<b>(782)</b>

Source: Company, India Infoline Research

This margin expansion is in line with the management guidance issued in Q1 FY10. The management also indicated at maintaining margins for the year. It expects raw material cost to hover at 60% of net sales for the year as it will benefit from consumption of its low cost inventory. This coupled with no burden of high employee cost - on account of wage revision - should translate into 180bps margin expansion for the year.

### Margin expansion translates into 39% PAT growth

BHEL benefited from handsome margin expansion during the quarter. This offset a 25% and 32% increase in depreciation and interest cost and a marginal drop in other income. Other income's share in PBT fell to 22% for the quarter from 33% in the corresponding period last year. Also during the quarter BHEL reported a marginally higher tax rate, which resulted into 45% increase in tax outgo. Hence its reported PAT grew by 39% to Rs8.6bn against Rs6.2bn last year.

### Strong earnings visibility, upgrade target price to Rs2,256

BHEL's healthy order book position of Rs1.25trn, covering it for the next ~4.5 years, provides us very strong earnings visibility. We expect the ordering cycle to pick up, the management is confident of achieving its targeted order book addition of Rs550bn during the year. They indicated that some of its orders are in the final stages of finalization which could not be reported in Q2 will be booked in Q3 FY10. The bulk order from NTPC will however take some time and is expected to be awarded only in FY11. As per the directive of the government, at least 5 boiler and 4 turbine orders will be awarded to BHEL, which BHEL indicates can top at 6 and 5 respectively.

Lower order inflow during the year will be offset by better margins arising out of lower raw material and staff cost. The robust order book and improvement in margins should translate into 23% and 31% revenue and earnings CAGR over FY09-11E respectively. With very low debt on books, the company continues to remain net debt free. In light of 1) healthy earnings growth, 2) margin expansion, 3) low debt and 4) improving return ratios we upgrade our target multiple and target price. However, the recent run up in the stock leaves limited upside, re-iterate *Market Performer* with an increased target price of Rs2,256/share.

### Financial summary

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	197,269	267,268	324,975	402,708
yoy growth (%)	12.0	35.5	21.6	23.9
Operating profit	37,414	42,190	57,112	74,177
OPM (%)	19.0	15.8	17.6	18.4
Pre-exceptional PAT	28,529	30,492	41,493	52,590
Reported PAT	28,593	31,382	41,493	52,590
yoy growth (%)	18.4	9.8	32.2	26.7
EPS (Rs)	58.3	62.3	84.8	107.4
P/E (x)	40.9	38.2	28.1	22.2
Price/Book (x)	10.8	9.0	7.5	6.1
EV/EBITDA (x)	28.9	25.2	18.4	14.0
Debt/Equity (x)	0.0	0.0	0.0	0.0
RoE (%)	29.2	25.7	29.0	30.3
RoCE (%)	45.0	40.6	44.7	46.7

Source: Company, India Infoline Research

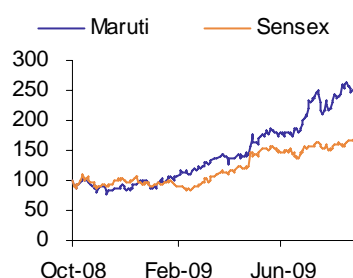
Sector: Automobiles	
Sensex:	16,811
CMP (Rs):	1,517
Target price (Rs):	1,657
Upside (%):	9.2
52 Week h/l (Rs):	1740 / 428
Market cap (Rscr) :	43,838
6m Avg vol ('000Nos):	1,125
No of o/s shares (mn):	289
FV (Rs):	5
Bloomberg code:	MSIL IB
Reuters code:	MRTI.BO
BSE code:	532500
NSE code:	MARUTI

Prices as on 26 Oct, 2009

Shareholding pattern	
September '09	(%)
Promoters	54.2
Institutions	39.1
Non promoter corp hold	4.7
Public & others	2.0

Performance rel. to sensx			
(%)	1m	3m	1yr
Maruti	(8.3)	0.7	89.5
M&M	8.1	1.7	130.9
Tata Motors	(11.5)	34.0	134.2
Ashok Ley	5.0	14.5	64.1

#### Share price trend



- ⊕ Net sales jump 44.2% yoy driven by 29.9% yoy volume growth and increased realizations owing to changing product mix towards higher priced products
- ⊕ OPM rise 239bps yoy and 50bps driven by benefits of operating leverage and lower raw material costs
- ⊕ Net profit increases 94.6% yoy on account of improved operational performance
- ⊕ Maintain our Market Performer rating on the stock despite higher target price as we find the stock fairly valued at 15.6x FY11E earnings of Rs97.5

#### Result table

(Rs m)	Q2 FY10	Q2 FY09	% yoy	Q2 FY10	% qoq
<b>Volume (vehicles)</b>	<b>246,188</b>	<b>189,451</b>	<b>29.9</b>	<b>226,729</b>	<b>8.6</b>
<b>Realisation (Rs/unit)</b>	<b>286,349</b>	<b>253,694</b>	<b>12.9</b>	<b>279,640</b>	<b>2.4</b>
<b>Net sales</b>	<b>72,026</b>	<b>49,936</b>	44.2	<b>64,930</b>	10.9
Material costs	(52,395)	(36,341)	44.2	(47,677)	9.9
Purchases	(2,160)	(1,759)	22.8	(1,873)	15.3
Personnel costs	(1,263)	(1,165)	8.4	(1,336)	(5.5)
Other overheads	(7,047)	(5,514)	27.8	(6,112)	15.3
<b>Operating profit</b>	<b>9,161</b>	<b>5,157</b>	77.6	<b>7,932</b>	15.5
<b>OPM (%)</b>	<b>12.7</b>	<b>10.3</b>	<b>239 bps</b>	<b>12.2</b>	<b>50 bps</b>
Depreciation	(1,970)	(1,658)	18.8	(1,961)	0.5
Interest	(60)	(208)	(71.3)	(63)	(5.4)
Other income	1,100	960	14.5	2,165	(49.2)
<b>PBT</b>	<b>8,232</b>	<b>4,251</b>	93.6	<b>8,073</b>	2.0
Tax	(2,471)	(1,290)	91.5	(2,238)	10.4
<b>Effective tax rate (%)</b>	<b>30.0</b>	<b>30.3</b>		<b>27.7</b>	
<b>Reported PAT</b>	<b>5,761</b>	<b>2,961</b>	94.6	<b>5,835</b>	(1.3)
<b>PAT margin (%)</b>	<b>8.0</b>	<b>5.9</b>	<b>207 bps</b>	<b>9.0</b>	<b>(99) bps</b>
Ann. EPS (Rs)	31.9	16.4	94.6	32.3	(1.3)

Source: Company, India Infoline Research

#### Net sales surge 44.2% on higher volumes and realizations

During Q2 FY10, Maruti Suzuki Ltd (MSL) reported net sales growth of 44.2% yoy driven by 29.9% yoy jump in volumes and 12.9% higher realizations. Volume growth was on account of more than doubling of export volumes as A-Star received an astounding success in European markets. Domestic volumes also registered a robust growth of 21.8% yoy driven by improved credit availability and changing consumer sentiment. Growth was led by robust increase in A2 and A3 categories. Realizations were higher in the domestic market owing to increased contribution of higher priced categories in total volumes. Further, diesel variants, which are priced substantially higher when compared with petrol counterparts, registered higher growth in volumes.

#### Total volume breakup market wise

	Volumes			Contribution (%)	
	Q2 FY10	Q2 FY09	yoy (%)	Q2 FY10	Q2 FY09
Domestic	209,083	171,706	21.8	84.9	90.6
Exports	37,105	17,745	109.1	15.1	9.4
<b>Total</b>	<b>246,188</b>	<b>189,451</b>	<b>29.9</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, India Infoline Research

**Domestic volume breakup – category wise**

	Volumes			Contribution (%)	
	Q2 FY10	Q2 FY09	yoy (%)	Q2 FY10	Q2 FY09
A1	8,737	12,137	(28.0)	4.2	7.1
A2	153,096	118,083	29.7	73.2	68.8
A3	24,278	18,849	28.8	11.6	11.0
C	22,200	20,209	9.9	10.6	11.8
MUV	772	2,428	(68.2)	0.4	1.4
<b>Domestic Total</b>	<b>209,083</b>	<b>171,706</b>	<b>21.8</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, India Infoline Research

**Operating margins improve on back of benefits of operating leverage**

During Q2 FY10, OPM for MSL nearly rose 239bps yoy and 50bps qoq to 12.7% and operating profit jumped by 77.6% yoy. Material costs including purchases were lower by 55bps yoy. Benefits of operating leverage resulted in 126bps yoy and 58bps yoy reduction in overheads and staff costs respectively. Higher royalty costs restricted the expansion to some extent.

**Cost analysis**

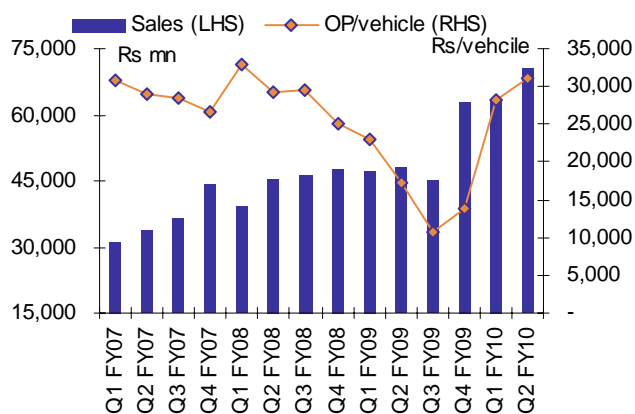
As a % of net sales	Q2 FY10	Q2 FY09	bps yoy	Q2 FY10	bps qoq
Material costs	72.7	72.8	(3)	73.4	(68)
Purchases	3.0	3.5	(52)	2.9	11
Personnel Costs	1.8	2.3	(58)	2.1	(30)
Other overheads	9.8	11.0	(126)	9.4	37
<b>Total costs</b>	<b>87.3</b>	<b>89.7</b>	<b>(239)</b>	<b>87.8</b>	<b>(50)</b>

Source: Company, India Infoline Research

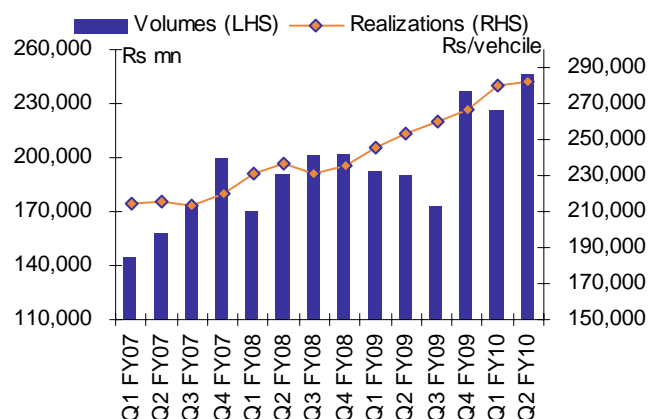
**Higher other income and lower interests further propels PAT growth**

For Q2 FY10, MSL registered a 94.6% yoy growth in net profit as compared to 77.6% jump in operating profit. This was on account of 14.5% higher other income and 71.3% fall in interest costs. However, depreciation was higher by 18.8%. Resultantly, net profit margins surged by 207bps yoy.

**Trend in volumes and realizations**



**Trend in sales and operating profit/vehicle**

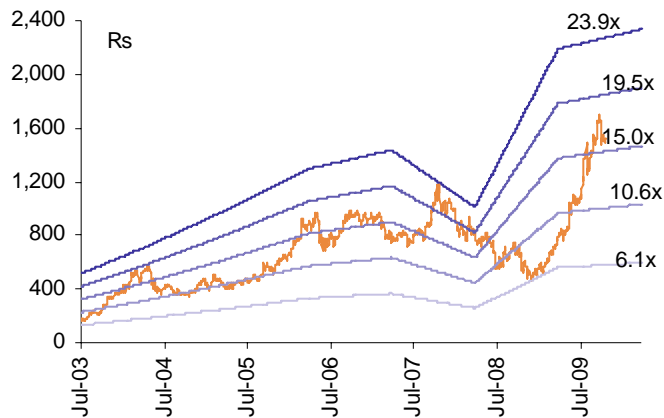


Source: India Infoline Research

### Upgrading estimates but retain Market Performer rating

We are upgrading our volume growth estimates from 5% n FY10 to 21% in FY10 and from 7.5% in FY11 to 8.3%. Further, we have raised our OPM assumptions to factor in the performance of H1 FY10. We believe that the margins have peaked and are expected to decline from Q3 FY10 following the rise in prices of steel, aluminum and copper. Nevertheless, we expect MSIL to report earnings CAGR of 52% between FY09-11E. At a P/E 15.6x FY11E earnings of Rs97.5 (raised from Rs82.8 earlier), the growth is adequately factored. Hence, we retain our Market Performer rating with a new target price of Rs1,657.

#### 1-yr forward P/E Band



Source: India Infoline Research

#### Valuation summary

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	178,603	203,587	263,943	292,368
yoy growth (%)	22.4	14.0	29.6	10.8
Operating profit	21,673	13,159	31,492	32,651
OPM (%)	12.1	6.5	11.9	11.2
Pre-exceptional PAT	17,308	12,191	26,404	28,167
Reported PAT	17,308	12,191	26,404	28,167
yoy growth (%)	10.8	(29.6)	116.6	6.7
EPS (Rs)	59.9	42.2	91.4	97.5
P/E (x)	25.3	36.0	16.6	15.6
Price/Book (x)	5.2	4.7	3.7	3.0
EV/EBITDA (x)	20.5	32.4	12.9	11.7
Debt/Equity (x)	0.1	0.1	0.1	0.0
RoE (%)	22.7	13.7	25.0	21.5
RoCE (%)	29.9	17.5	31.6	27.4

Source: Company, India Infoline Research

**Sector: Metals & Mining**

Sensex:	16,811
CMP (Rs):	852
Target price (Rs):	821
Downside (%):	3.6
52 Week h/l (Rs):	935 / 161
Market cap (Rscr) :	15,944
6m Avg vol ('000Nos):	3,829
No of o/s shares (mn):	187
FV (Rs):	10
Bloomberg code:	JSTL IB
Reuters code:	JSTL.BO
BSE code:	500028
NSE code:	JSWSTEEL

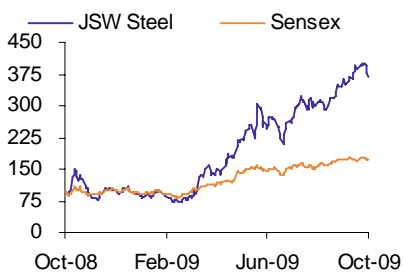
Prices as on 23 Oct, 2009

**Shareholding pattern**

September '09	(%)
Promoters	45.0
Institutions	36.7
Non promoter corp hold	3.2
Public & others	15.1

**Performance rel. to sensx**

(%)	1m	3m	1yr
JSW Steel	2.6	26.7	196.0
Tata Steel	1.4	17.3	90.8
SAIL	2.9	(5.3)	48.5
JSPL	14.5	35.0	494.6

**Share price trend**


- ⊕ Q1 FY10 revenue growth of 16.9% qoq was inline with our estimates
- ⊕ Sales volume jumped 10.1% qoq to 1.45mn tons
- ⊕ EBIDTA/ton increased by 35.8% qoq to Rs7,450 in Q2 FY10 on account of lower coking coal costs and higher realisations
- ⊕ US subsidiary performance improved on a qoq basis; however, inventory loss led to an EBIDTA loss of US\$21mn
- ⊕ JSW targets 6.1mn tons of sales volumes at an EBIDTA/ton of US\$150/ton in FY10E
- ⊕ Maintain Market Performer rating with a target of Rs821

**Result table (Standalone)**

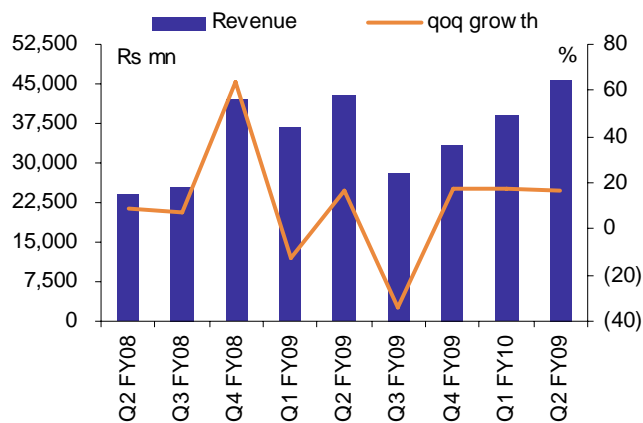
(Rs m)	Q2 FY10	Q1 FY10	% qoq	Q2 FY09	% yoy
<b>Net sales</b>	<b>45,792</b>	<b>39,168</b>	<b>16.9</b>	<b>43,091</b>	<b>6.3</b>
Material costs	(25,399)	(24,071)	5.5	(23,929)	6.1
Personnel costs	(956)	(920)	3.8	(838)	14.0
Power and fuel costs	(2,497)	(2,332)	7.1	(1,716)	45.6
Other overheads	(5,269)	(4,378)	20.3	(5,306)	(0.7)
<b>Operating profit</b>	<b>11,672</b>	<b>7,467</b>	<b>56.3</b>	<b>11,302</b>	<b>3.3</b>
<b>OPM (%)</b>	<b>25.5</b>	<b>19.1</b>	<b>643 bps</b>	<b>26.2</b>	<b>(74) bps</b>
Depreciation	(2,805)	(2,718)	3.2	(1,975)	42.0
Interest	(2,298)	(2,206)	4.1	(1,960)	17.3
Other income	13	15	(16.3)	27	(52.9)
<b>PBT</b>	<b>6,582</b>	<b>2,558</b>	<b>157.3</b>	<b>7,394</b>	<b>(11.0)</b>
Tax	(2,066)	(1,556)	32.8	(1,536)	34.5
<b>Effective tax rate (%)</b>	<b>31.4</b>	<b>60.9</b>		<b>20.8</b>	
<b>Adjusted PAT</b>	<b>4,515</b>	<b>1,001</b>	<b>351.0</b>	<b>5,858</b>	<b>(22.9)</b>
<b>Adj. PAT margin (%)</b>	<b>9.9</b>	<b>2.6</b>	<b>730 bps</b>	<b>13.6</b>	<b>(373) bps</b>
Extra ordinary items	-	2,399	-	(2,684)	-
<b>Reported PAT</b>	<b>4,515</b>	<b>3,400</b>	<b>32.8</b>	<b>3,175</b>	<b>42.2</b>
Ann. EPS (Rs)	96.6	21.4	351.0	125.3	(22.9)

Source: Company, India Infoline Research

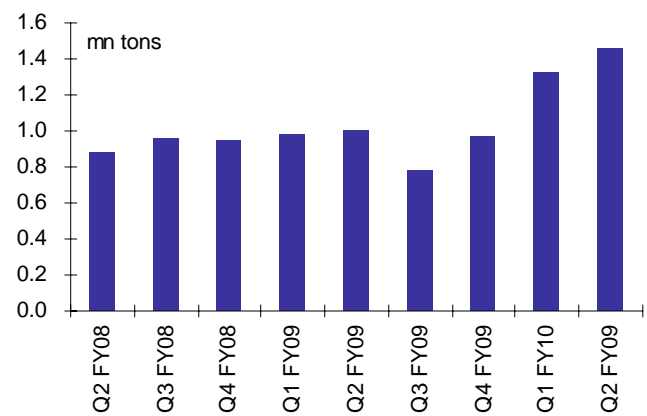
**Topline growth of 16.9% mainly led by higher sales volume**

JSW in Q2 FY10 reported net sales of Rs45.8bn, a rise of 16.9% qoq, inline with our estimate of Rs45.7bn. Sales volume growth of 10.1% qoq was lower than our estimate of 14.1%. However, the impact of lower than expected sales volume was offset by higher realisations. The robust volume growth was led by a stronger domestic demand and the company's focus on rural areas. Domestic market accounted for 79% of total sales during the quarter. The ratio of domestic market as a % of sales was lower on a qoq basis as the company was able to export some slabs at higher prices. Blended steel realisations increased by 5.4% qoq to Rs28,648/ton led by an increase in flat product prices. Long product prices remained weak during the quarter on account of the monsoon season. Sales of semi-finished products jumped further to 0.4mn tons in Q2 FY10 from 0.3mn tons in Q1 FY10, increasing its share in total sales to 27.8% from 23.5%.

**Quarterly revenue trend**

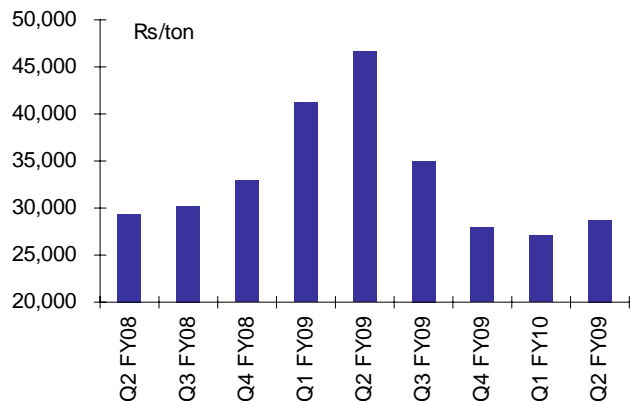


**Quarterly sales volume trend**

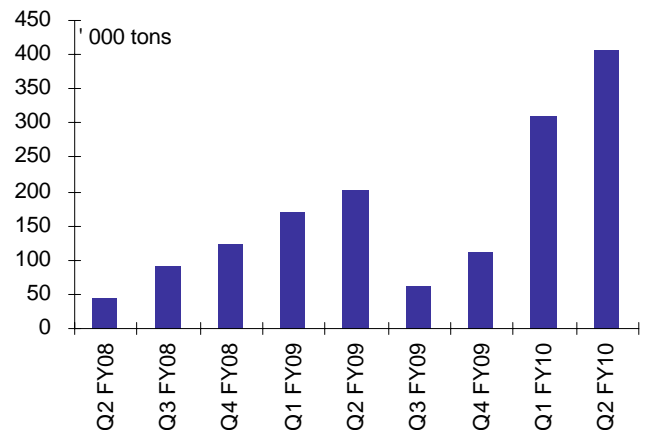


Source: Company, India Infoline Research

**Quarterly trend in realisation**



**Sales of semi-finished goods**



Source: Company, India Infoline Research

**EBIDTA/ton increased by 35.8% qoq to Rs7,450 in Q2 FY10 on account of lower coking coal costs and higher realisations**

On the back of strong flat product realisations and lower coking coal costs, JSW managed to register a 35.8% qoq increase in EBIDTA per ton. EBIDTA per ton increased to Rs7,450/ton in Q2 FY10 from Rs5,486/ton in Q1FY10. Cost of production declined just by 2.2% qoq, surprised us on the negative side. Standalone OPM increased 643 bps qoq to 25.5% on account of lower raw material costs. Raw material costs as a % of sales fell by 599 bps qoq to 55.5% during the quarter. The expansion in OPM was also contained on account of a forex loss of Rs221mn, which is accounted in other expenditure.

**Sales, realisations and cost analysis**

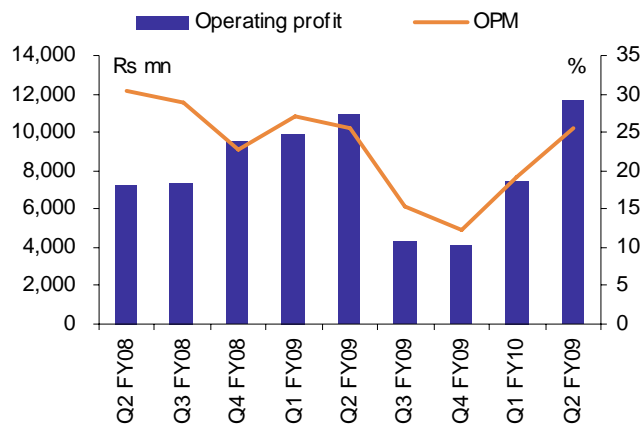
	Q2 FY10	Q1 FY10	% qoq	Q2 FY09	% yoy
Steel production ('000 tons)	1,541	1,376	12.0	1,001	53.9
<b>Steel sales ('000 tons)</b>	<b>1,454</b>	<b>1,321</b>	<b>10.1</b>	<b>837</b>	<b>73.7</b>
Sales as a % of production	94.4	96.0		83.6	
Net realisations (Rs/ton)	28,648	27,169	5.4	46,569	(38.5)
Cost of production (Rs/ton)	21,198	21,683	(2.2)	36,198	(41.4)
<b>EBIDTA/ton (Rs/ton)</b>	<b>7,450</b>	<b>5,486</b>	<b>35.8</b>	<b>10,371</b>	<b>(28.2)</b>

As a % of net sales	Q2 FY10	Q1 FY10	bps qoq	Q2 FY09	bps yoy
Material costs	55.5	61.5	(599)	55.5	(7)
Personnel Costs	2.1	2.3	(26)	1.9	14
Power and fuel costs	5.5	6.0	(50)	4.0	147
Other overheads	11.5	11.2	33	12.3	(81)
<b>Total costs</b>	<b>74.5</b>	<b>80.9</b>	<b>(643)</b>	<b>73.8</b>	<b>74</b>

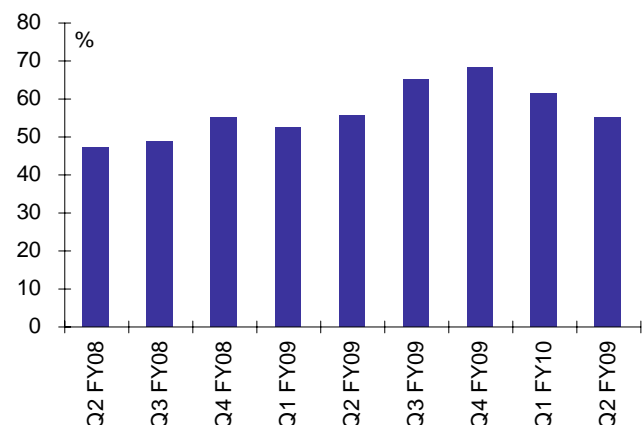
Source: Company, India Infoline Research



**Quarterly operating profit and OPM**



**Raw material as a % of sales**



Source: Company, India Infoline Research

**US subsidiary performance improved on a qoq basis; however, inventory loss led to an EBIDTA loss of US\$21mn**

JSW's operations in the US showed some improvement in Q2 FY10. Execution of a specific order and a revival in the demand for pipes from the oil and gas space, sales of pipes and plates increased 169.1% and 313.7% qoq respectively. The subsidiary reported a growth of 130.5% qoq in its topline during the quarter. However, operating loss increased to US\$21mn as the company has taken some inventory write down in Q2 FY10. The company expects to remain EBIDTA neutral from Q3 FY10 onwards, as the entire inventory has been written down.

**Result table (Consolidated)**

(Rs m)	Q2 FY10	Q1 FY10	% qoq	Q2 FY09	% yoy
<b>Net sales</b>	<b>47,565</b>	<b>40,138</b>	<b>18.5</b>	<b>46,841</b>	<b>1.5</b>
Material costs	(27,608)	(25,234)	9.4	(24,939)	10.7
Personnel costs	(2,569)	(2,393)	7.4	(2,120)	21.2
Power and fuel costs	(1,217)	(1,146)	6.2	(1,517)	(19.7)
Other overheads	(5,418)	(4,482)	20.9	(6,271)	(13.6)
<b>Operating profit</b>	<b>10,753</b>	<b>6,884</b>	<b>56.2</b>	<b>11,995</b>	<b>(10.4)</b>
<b>OPM (%)</b>	<b>22.6</b>	<b>17.2</b>	<b>546 bps</b>	<b>25.6</b>	<b>(300) bps</b>
Depreciation	(3,255)	(3,166)	2.8	(2,369)	37.4
Interest	(3,019)	(2,983)	1.2	(2,788)	8.3
Other income	13	(2)	-	27	(52.0)
<b>PBT</b>	<b>4,491</b>	<b>733</b>	<b>513.1</b>	<b>6,865</b>	<b>(34.6)</b>
Tax	(1,367)	(970)	41.0	(1,647)	(17.0)
<b>Effective tax rate (%)</b>	<b>30.4</b>	<b>132.4</b>		<b>24.0</b>	
Other provisions / minority etc	179	179	-	(51)	-
<b>Adjusted PAT</b>	<b>3,303</b>	<b>(58)</b>	<b>-</b>	<b>5,168</b>	<b>(36.1)</b>
<b>Adj. PAT margin (%)</b>	<b>6.9</b>	<b>(0.1)</b>	<b>709 bps</b>	<b>11.0</b>	<b>(409) bps</b>
Extra ordinary items	-	2,399	-	(2,643)	-
<b>Reported PAT</b>	<b>3,303</b>	<b>2,341</b>	<b>41.1</b>	<b>2,524</b>	<b>30.9</b>
Ann. EPS (Rs)	70.6	(1.2)	-	110.5	(36.1)

Source: Company, India Infoline Research

### US operations snapshot

	Q2 FY10	Q1 FY10	qoq (%)
Plate sales (tons)	38,689	14,376	169.1
Pipes sales (tons)	17,822	4,308	313.7
Revenue (US\$ mn)	41.5	18.0	130.5
Operating profit (US\$ mn)	(21.0)	(13.7)	53.5
PBT (US\$ mn)	(38.9)	(32.0)	21.4
PAT (US\$ mn)	(25.1)	(21.0)	19.7

Source: Company, India Infoline Research

### Analyst meet highlights

- ✦ JSW maintained its previous guidance of 6.1mn tons of sales volumes at an EBIDTA/ton of US\$150/ton in FY10E.
- ✦ It expected majority of the growth from the domestic market and expects share of exports to fall to 12% in FY10.
- ✦ It increased the number of Shoppes from 67 to 80 and achieved sales of 0.23mn tons by the end of Q2 FY10. Average volume per Shoppe increased minutely from 592 tons in Q1 FY10 to 598 tons in Q2 FY10 and expects it to rise to ~1,000 tons per Shoppe by the end of FY10.
- ✦ Own coke consumption decreased from 87.1% in Q1 FY10 to 86% in Q2 FY10.
- ✦ The management expects the commissioning of the new HSM mill by March 2010 and the 10mtpa beneficiation plant by December, 2009. It is also planning to raise the steel making capacity to 11mtpa by March, 2011. The company expects to incur a capex of Rs29bn in FY10 and Rs71bn in FY11.
- ✦ Consolidated debt at the end of Q2 FY10 remained flat on a qoq basis at Rs140bn. Consolidated net gearing stood at 1.60 by the end of Q2 FY10.

### Trading near fair value; maintain Market Performer

JSW would register the highest volume growth rate among the domestic steel manufacturers. However, we believe the company will not be able to ramp up its production levels drastically and hence miss its target volume by 7%. We have upgraded our earnings estimate by 18% and 11% in FY10 and FY11 respectively, as a result of strong domestic steel prices. With global liquidity condition improving and no debt repayment issues we have increased our earnings multiple from 5.5x to 6x. We have valued JSW's share in JSW Energy at Rs62/share. Maintain our Market Performer rating with a target price at Rs821.

### Financial summary

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	124,566	159,348	202,449	239,364
yoy growth (%)	44.9	27.9	27.0	18.2
Operating profit	34,784	29,812	39,511	55,093
OPM (%)	27.9	18.7	19.5	23.0
Pre-exceptional PAT	16,584	10,691	10,902	19,389
Reported PAT	16,584	2,743	10,902	19,389
yoy growth (%)	28.4	(83.5)	297.5	77.8
EPS (Rs)	88.7	57.2	58.3	103.7
P/E (x)	9.6	14.9	14.6	8.2
Price/Book (x)	2.1	2.1	1.8	1.5
EV/EBITDA (x)	8.0	10.8	8.1	6.4
Debt/Equity (x)	1.6	2.24	1.93	1.93
RoE (%)	25.6	13.8	13.0	20.0
RoCE (%)	18.7	9.6	10.5	14.1

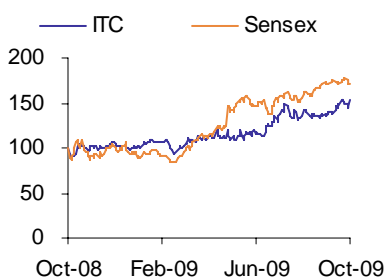
Source: Company, India Infoline Research

Sector: FMCG	
Sensex:	16,811
CMP (Rs):	260
Target price (Rs):	291
Upside (%):	11.9
52 Week h/l (Rs):	263 / 132
Market cap (Rscr) :	98,228
6m Avg vol ('000Nos):	7,119
No of o/s shares (mn):	3,780
FV (Re):	1
Bloomberg code:	ITC IB
Reuters code:	ITC.BO
BSE code:	500875
NSE code:	ITC

Prices as on 23 Oct, 2009

Shareholding pattern	
September '09	(%)
Promoters	-
Institutions	50.8
Non promoter corp hold	4.6
Public & others	44.7

Performance rel. to sensx			
(%)	1m	3m	1yr
ITC	12.2	2.2	(17.5)
HUL	8.0	(9.2)	(57.1)
Britannia	13.0	(14.3)	(18.3)
GCPL	10.6	27.5	89.5

**Share price trend**


- ⊕ Revenues beat expectations, register 14% yoy growth driven by strong 15% yoy rise in cigarettes and 19% yoy in agri revenues
- ⊕ Cigarettes EBIT margin expands by 220bps to ~30%, while agri segment margin witnesses sharp 810bps improvement at 16.9%
- ⊕ Operating margin registered ~620bps expansion to 35.8% aided by drop in raw material and overhead cost
- ⊕ Net profit above expectations, up 25.8% yoy at Rs10.1bn driven by healthy revenue growth and improved operating efficiency

**Result table**

(Rs m)	Q2 FY10	Q2 FY09	% yoy	Q1 FY10	% qoq
<b>Net sales</b>	<b>42,926</b>	<b>37,633</b>	<b>14.1</b>	<b>40,827</b>	<b>5.1</b>
Material costs	(15,283)	(13,277)	15.1	(13,926)	9.7
Purchase of traded goods	(1,893)	(2,207)	(14.2)	(2,293)	(17.5)
Personnel costs	(2,420)	(2,377)	1.8	(2,822)	(14.2)
Other overheads	(7,956)	(8,612)	(7.6)	(8,415)	(5.5)
<b>Operating profit</b>	<b>15,374</b>	<b>11,160</b>	<b>37.8</b>	<b>13,371</b>	<b>15.0</b>
<b>OPM (%)</b>	<b>35.8</b>	<b>29.7</b>	<b>616 bps</b>	<b>32.8</b>	<b>307 bps</b>
Depreciation	(1,484)	(1,340)	10.7	(1,516)	(2.1)
Interest	(181)	(28)	552.5	(58)	210.6
Other income	1,211	2,098	(42.3)	1,378	(12.1)
<b>PBT</b>	<b>14,920</b>	<b>11,891</b>	<b>25.5</b>	<b>13,175</b>	<b>13.2</b>
Tax	(4,821)	(3,864)	24.8	(4,388)	9.9
<b>Effective tax rate (%)</b>	<b>(32.3)</b>	<b>(32.5)</b>	-	<b>(33.3)</b>	-
<b>Reported PAT</b>	<b>10,099</b>	<b>8,027</b>	<b>25.8</b>	<b>8,787</b>	<b>14.9</b>
<b>PAT margin (%)</b>	<b>23.5</b>	<b>21.3</b>	<b>220 bps</b>	<b>21.5</b>	<b>200 bps</b>
Ann. EPS (Rs)	10.7	8.5	25.5	9.3	14.8

Source: Company, India Infoline Research

**Segment-wise net sales and EBIT break-up**

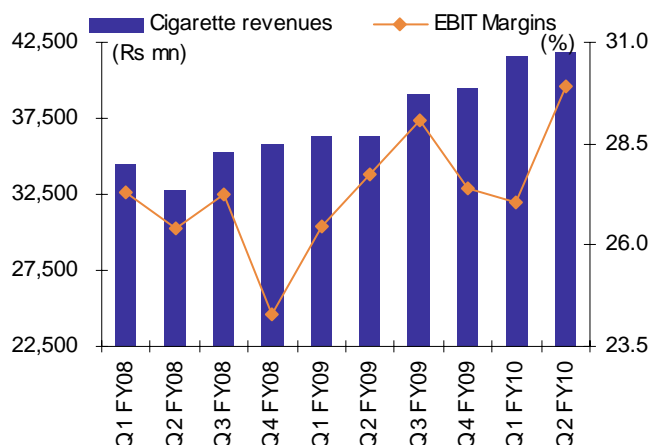
Segments (Rs mn)	Q2 FY10			
	Revenues	yoy (%)	EBIT	yoy (%)
Cigarettes	21,997	21.4	12,517	24.3
FMCG - Others	8,633	14.0	(850)	(27.1)
Hotels	1,740	(23.8)	316	(54.1)
Agri Business	10,283	19.0	1,741	127.9
Paper & Packaging	7,904	12.8	1,862	52.3
<b>Total</b>	<b>50,557</b>	<b>15.9</b>	<b>15,585</b>	<b>34.6</b>
Inter-segment revenue	(7,631)	27.4	-	-
<b>Net sales</b>	<b>42,926</b>	<b>14.1</b>	-	-

Source: Company, India Infoline Research

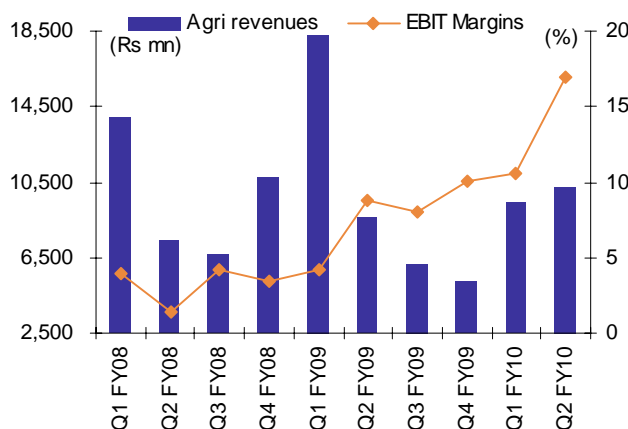
**Revenue growth beats expectations**

ITC reported 14.1% yoy increase in revenues at Rs42.9bn during Q2 FY10 driven by strong growth in cigarettes and agri revenues. Core cigarettes segment registered 21.4% yoy growth led by ~7-8% volume growth coupled with better realizations. Revenues from the agri segment (down for past three quarters), registered 19% yoy increase driven by robust growth in the leaf tobacco exports. FMCG-others segment recorded 14% yoy growth in revenues at Rs8.6bn, partly aided by 13% yoy growth in branded packaged foods business. Paper and packaging segment registered 12.8% yoy growth led by premium value-added paperboard segment. Revenues from hotels (lower ARR and occupancies due to the impact of economic slowdown) segment though, declined by 23.8% yoy.

**Trend in cigarette revenues & EBIT margins**



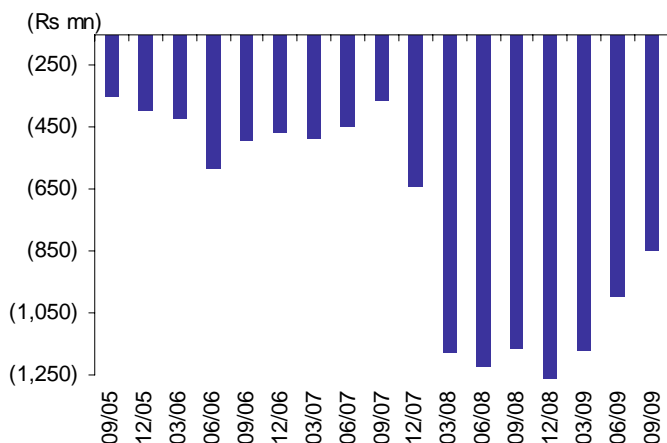
**EBIT margins from agri segment record sharp improvement**



Source: Company, India Infoline Research.

\* Gross revenues – The company has started providing segment-wise net sales data from Q2 FY08

**Losses reduce in FMCG-others segment**



Source: Company, India Infoline Research

**Operating margin witnesses sharp ~ 620bps expansion**

Operating margin witnessed a sharp 620bps expansion at 35.8% - ahead of our expectations of 33%, led by drop in raw material and overhead cost. EBIT margin in the cigarette segment witnessed a 220bps improvement at 29.9%. Agri segment surprised us positively by registering 810bps expansion in margin (on a low base) at 16.9% (highest-ever) driven by strong growth in leaf tobacco exports. EBIT margin in the paper segment (52.3% yoy increase in EBIT driven by better product mix and lower input costs) witnessed a sharp 640bps improvement at 22.7%. ITC has managed to reduce losses in the FMCG-others segment to Rs850mn; a substantial part coming from the foods and personal care portfolio. Hotels segment profitability continues to remain impacted (54.1% yoy decline to Rs316mn) due to sharp decline in revenues.

**Cost analysis**

As a % of net sales	Q2 FY10	Q2 FY09	bps yoy	Q1 FY10	bps qoq
Material costs	35.6	35.3	32	34.1	149
Purchase of traded goods	4.4	5.9	(146)	5.6	(121)
Personnel costs	5.6	6.3	(68)	6.9	(127)
Other overheads	18.5	22.9	(435)	20.6	(208)
<b>Total costs</b>	<b>64.2</b>	<b>70.3</b>	<b>(616)</b>	<b>67.2</b>	<b>(307)</b>

Source: Company, India Infoline Research

**EBIT margins (%)**

Segments (as a % of sales)	Q2 FY10	Q2 FY09	bps yoy	Q1 FY10	bps qoq
Cigarettes	29.9	27.8	217	27.0	287
FMCG - Others	(9.8)	(15.3)	552	(13.1)	331
Hotels	16.9	27.6	(1,067)	16.5	47
Agri Business	16.9	8.8	809	10.6	631
Paper & Packaging	22.7	16.2	643	17.5	517

Source: Company, India Infoline Research

**Healthy revenue growth coupled with improved operating efficiency drives net profit**

Net profit surpassed our expectations recording a strong 25.8% yoy growth at Rs10.1bn during the quarter. A sharp improvement in profitability of cigarettes and agri segment were the key growth drivers. The growth could have been even better but for the lower other income (due to lower other income received from the company's subsidiaries) of Rs1.2bn against Rs2.1bn in Q2 FY09.

**Maintain Buy**

Despite imposition of pictorial warnings on cigarette packs, smoking ban in public places and VAT increases (12.5% to 20%) by some states like Maharashtra, Delhi, Rajasthan and Pondicherry, ITC has managed to witness a healthy ~7-8% volume growth in core cigarettes business. The company has been able to successfully curtail losses in the FMCG-Others segment. A sharp reduction in losses could be a major growth driver for the company. ITC has managed to capture over 11% market share of the ~Rs90bn Indian biscuit market and plans to enhance its biscuit manufacturing capacities by ~15-20%. Within a short span of time, ITC has managed to corner a good market share in its personal care brands. With its strong distribution network in the rural (6,400+ e-choupals and ~25 Choupal Saagars) and urban markets, ITC has become a tough competitor for HUL and GCPL.

We expect ITC to witness a 15.3% CAGR in revenues and 16.6% CAGR in net profit over FY09-11. At the current market price of Rs260, the stock is trading at 22.1x FY11E EPS of Rs11.7. We maintain BUY with a revised price target of Rs291 (earlier Rs276).

**Financial summary**

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	139,475	153,881	177,213	204,553
yoy growth (%)	14.7	10.3	15.2	15.4
Operating profit	44,039	48,585	56,310	65,968
OPM (%)	31.6	31.6	31.8	32.3
Pre-exceptional PAT	31,201	32,636	37,854	44,348
Reported PAT	31,201	32,636	37,854	44,348
yoy growth (%)	15.6	4.6	16.0	17.2
EPS (Rs)	8.3	8.6	10.0	11.7
P/E (x)	31.4	30.1	25.9	22.1
Price/Book (x)	8.1	7.1	6.3	5.5
EV/EBITDA (x)	22.2	20.0	17.3	14.7
Debt/Equity (x)	0.0	0.0	0.0	0.0
RoE (%)	27.7	25.3	25.8	26.5
RoCE (%)	38.3	35.1	35.5	36.8

Source: Company, India Infoline Research

**Sector: Capital Goods**

Sensex:	16,811
CMP (Rs):	261
Target price (Rs):	288
Upside (%):	10.5
52 Week h/l (Rs):	299 / 67
Market cap (Rscr) :	8,645
6m Avg vol ('000Nos):	9,212
No of o/s shares (mn):	332
FV (Rs):	2
Bloomberg code:	PUNJ IB
Reuters code:	PUJL.BO
BSE code:	532693
NSE code:	PUNJLLOYD

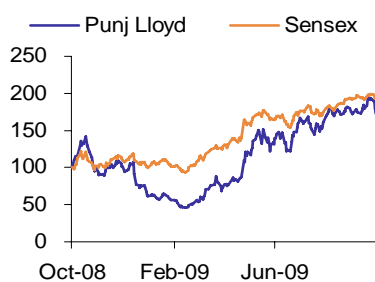
Prices as on 23 Oct, 2009

**Shareholding pattern**

September '09	(%)
Promoters	37.5
Institutions	43.0
Non promoter corp hold	5.8
Public & others	13.7

**Performance rel. to sensx**

(%)	1m	3m	1yr
Punj Lloyd	(0.3)	(6.0)	(22.0)
L&T	(5.4)	(4.1)	7.4
IVRCL	0.9	6.1	384.9
Nagarjuna Const	8.0	6.9	174.2

**Share price trend**


- ⊕ Revenues de-grow by 3% yoy to Rs28bn
- ⊕ Cost overruns and consequent losses in Simon Carves impact margins
- ⊕ Lower margin and high interest expense translates into 63% fall in PAT
- ⊕ Order backlog of Rs268bn covers it for the next two years, order inflow remains muted at Rs18bn during the quarter
- ⊕ Earnings visibility remains strong, up target price to Rs288 and recommend to *BUY*

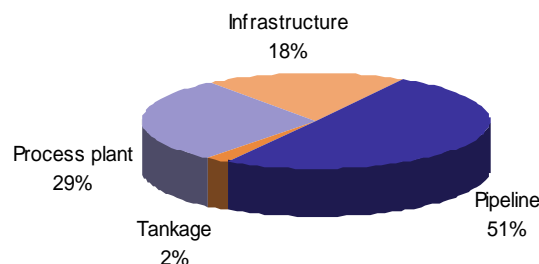
**Result table**

(Rs m)	Q2 FY10	Q2 FY09	% yoy	Q1 FY09	% qoq
<b>Net sales</b>	<b>28,717</b>	<b>29,530</b>	(2.8)	<b>29,551</b>	(2.8)
Material cost	(11,053)	(10,470)	5.6	(8,960)	23.4
Personnel cost	(3,133)	(2,687)	16.6	(3,239)	(3.3)
Other overheads	(4,456)	(4,959)	(10.1)	(5,090)	(12.5)
Contractor charges	(7,954)	(8,420)	(5.5)	(9,346)	(14.9)
<b>Operating profit</b>	<b>2,120</b>	<b>2,994</b>	(29.2)	<b>2,918</b>	(27.3)
<b>OPM (%)</b>	<b>7.4</b>	<b>10.1</b>	<b>(275) bps</b>	<b>9.9</b>	<b>(249) bps</b>
Depreciation	(514)	(439)	17.1	(541)	(5.1)
Interest	(796)	(490)	62.3	(744)	7.0
Other income	5	11	(53.2)	239	(97.9)
<b>PBT</b>	<b>816</b>	<b>2,076</b>	(60.7)	<b>1,872</b>	(56.4)
Tax	(301)	(647)	(53.4)	(622)	(51.6)
<b>Effective tax rate (%)</b>	<b>(36.9)</b>	<b>(31.2)</b>		<b>(33.2)</b>	
Minority interest	14	12	12.2	22	(36.1)
<b>Reported PAT</b>	<b>528</b>	<b>1,441</b>	(63.3)	<b>1,272</b>	(58.4)
<b>PAT margin (%)</b>	<b>1.8</b>	<b>4.9</b>	<b>(304) bps</b>	<b>4.3</b>	<b>(246) bps</b>
EPS (Rs)	6.4	19.0	(66.5)	16.8	(62.0)

Source: Company, India Infoline Research

**Revenues de-grow marginally, not a Q-o-Q business to watch**

Punj Lloyd's Q2 FY10 revenues de-grew marginally by 2.8% yoy to Rs28.7bn. Strong order book of the pipeline division - which are short duration - accounted for 51% of the revenues, followed by process plant (29%), infrastructure (18%) and tankage (2%). Since infrastructure projects generally take about 30-36 months to complete, its share in the revenues is low at 18%.

**Infra and pipeline together account for 69% of revenues**


Source: Company, India Infoline Research

**Operating margins shrink 275bps due to cost overruns at Simon Carves**

The company undertakes all operations of Simon Carves. Due to delays in completion of the bio ethanol project in UK, Simon Carves faced cost overruns and also encountered poor productivity from sub-contractors. As a result the subsidiary reported losses of over Rs1bn during the quarter. We had indicated that Simon Carves will report a loss of ~£10mn in our visit note dated September 29. This resulted into 275bps margin contraction for the consolidated entity to 7.4% during the quarter against 10.1% last year.

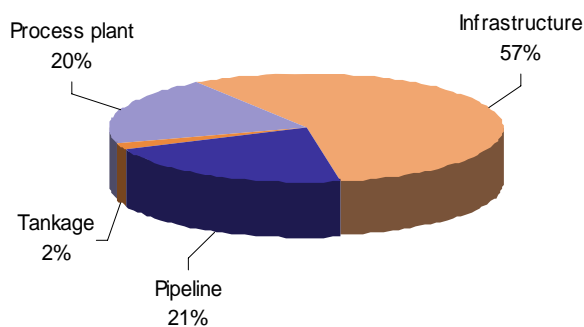
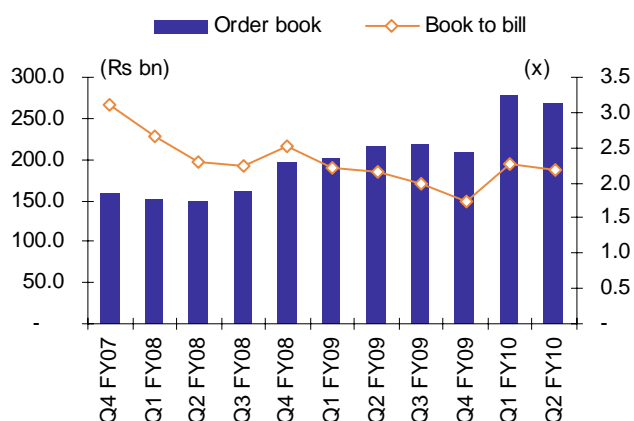
**Cost analysis**

As a % of net sales	Q2 FY10	Q2 FY09	bps yoy	Q1 FY09	bps qoq
Material cost	38.5	35.5	304	30.3	817
Personnel cost	10.9	9.1	181	11.0	(5)
Other overheads	15.5	16.8	(128)	17.2	(171)
Contractors charges	27.7	28.5	(82)	31.6	(393)
<b>Total costs</b>	<b>92.6</b>	<b>89.9</b>	<b>275</b>	<b>90.1</b>	<b>249</b>

Source: Company, India Infoline Research

**Order book covers for the next two years**

**Infrastructure and pipeline account for 78% of the order book**



Source: Company, India Infoline Research

**Rs268bn order book provides earnings visibility for the next 2.5 years**

During Q2 FY10 Punj Lloyd bagged orders from Indian Oil Petronas, Mangalore Refinery and GAIL India. The company reported order inflow of Rs17.9bn during the quarter. Its quarter ending order book of Rs268bn provides earnings visibility for the next ~2.5 years. Punj Lloyd bagged Rs98bn worth of infrastructure projects from Libya which are yet contribute to revenues. The management indicated that these orders will contribute to the topline from Q3 FY10 onwards. Sembawang, a subsidiary of Punj Lloyd, won a major contract from Land Transport Authority to construct two key metro rail stations in Singapore. Punj Lloyd has also undertaken the execution of EPC of Sabah Sarawak Pipeline Project for Petrosab Consortium, Malaysia. This US\$92.9mn order has now been factored into the order book, thus enhancing the value of the project to US\$572.7mn.

**Only Jurong remains slow moving**

The management indicated that work on three of the four slow moving orders has now begun. Only Jurong Island order continues to remain slow moving till date. On account of renewed interest from funding agencies and critical contracts from feedstock and technical expertise remaining in place, the management expects to achieve financial closure in the near future. Consequently the management expects the Jurong Aromatics complex to be operational by 2013.

For the other three projects, work has already commenced on two projects, Dighi port and GVK Power plant, while it has achieved financial closure for the Ador power plant project.

### Some of the key orders received by Punj Lloyd during the quarter

Project details	Client	Geography	Sector	Project Cost (Rs mn)
EPC of propane/butane/LPG import terminal at Ennore, Tamil Nadu	Indian Oil Petronas Pvt Ltd	India	EPC	2,758
EPC of coke drum structure package of delayed coker unit for phase III refinery project	Mangalore Refinery and Petrochemicals Ltd	India	EPC	5,505
Laying, testing and commissioning of 145.43km pipeline for Dahej Vijaipur Pipeline Upgradation project	GAIL	India	EPC	1,675
Designing, procurement, installation and commissioning of utilities for 3 towns of Libya	Housing & Infrastructure Board	Libya	Infrastructure	18,732
Build commercial and residential developments in Libya	International Investment and Services Company	Libya	Infrastructure	59,040
Port tank farm of the Jubail Export Refinery Project	Aramco Total Refinery & Petrochemical Company	Saudi Arabia	EPC	5,927
Build MRT stations in Singapore	Land Transport Authority	Singapore	Construction	12,630
Construction of 3 elevated metro stations	Bangalore Metro Rail Corporation Ltd	India	Infrastructure	1,181
EPC for Jurong Strategic Study at Jurong Lubes Terminal	Exxon Mobil Asia Pacific Pte	Singapore	EPC	1,512
<b>Total</b>				<b>108,960</b>

Source: Company, India Infoline Research

### Lower margins and high interest expense takes a toll on PAT

Due to low margins and 62% jump in interest cost during the quarter, Punj Lloyd reported 60.7% fall in PBT. In addition to this, Q2 FY10's tax outgo was also higher with the effective tax rate being at 36.9% against 31.2% last year. Simon Carves reported a loss of Rs1.3bn for the first half of the year. Thus, Punj Lloyd's reported PAT fell by 63% to Rs528mn during the quarter against Rs1.4bn last year. We believe that the company should not be looked at on a quarter-to-quarter basis as it executes projects with varying delivery timelines. Given the robust order book, which we expect will grow over the next few quarters as the bidding activity improves, we believe earnings visibility will only improve going forward. This will be aided by settlement of the Simon Carves case and turnaround of the subsidiary. We expect the company to report 64% PBT CAGR over FY09-11.

### Execution of high margin orders should translate into 64% PBT CAGR over FY09-11E

With a robust order book and an improving global environment, we believe the company is set to ride the up-cycle. The company does not have any legacy orders remaining to be executed and Punj Lloyd is shifting projects from Simon Carves to the parent entity. This coupled with execution of high margin orders should translate into 290bps margin expansion for the company through FY09-11. Its robust order book of Rs268bn covers it for the next couple of years and provides us strong earnings visibility. We expect the company's PBT to witness 64% CAGR over FY09-11E. We value the company's core operations at 16x FY11 EPS and its investment in Pipavav Shipyard at book value. *We upgrade the target price in line with better earnings visibility, improving margin and robust bottomline growth to Rs288/share, recommend BUY.* Our Blue-sky scenario values Punj Lloyd's core operations at 18x FY11E EPS, Pipavav Shipyard at current market price and assign 30% holding company discount, thus increasing our target price to Rs355/share, implying an upside of 36%.

### Base case SoTP value of Rs288/share

	Rs bn	Rs/share	Comments
Valuation of Core business	85	276	Valued at 16x P/E
Investment in Pipavav Shipyard	4	12	Valued at 1x book
<b>Total</b>	<b>88</b>	<b>288</b>	

Source: India Infoline Research



**Blue-sky scenario: Valuing stake in Pipavav at CMP and assigning 30% discount**

	Rs bn	Rs/share	Comments
Valuation of Core business	95	311	Valued at 18x P/E
Investment in Pipavav Shipyard	14	44	Valued at CMP, 30% discount
<b>Total</b>	<b>109</b>	<b>355</b>	<b>Upside of 36%</b>

Source: India Infoline Research

**Financial summary**

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	77,529	119,120	130,254	153,178
yoy growth (%)	51.2	53.6	9.3	17.6
Operating profit	6,922	7,095	11,316	13,620
OPM (%)	8.9	6.0	8.7	8.9
Pre-exceptional PAT	3,108	698	4,005	5,287
Reported PAT	3,584	(2,253)	3,205	5,287
yoy growth (%)	82.0	-	-	65.0
EPS (Rs)	10.2	2.3	13.1	17.3
P/E (x)	25.4	113.3	19.9	15.1
Price/Book (x)	2.9	3.2	2.8	2.4
EV/EBITDA (x)	12.7	15.0	9.7	8.1
Debt/Equity (x)	0.6	1.4	1.3	1.1
RoE (%)	15.5	2.7	15.0	17.0
RoCE (%)	16.5	11.3	15.2	16.9

Source: Company, India Infoline Research

**Sector: FMCG**

Sensex:	16,811
CMP (Rs):	1,245
Target price (Rs):	1,379
Upside (%):	10.8
52 Week h/l (Rs):	1,278 / 480
Market cap (Rscr) :	5,236
6m Avg vol ('000Nos):	40
No of o/s shares (mn):	42
FV (Rs):	10
Bloomberg code:	SKB IB
Reuters code:	GLSM.BO
BSE code:	500676
NSE code:	GSKCONS

Prices as on 23 Oct, 2009	
<b>Shareholding pattern</b>	
<b>September '09 (%)</b>	
Promoters	43.2
Institutions	32.0
Non promoter corp hold	8.3
Public & others	16.6

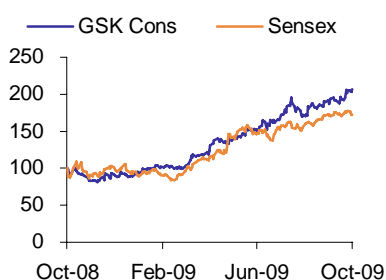
Prices as on 23 Oct, 2009

**Shareholding pattern**

<b>September '09 (%)</b>	
Promoters	43.2
Institutions	32.0
Non promoter corp hold	8.3
Public & others	16.6

**Performance rel. to sensx**

(%)	1m	3m	1yr
GSK Cons	10.1	11.1	37.9
Nestle	12.7	14.5	(2.8)
HUL	8.0	(9.2)	(57.1)
Dabur	8.6	2.6	19.1

**Share price trend**


- ⊕ Revenues grew by 17% yoy driven by ~6% volume growth
- ⊕ 50% yoy drop in exports due to sharp rise in customs duty in Sri Lanka market restricted further topline growth
- ⊕ Operating margin expanded by 96bps to 15.9% led by lower raw material and overhead costs
- ⊕ Net profit registered 13% yoy growth aided by improved operating efficiency
- ⊕ We expect the company to witness ~18% CAGR in revenues and ~20% CAGR in net profit over F12/08-10E. We maintain Buy.

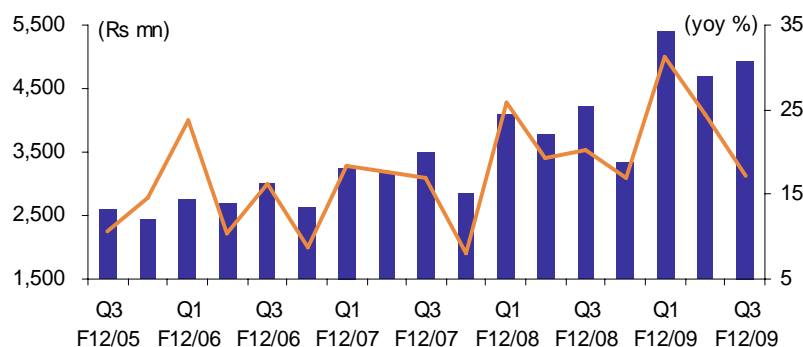
**Result table**

(Rs m)	Q3 F12/09	Q3 F12/08	% yoy	Q2 F12/09	% qoq
<b>Net sales</b>	<b>4,951</b>	<b>4,227</b>	<b>17.1</b>	<b>4,687</b>	<b>5.6</b>
Material cost	(1,866)	(1,704)	9.5	(1,722)	8.3
Personnel cost	(513)	(456)	12.5	(523)	(2.0)
Advertising cost	(808)	(483)	67.3	(749)	7.8
Other overheads	(978)	(954)	2.6	(946)	3.4
<b>Operating profit</b>	<b>786</b>	<b>630</b>	<b>24.7</b>	<b>746</b>	<b>5.3</b>
<b>OPM (%)</b>	<b>15.9</b>	<b>14.9</b>	<b>96 bps</b>	<b>15.9</b>	<b>(4) bps</b>
Depreciation	(105)	(104)	0.6	(105)	(0.3)
Interest	(10)	(14)	(29.3)	(11)	(5.7)
Other income	213	266	(19.9)	228	(6.9)
<b>PBT</b>	<b>884</b>	<b>778</b>	<b>13.6</b>	<b>858</b>	<b>2.9</b>
Tax	(283)	(247)	14.6	(307)	(7.6)
<b>Eff. tax rate (%)</b>	<b>32.1</b>	<b>31.8</b>	<b>-</b>	<b>35.7</b>	<b>-</b>
<b>Reported PAT</b>	<b>600</b>	<b>530</b>	<b>13.2</b>	<b>552</b>	<b>8.8</b>
<b>PAT margin (%)</b>	<b>12.1</b>	<b>12.5</b>	<b>(42) bps</b>	<b>11.8</b>	<b>35 bps</b>
Ann. EPS (Rs)	57.1	50.4	13.2	52.5	8.8

Source: Company, India Infoline Research

**Revenues record 17% yoy growth**

GlaxoSmithKline recorded 17.1% yoy growth (11% value and 6% volume growth) in revenues at ~Rs5bn during Q3 F12/09 - below our expectations of Rs5.4bn. The key brands, Horlicks and Boost registered ~6% and 7% volume growth respectively. Topline growth could have been even better but for the sharp 50% yoy decline in exports (account for ~8% to revenues, ~4% in Q3 F12/09). The Sri Lankan (major market) government had increased the customs duty from Rs10/kg to Rs110/kg on malted products for promoting domestic manufacturers. However, this has now been reduced to Rs25/kg. The management is confident of maintaining a sustained volume growth at ~8-9% and ~5-6% value growth going ahead.

**Quarterly revenue trend**


Source: Company, India Infoline Research

### Lower raw material and overhead cost fuels operating margin

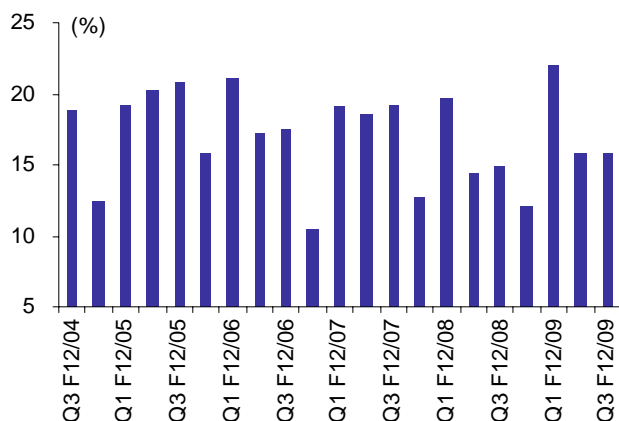
Operating margin for the quarter expanded by 100bps to 15.9% driven by lower raw material and overhead cost. Key raw material prices like milk (~10%), sugar (40%) and wheat remained firm during the quarter. Barley prices though declined by 5% qoq on account of extra production and lower export demand. The company was able to save ~2-3ppts due to successful backward integration for milk, which helped it to contain firm milk prices. The margin expansion could have been even higher but for the 490bps sharp increase in the advertising cost. The company re-launched its biscuits portfolio (~5% to revenues) in 5 new SKUs (at popular price points Rs5, Rs10, Rs15, Rs20 and Rs25) and started advertising of Horlicks biscuits for the first time. Going forward, the management expects its adspend to sales ratio to remain at ~14-15% and is optimistic of bringing it back to normal levels of ~12.5-13% over the next 2-3 years.

### Cost analysis

As a % of net sales	Q3 F12/09	Q3 F12/08	bps yoy	Q2 F12/09	bps qoq
Material cost	37.7	40.3	(263)	36.7	94
Personnel cost	10.4	10.8	(42)	11.2	(81)
Advertising cost	16.3	11.4	489	16.0	34
Other overheads	19.8	22.6	(280)	20.2	(43)
<b>Total costs</b>	<b>84.1</b>	<b>85.1</b>	<b>(96)</b>	<b>84.1</b>	<b>4</b>

Source: Company, India Infoline Research

### Trend in operating margins



Source: Company, India Infoline Research

### Healthy revenue growth coupled with improved operating efficiency drives net profit

Other income (includes business income and cross-charge received on account of OTC products sold on behalf of GlaxoSmithKline Pharmaceuticals Ltd) for the quarter was lower at Rs213mn (due to no exchange rate benefit and lower interest income) against Rs266mn in Q3 F12/08. As a result, net profit growth was restricted at 13.2% yoy to Rs600mn (below our expectations of Rs651mn).

### Maintain Buy with a revised price target of Rs1,379

With zero debt on its books and operating cash flows of about Rs2bn per annum, GSKCH is a cash-rich company. The company plans to incur a capex of Rs650-700mn this year and ~Rs2.5bn in F12/10, a major chunk (~Rs1.8-2bn, balance Rs500-650mn for maintenance capex) of which will be used for capacity expansion (20% increase in existing capacity). We believe that the surplus cash would be utilized to acquire businesses/brands or to reward shareholders in the form of higher dividend payout or a buyback. The company is actively scouting for acquisitions in segments such as nutrition, medicinal and OTC products. Acquisitions, if any, could be a major growth driver. At the current market price of Rs1,245, the stock is trading at 19.4x F12/10E EPS of Rs64.3. We maintain BUY, with a revised price target of Rs1,379 (earlier price target Rs1,222).

**Financial summary**

Y/e 31 Dec (Rs m)	F12/07	F12/08	F12/09E	F12/10E
Revenues	12,785	15,428	18,453	21,448
yoy growth (%)	15.4	20.7	19.6	16.2
Operating profit	2,247	2,375	2,916	3,507
OPM (%)	17.6	15.4	15.8	16.4
Pre-exceptional PAT	1,627	1,883	2,269	2,704
Reported PAT	1,627	1,883	2,269	2,704
yoy growth (%)	28.2	15.8	20.5	19.2
EPS (Rs)	38.7	44.8	54.0	64.3
P/E (x)	32.2	27.8	23.1	19.4
Price/Book (x)	8.1	6.9	5.8	4.9
EV/EBITDA (x)	22.9	20.1	16.2	13.2
Debt/Equity (x)	0.0	0.0	0.0	0.0
RoE (%)	27.4	26.8	27.3	27.5
RoCE (%)	40.6	40.7	41.9	42.1

Source: Company, India Infoline Research

## Insurance Monthly Update – September 2009

After reporting growth for two consecutive months, cumulative Annual Premium Equivalent (APE)<sup>#</sup> of Indian Life Insurance industry again slipped into negative territory in September '09. Total APE witnessed a decline of 6.1% yoy. The fall was largely on the back of poor performance of the private players as they cumulatively reported a decline of 14.9% yoy, steeper than last month which was at 5.2% yoy. However, LIC has been maintaining its growth momentum since April '09. In September '09, it registered a growth of 12.3% yoy on the back of strong inflows in individual non-single premium (up by 51% yoy). On a mom basis, total APE increased by 2.5% primarily on the account of 16.4% mom jump in private player's APE led by leaders such as SBI Life and Reliance Life. LIC underperformed the industry and private players by posting negative APE at 13.8% mom.

### Key observations

- ✦ The insurance industry, after witnessing growth for last two months, posted a poor performance in September '09 with 6.1% yoy fall in APE. Private players majorly contributed to the fall, as their total APE was down by 14.9%. However, the industry decline was contained by LIC's growth of 12.3% yoy.
- ✦ ICICI Prudential Life, after regaining the top position last month, got displaced again by SBI Life on YTD basis. SBI Life with a market share of 17.5% YTD overtook ICICI Prudential Life, which had a market share of 16.5% in September '09. SBI Life mopped up Rs6.9bn in its first year premium in September '09 (highest till date in FY10) vis-à-vis Rs3.1bn in the previous month, up by 123.9% sequentially. ICICI Prudential Life managed to mobilize Rs4bn vis-à-vis Rs5.3bn down 23.3% mom.
- ✦ Among the top ten private players, only Tata AIG Life reported yoy APE growth in September '09, up 9%. On a yoy basis, APE of big private players was significantly down with ICICI Prudential, Bajaj Allianz and HDFC Standard Life witnessing falls of 38.2%, 31.2% and 45.2% respectively. SBI Life managed to restrict its fall to 1%yoy, on the back of strong inflows under group category for both single and non-single.
- ✦ On YTD basis, LIC again outperformed the others by registering APE growth of 19.8%yoy. Among the private, only two players successfully posted APE growth namely SBI Life and Tata AIG Life, with growth of 3.4% yoy and 9% yoy respectively. ICICI Prudential Life witnessed the steepest decline among the Top 10 players, down by 38.1%yoy. It was closely followed by MetLife, which witnessed a decline of 37.5% yoy.
- ✦ Private players market share increased by 100bps from last month to 55% in 6MFY10. Among the top ten players, SBI Life gained the most; its market share was up by 246bps over FY09. ICICI Prudential Life, lost the top slot among the private players with 16.5% market share, saw a decline of 413bps compared to the last fiscal.

### Growth in Annual Premium Equivalent (APE)

(Rs m)	Sep-09	Sep-08	YOY (%)	Aug-09	MOM (%)	Sep-09	Sep-08	YTD (%)
<b>Insurance Industry</b>	<b>44,259</b>	<b>47,113</b>	<b>(6.1)</b>	<b>43,196</b>	<b>2.5</b>	<b>218,207</b>	<b>221,122</b>	<b>(1.3)</b>
<b>LIC</b>	<b>17,191</b>	<b>15,305</b>	<b>12.3</b>	<b>19,932</b>	<b>(13.8)</b>	<b>97,251</b>	<b>81,192</b>	<b>19.8</b>
<b>Total private players</b>	<b>27,068</b>	<b>31,809</b>	<b>(14.9)</b>	<b>23,264</b>	<b>16.4</b>	<b>120,956</b>	<b>139,930</b>	<b>(13.6)</b>
SBI Life	5,787	5,844	(1.0)	2,711	113.4	21,153	20,462	3.4
ICICI Prudential	3,807	6,159	(38.2)	5,115	(25.6)	20,005	32,320	(38.1)
Bajaj Allianz	2,785	4,046	(31.2)	2,614	6.5	12,979	18,655	(30.4)
Reliance Life	2,705	3,157	(14.3)	2,015	34.3	11,329	12,180	(7.0)
Birla Sunlife	2,344	2,674	(12.4)	2,296	2.1	10,767	11,491	(6.3)
HDFC Standard	1,965	3,584	(45.2)	2,417	(18.7)	9,968	12,030	(17.1)
Max New York	1,317	1,410	(6.6)	1,080	22.0	7,554	8,173	(7.6)
Tata AIG	1,200	745	61.1	908	32.1	4,951	4,542	9.0
Met Life	862	1,216	(29.2)	651	32.3	3,541	5,665	(37.5)
Kotak Mahindra OM	791	961	(17.7)	649	21.9	3,587	4,211	(14.8)
ING Vysya	670	559	19.9	545	22.9	2,945	3,095	(4.9)
Aviva	604	284	112.7	492	22.9	2,719	658	313.2
Other Private Players	2,231	1,169	90.9	1,771	26.0	9,457	6,449	46.6

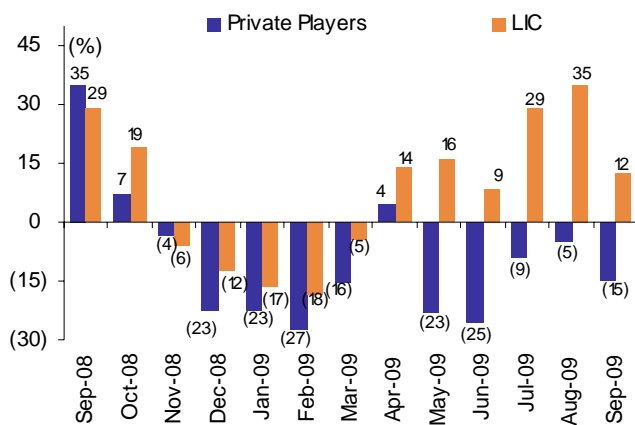
Source: IRDA, India Infoline Research

**Top 10 private players by APE share**

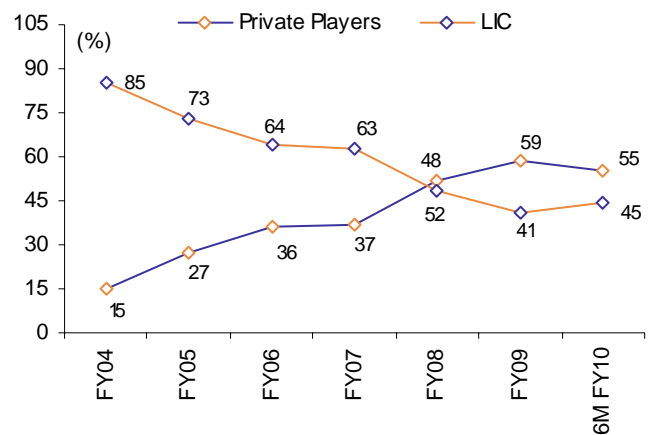
Insurers	6M FY10 (%)	FY09 (%)	YTD bps
SBI Life	17.5	15.0	246
ICICI Prudential	16.5	20.7	(413)
Bajaj Allianz	10.7	13.1	(240)
Reliance Life	9.4	9.8	(42)
Birla Sunlife	8.9	9.0	(6)
HDFC Standard	8.2	7.6	60
Max New York	6.2	5.2	101
Tata AIG	4.1	3.5	61
Met Life	3.0	3.5	(51)
Kotak Mah OM	2.9	4.2	(125)

Source: IRDA, India Infoline Research

**APE YoY growth**



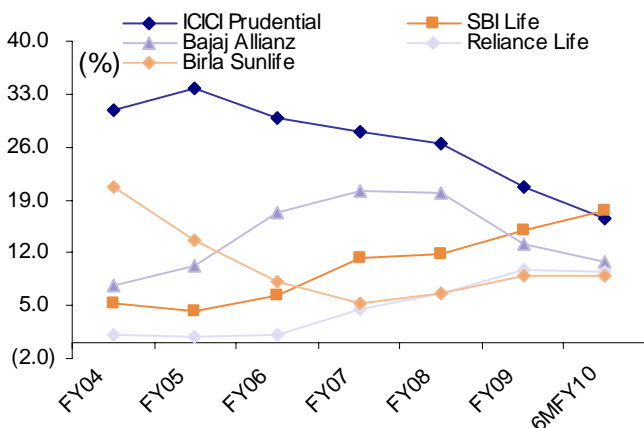
**APE Market share**



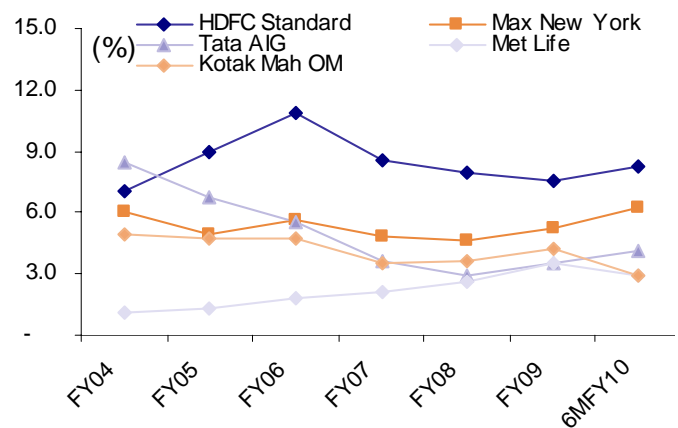
Source: IRDA, India Infoline Research

**Market Share (APE) of Top 10 private players on YTD basis**

**Top five**



**Next five**



Source: IRDA, India Infoline Research

Note:

# (APE is calculated as non-single premium plus 10% of single premium of group and individual)

Disclaimer: Insurance is a subject matter of solicitation.

# Debt Market - week ended October 23, 2009

- ✦ The yield of 10-year benchmark paper 6.90% G-Sec 2019 ended higher at 7.45% vis-à-vis 7.41%, up by 5bps wow. In line with G-sec, 10-year AAA corporate bond yield also ended higher by 2bps at 8.86% on a weekly basis.
- ✦ As per borrowing calendar, RBI auctioned Rs100bn of dated securities for Oct 23. This includes 7.02% GOI 2016 and 8.28% 2032 bonds for Rs30bn each and 6.90% GOI 2019 for Rs 40bn.
- ✦ Central bank absorbed excess cash worth Rs1,160bn vis-à-vis Rs765bn via reverse repo window through LAF. Call rate remained steady at 3.20% due to excess liquidity prevailing in the system.
- ✦ G-Sec trading platform witnessed decent volume this week at Rs408bn vis-à-vis Rs308bn in the previous week. The top traded G-sec for the week was 6.90% G.S 2019, which witnessed a volume of Rs123bn with 1,868 number of trades.
- ✦ WPI inflation index ended higher at 1.2% for the week ended October 10. However, unlike last week, primary articles index rose by 32bps at 8.6% on a week on week basis.
- ✦ China's GDP rose by 8.9%yoy in 3Q2009 vis-à-vis 7.9%yoy in 2Q2009. Growth registered was on the account of government stimulus spending over growth oriented sector.

Government bonds		Change over (bps)			
G-Sec Yields	Current (%)	1 Week	1 Month	3 Months	1 Year
1 Year	4.50	7	(42)	37	(270)
2 Year	5.97	4	(14)	92	(146)
5 Year	7.40	7	20	63	(39)
10Year	7.45	5	33	54	(23)
15 Year	8.12	(1)	27	68	14

Corporate bonds		Change over (bps)			
AAA Yields	Current (%)	1 Week	1 Month	3 Months	1 Year
1 Year	5.85	(16)	(5)	27	(642)
2 Year	6.90	(26)	(15)	44	(501)
5 Year	8.53	(5)	10	59	(322)
10Year	8.86	2	9	24	(244)
15 Year	9.78	(13)	6	62	(205)

Short-term instruments		Change over (bps)			
Yields	Current (%)	1 Week	1 Month	3 Months	1 Year
<b>Treasury Bills</b>					
Before					
T-Bills – 91 D	3.23	3.23	3.40	3.28	7.19
T-Bills – 182 D	-	4.05	-	3.47	-
T-Bills – 364 D	4.54	-	4.33	-	7.40

Certificates of Deposit		Change over (bps)			
Yields	Current (%)	1 Week	1 Month	3 Months	1 Year
CD – 3 month	3.55	(30)	(35)	20	(845)
CD – 6 month	4.65	20	15	65	(745)
CD – 1 year	5.65	(10)	(30)	35	(660)

Commercial Papers		Change over (bps)			
Yields	Current (%)	1 Week	1 Month	3 Months	1 Year
CP – 3 month	4.29	(46)	(46)	(46)	(984)
CP – 6 month	5.60	(8)	(8)	(9)	(843)
CP – 1 year	6.83	(40)	(40)	8	(668)

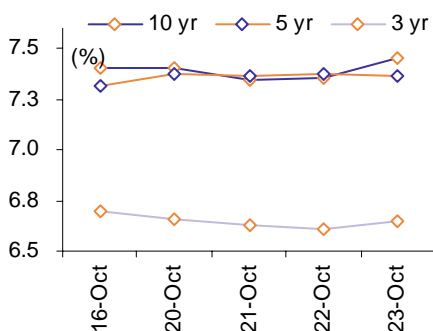
Money market		Change over (bps)			
Yields	Current (%)	1 Week	1 Month	3 Months	1 Year
Call rate	3.20	(9)	(8)	(2)	(782)
Repo rate	1.91	(179)	113	(28)	(710)
CBLO rate	1.67	(165)	85	(41)	(732)

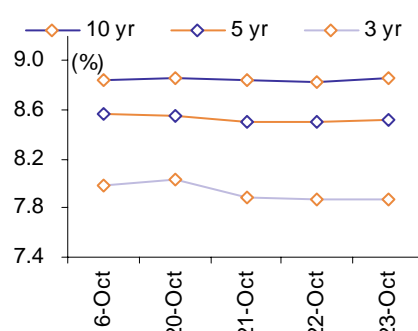
Volume		Change over (Rs bn)			
Current (Rs bn)	Current (%)	1 Week	1 Month	3 Months	1 Year
G-Sec	408	308	647	775	363
Corp bonds#	82	78	65	56	43
Money Mkt*	1,662	1,478	1,771	1,915	1,266

Note: \* includes CBLO, Call and Rep # corporate bonds traded at BSE, NSE and FIMMDA

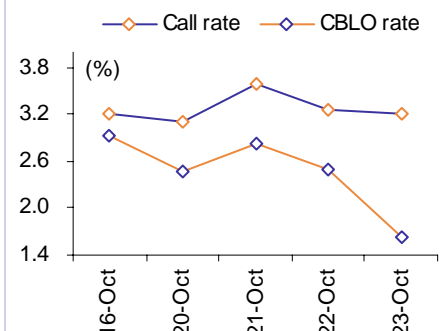
## G-Sec yields



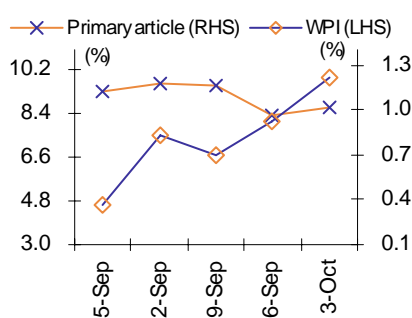
## AAA bond yields



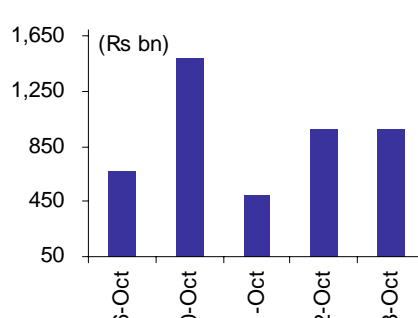
## Money market yields



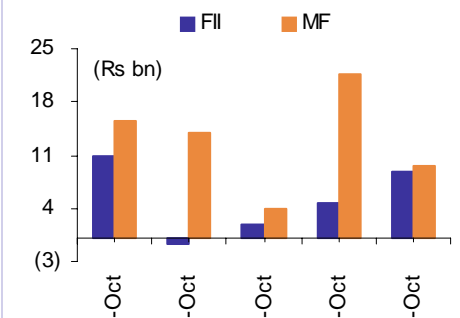
## Inflation



## G-Sec volume

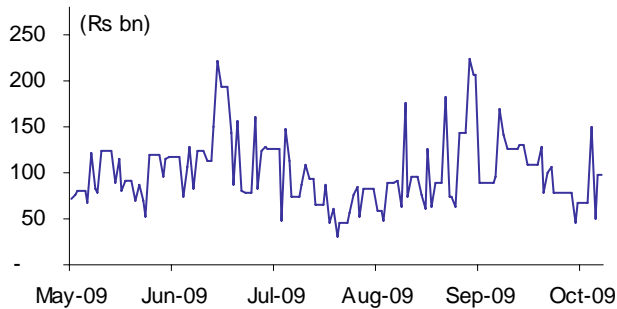


## FII/MF trend



## G-Sec round-up

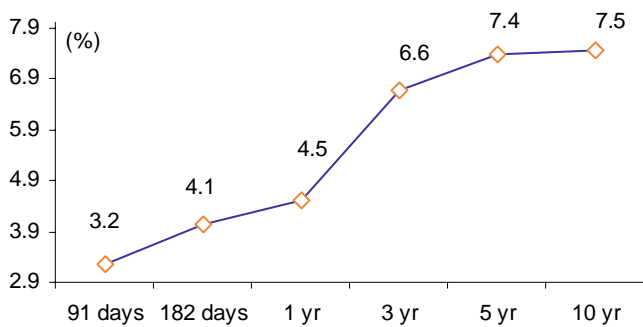
### G-sec volume



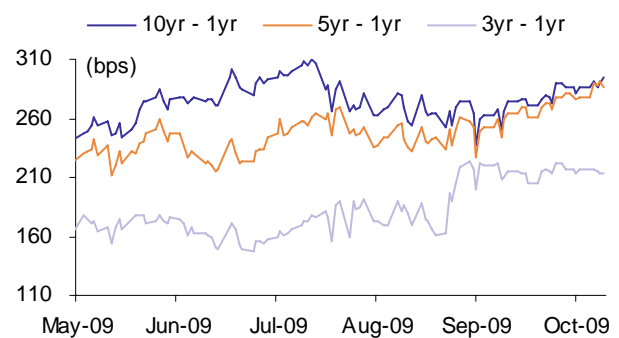
### Top five traded G-Sec

G-Sec	Vol (Rs bn)		No of Trades	
	Total	Avg	Total	Avg
6.90% G.S2019	123	31	1,868	467
6.35% G.S2020	115	29	1,542	386
7.02% G.S2016	35	9	420	105
6.49% G.S2015	34	9	398	100
7.32% G.S2014	30	7	378	95

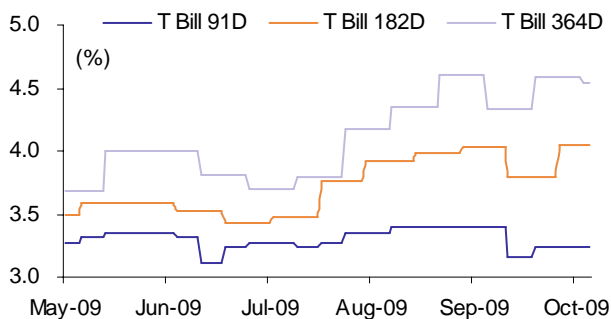
### G-Sec yield curve



### G-Sec yield spreads



### T-Bills yields



### T-Bills auction calendar

Date of Auction	(up to December 31, 2009)			
	91 D	182 D	364 D	Total
28-Oct-09	70	20	-	90
4-Nov-09	70	-	20	90
11-Nov-09	50	20	-	70
18-Nov-09	50	-	20	70
25-Nov-09	50	20	-	70
2-Dec-09	45	-	10	55
9-Dec-09	50	10	-	60
16-Dec-09	50	-	10	60
23-Dec-09	50	10	-	60
30-Dec-09	20	-	10	30

### Government borrowing calendar

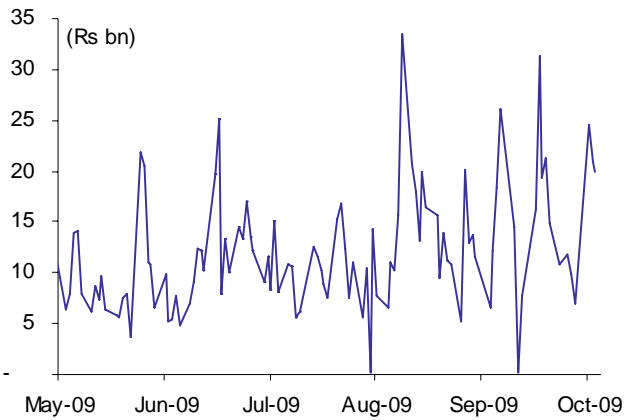
Latest calendar (Rs bn)	(up to March 31, 2010)				
	Maturity 5-9 yrs	Maturity 10-14 yrs	Maturity 15-19 yrs	Maturity 20 & above	Total
October 30-Nov 6	30-40	40-50	-	20-30	90
November 6-13	30-40	40-50	20-30	-	100
November 13-20	30-40	40-50	-	20-30	100
November 27-December 4	30-40	40-50	-	20-30	100
December 4-11	30-40	40-50	20-30	-	100
December 11-18	30-40	40-50	-	20-30	90
January 1- 8	30-40	40-50	-	20-30	100
January 8- 15	30-40	40-50	20-30	-	100
January 15-22	-	40-50	-	20-30	70
January 29- Feb 5	-	50-60	20-30	-	80

Source: India Infoline Research, RBI, Bloomberg

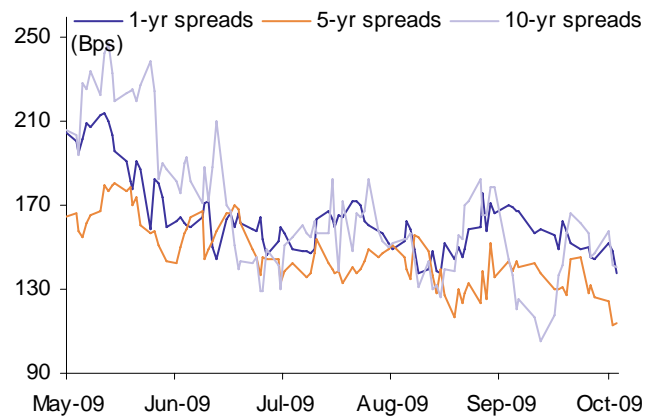


**Corporate Bonds round-up**

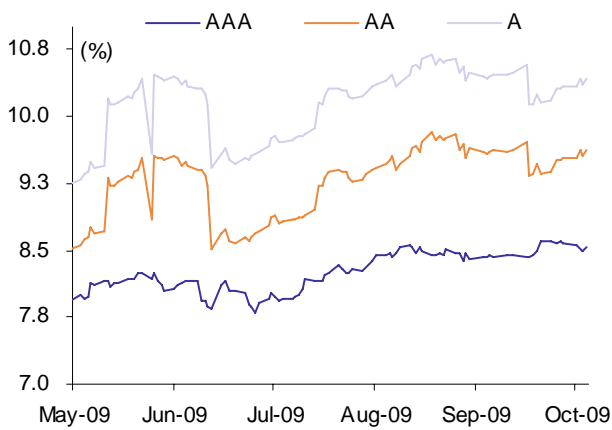
**Corporate Bond volume**



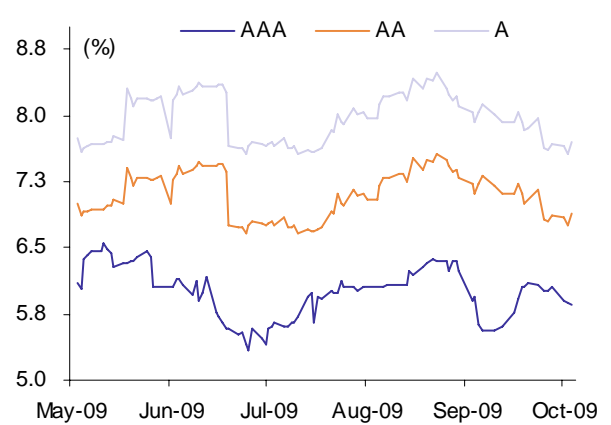
**AAA bond spreads over G-Sec**



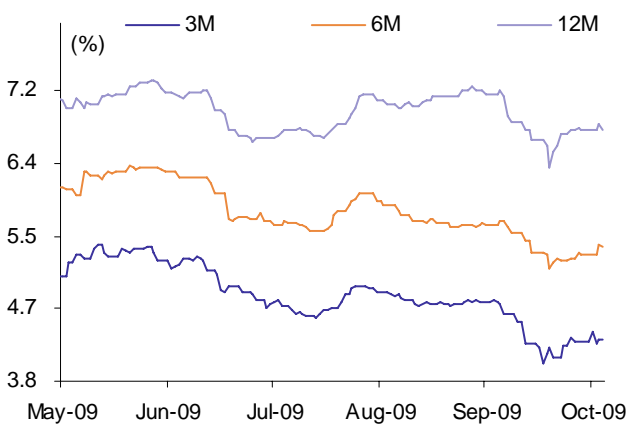
**Corporate Bond – 5 yr**



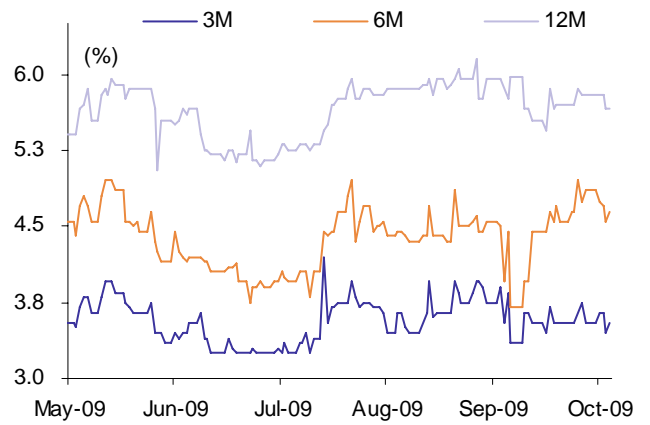
**Corporate Bond – 1 yr**



**Commercial Papers**



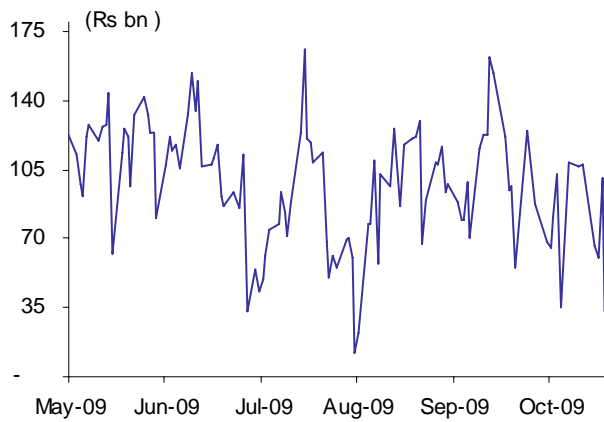
**Certificate of Deposits**



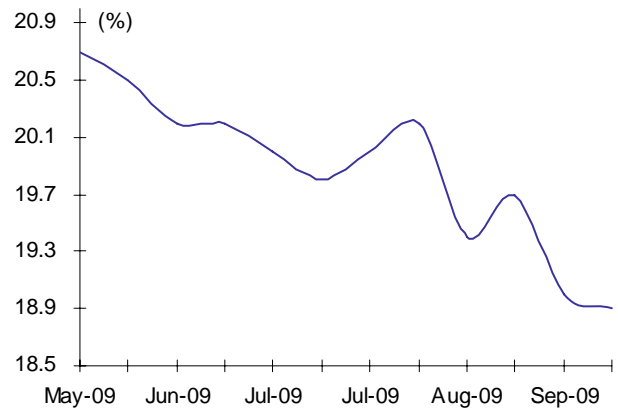
Source: India Infoline Research, Bloomberg

Money Market round-up

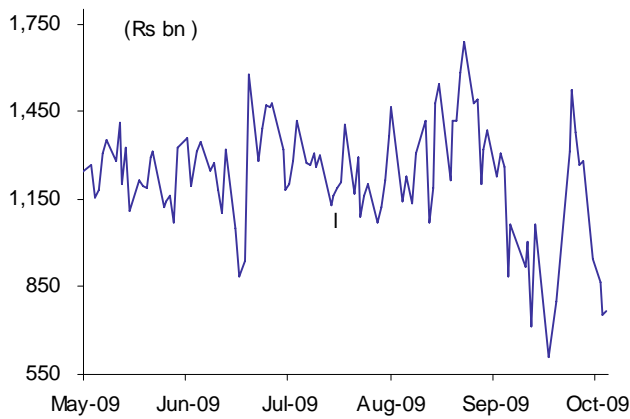
Call volume



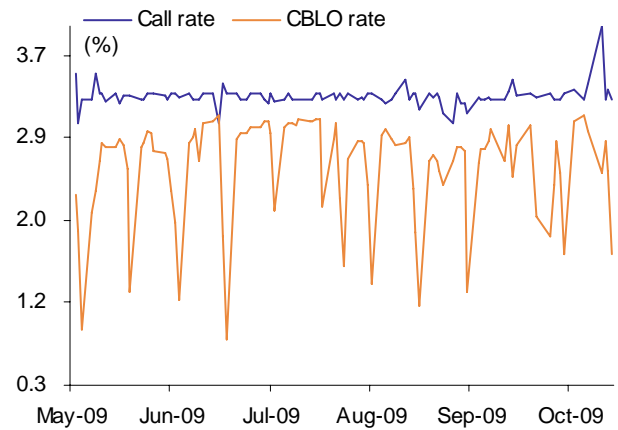
Money Supply (M3) growth



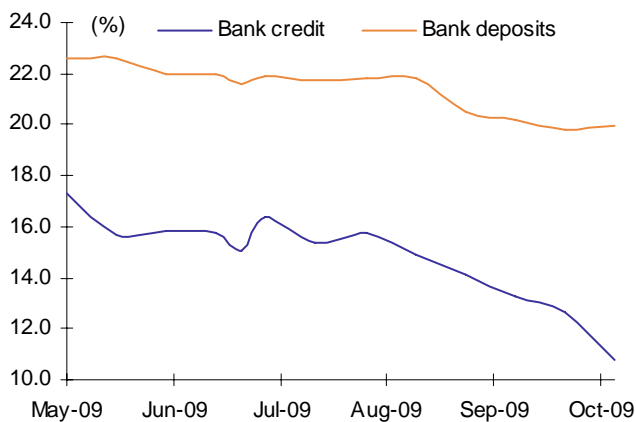
LAF outstanding



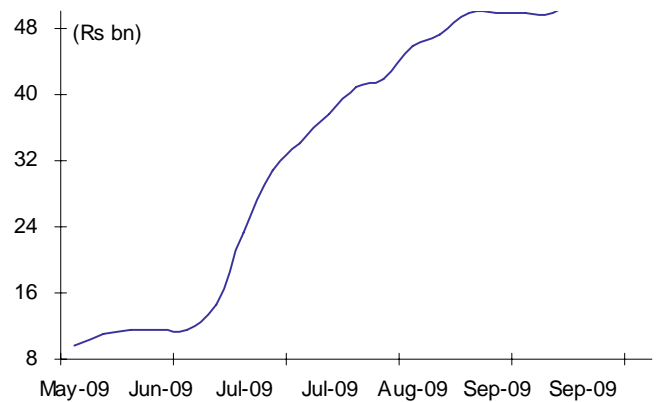
Call and CBLO rates



Credit and Deposits growth



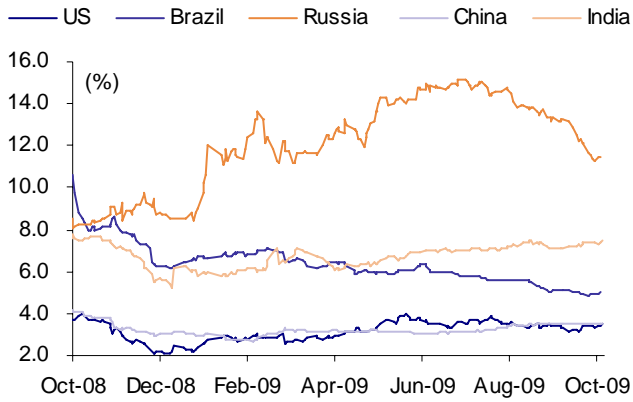
OMO outstanding



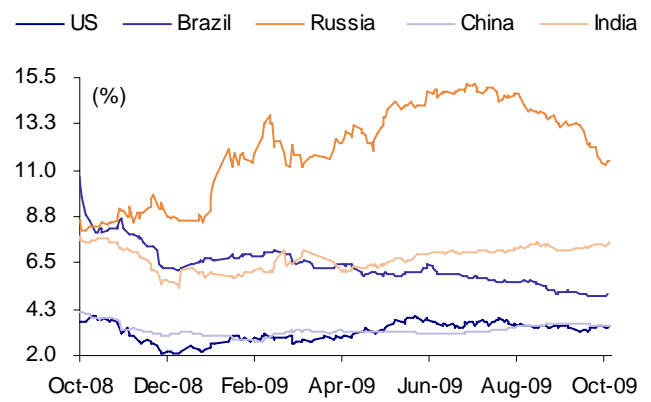
Source: India Infoline Research, Bloomberg

Global round-up

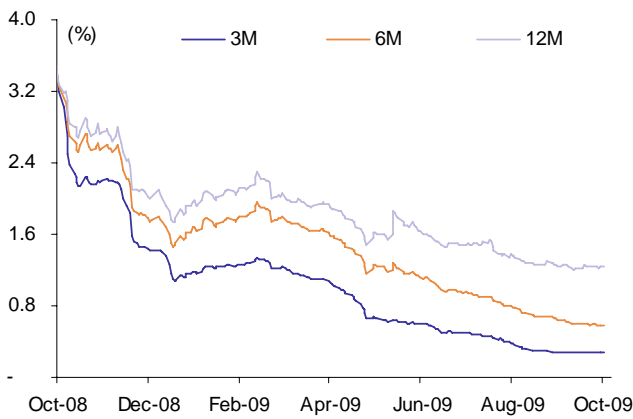
G-Sec 10 Year



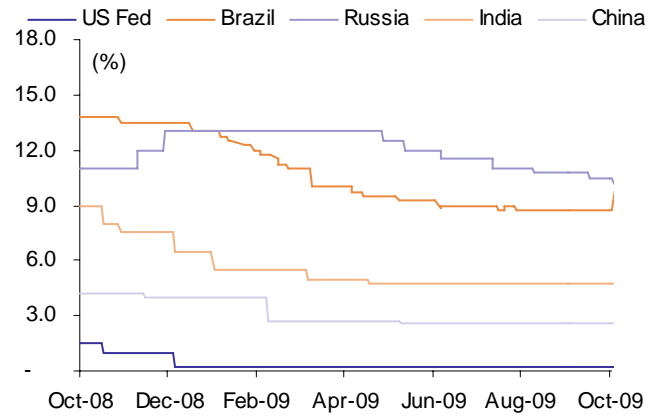
BRIC yield spreads over US



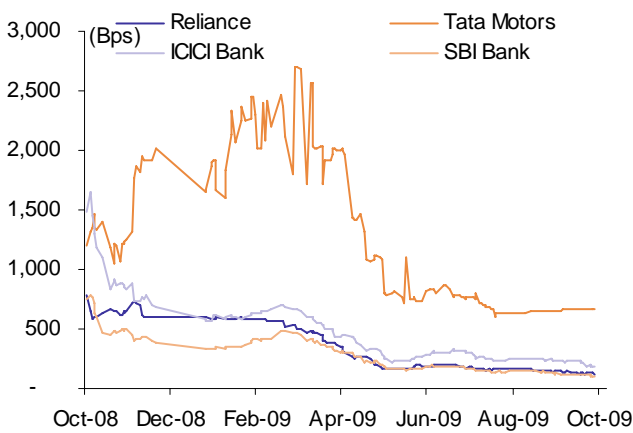
LIBOR



Bank rate



Credit Default Swap (CDS) – 5 Year

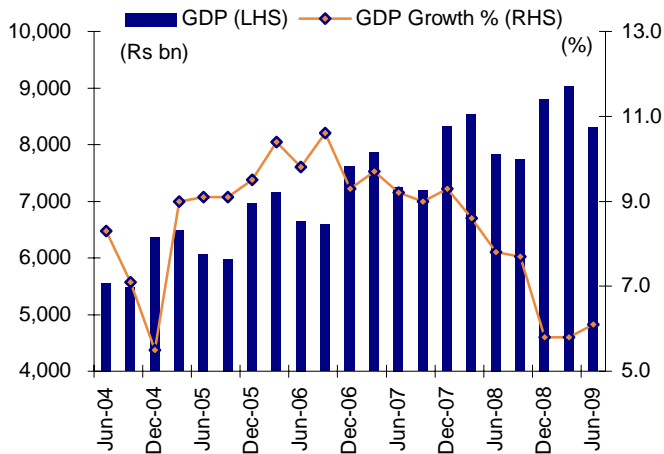


US Treasury Yield

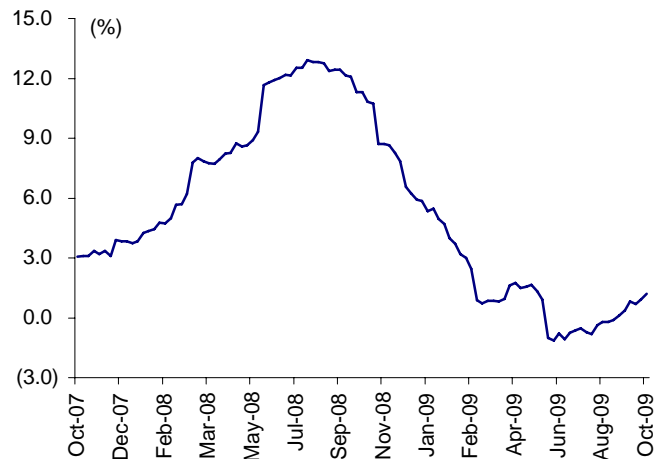
US Treasury Yield	Current (%)	Change over (Bps)			
		1 Week	1 Month	3 Months	1 Year
3-Months	0.07	-	(3)	(11)	(82)
1-Year	0.40	4	(1)	(7)	(120)
5-Year	2.46	9	10	(11)	(18)
10-Year	3.51	8	17	(19)	(25)
30-Year	4.29	5	19	(26)	18

Source: India Infoline Research, Bloomberg

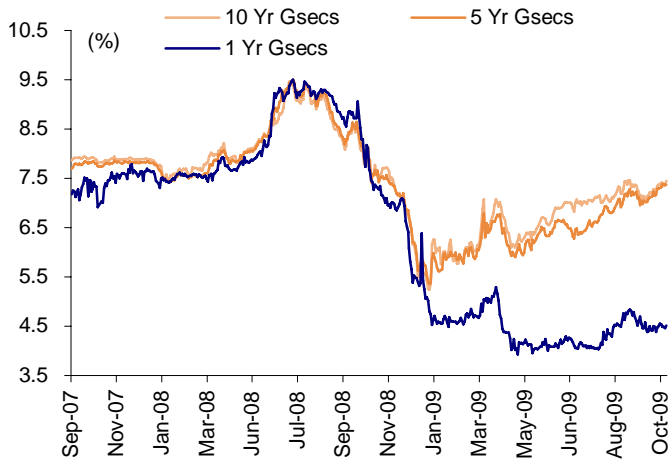
### Quarterly GDP growth



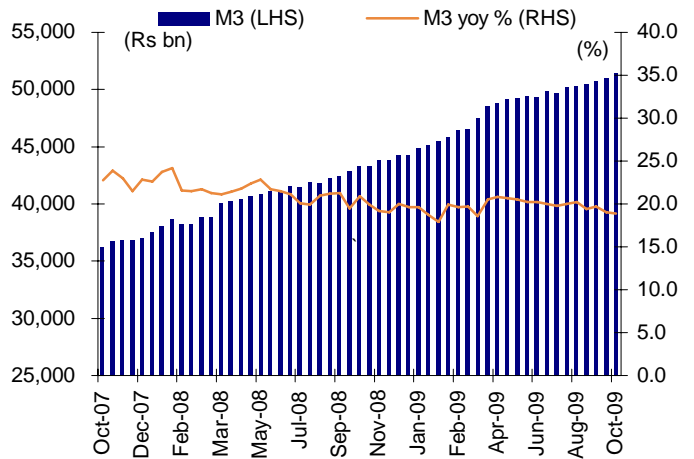
### Inflation



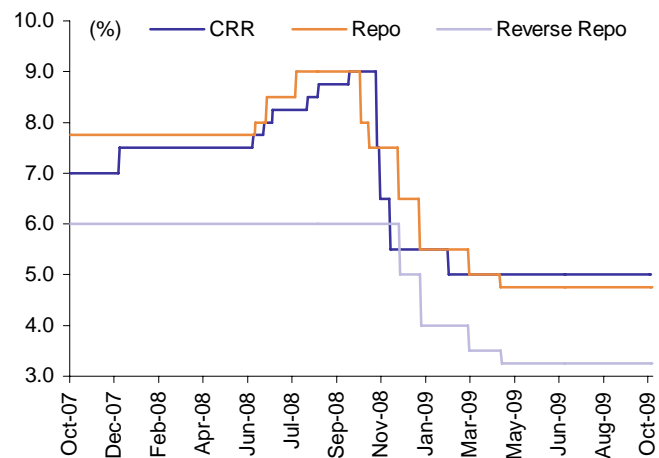
### G-Secs yield



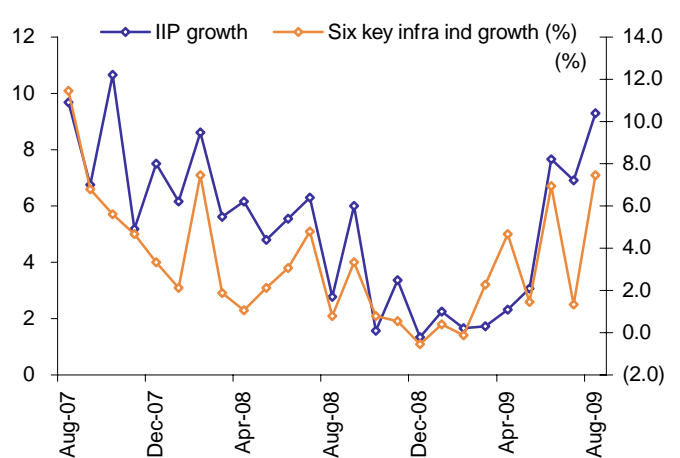
### M3 growth



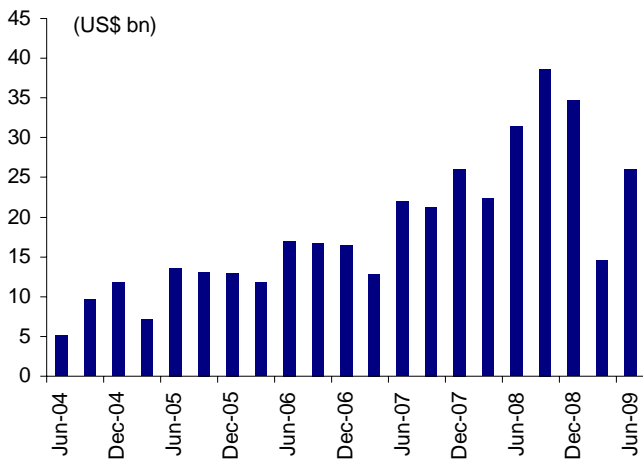
### CRR, Repo



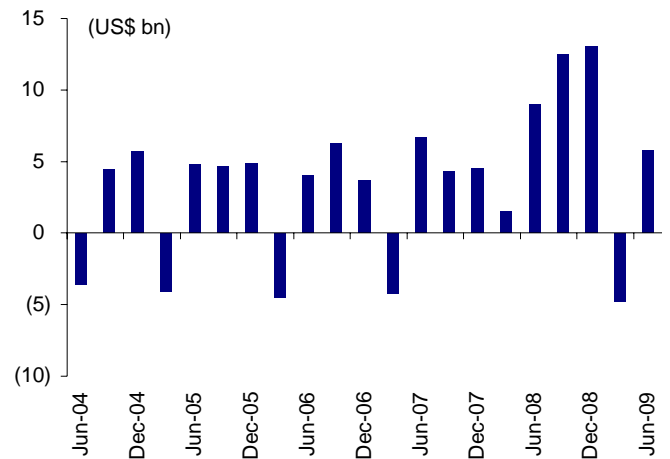
### IIP and Six key infra industry growth



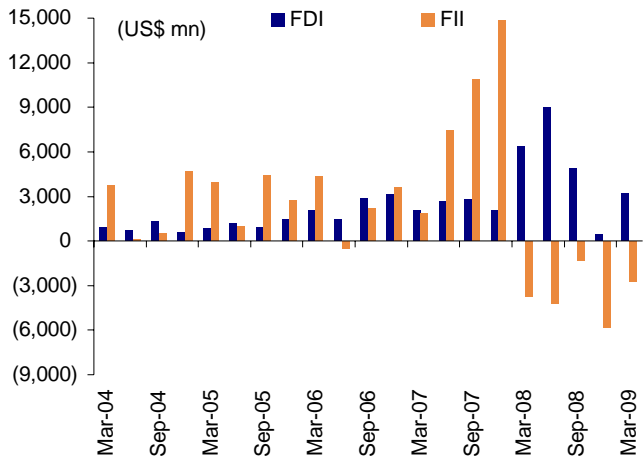
### Trade deficit



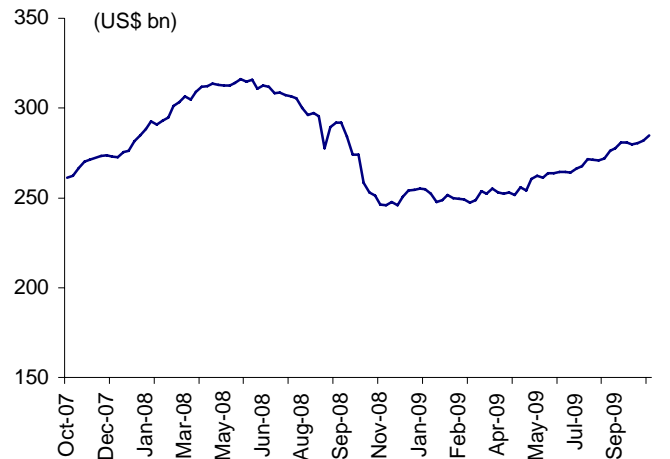
### Current account deficit



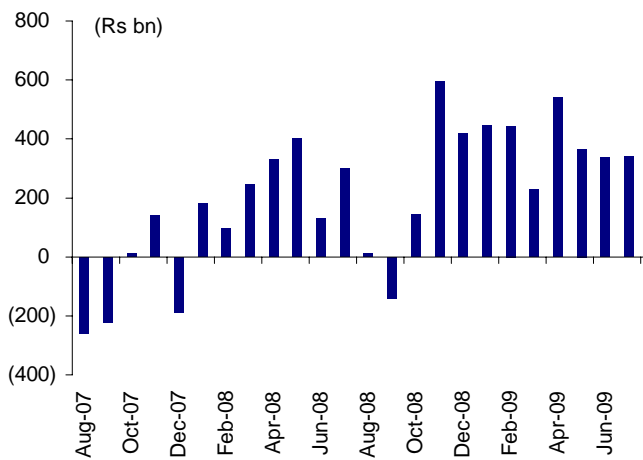
### FDI, FII



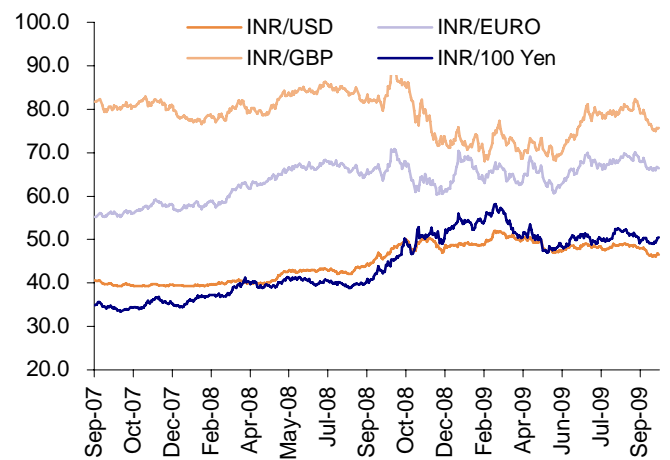
### RBI forex reserves



### Fiscal deficit



### Currency movement



Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			October 01	October 02	October 03
			<ul style="list-style-type: none"> <li>- Inflation data 0.83% vs 0.37%</li> <li>- Imports YoY -19.4% vs -28.4%</li> <li>- Exports YoY -32.4% vs -37.1%</li> <li>- US Personal Income 0.2% vs 0.0</li> </ul>	<ul style="list-style-type: none"> <li>- US total vehicle sales 9.2mn vs 14.09mn</li> <li>- Unemployment rate 9.8% vs 9.7%</li> <li>- Factory orders -0.8% vs 1.3%</li> </ul>	
October 05	October 06	October 07	October 08	October 09	October 10
	<ul style="list-style-type: none"> <li>- Prism Cement, Shiv vani Oil</li> </ul>	<ul style="list-style-type: none"> <li>- Reliance Industries (FY09)</li> </ul>	<ul style="list-style-type: none"> <li>- Inflation data 0.7% vs 0.83%</li> <li>- US consumer credit -\$12bn vs -\$22bn</li> <li>- US Wholesale Inventories -1.3% vs -1.4%</li> <li>- Mastek</li> </ul>	<ul style="list-style-type: none"> <li>- US trade balance -\$30.7bn vs -\$32bn</li> <li>- Infosys</li> </ul>	<ul style="list-style-type: none"> <li>- Peninsula Land</li> </ul>
October 12	October 13	October 14	October 15	October 16	October 17
<ul style="list-style-type: none"> <li>- India IIP YoY 10.4% vs 6.8%</li> <li>- Axis Bank, Exide Ind, Sintex Ind, Praj Ind, HDFC</li> </ul>	<ul style="list-style-type: none"> <li>- <b>Elections – Maharashtra State Assembly</b></li> </ul>	<ul style="list-style-type: none"> <li>- US import price index YoY -12% vs -15%</li> <li>- Advance retail sales -1.5% vs 2.7%</li> <li>- Business inventories -1.5% vs -1%</li> <li>- HDFC Bank, Concor, Infotech Ent, IndusInd Bank, Parsvnath, Rallis India</li> </ul>	<ul style="list-style-type: none"> <li>- Inflation data 0.92% vs 0.7%</li> <li>- US Consumer price index mom 0.2% vs 0.4%</li> <li>- CPI Ex Food &amp; Energy 0.2% vs 0.1%</li> <li>- Bajaj Auto, Bajaj Holding, CMC, JP Hydro, Jindal Saw, KPIT, RIIL</li> </ul>	<ul style="list-style-type: none"> <li>- US IIP 0.7% vs 0.8%</li> <li>- Capacity utilization 70.5% vs 69.6%</li> <li>- TCS, GTL Infra, Ultratech Cem, TV 18</li> </ul>	
October 19	October 20	October 21	October 22	October 23	October 24
<ul style="list-style-type: none"> <li>- NIIT Tech</li> </ul>	<ul style="list-style-type: none"> <li>- US Housing starts 590k vs 598k</li> <li>- Building permits 573k vs 579k</li> <li>- Sesa Goa, Apollo Tyres, Tech Mahindra</li> </ul>	<ul style="list-style-type: none"> <li>- Chambal Fert, Yes Bank, JP Associates, Hero Honda, GTL</li> </ul>	<ul style="list-style-type: none"> <li>- Inflation data 1.21% vs 0.92%</li> <li>- Leading indicators 1% vs 0.6%</li> <li>- Asian Paints, Biocon, L&amp;T, Allahabad Bank, Rolta, Bhushan Steel, SAIL, Hindustan Zinc</li> </ul>	<ul style="list-style-type: none"> <li>- US Existing home sales mom 9.4% vs -2.7%</li> <li>- Century Tex, JSW Steel, BHEL, Zee Ent, HCC, 3i Infotech, IDFC, Glaxo Cons, Bharat Forge, GSPL, NTPC, Indian Bank, Dr Reddy, Punj Lloyd</li> </ul>	<ul style="list-style-type: none"> <li>- Maruti, Petronet LNG,</li> </ul>
October 26	October 27	October 28	October 29	October 30	October 31
<ul style="list-style-type: none"> <li>- Ranbaxy, Dabur, Neyveli Lignite, GMR Infra, GMDC, Tata Comm, Lupin, Welspun Guj, OBC, IDBI Bank, Union Bank, United Spirits, Tata Motors, Aban, Can Bk, Dabur India, Idea</li> </ul>	<ul style="list-style-type: none"> <li>- US consumer confidence</li> <li>- Wipro, PFC, LITL, Fortis Health, Tata Steel, Reliance Power, Madras Cement, Crompton Greaves, Jet Airways, Kotak Bank, HCL Tech, Ceat, IFCI, IGL, RNRL</li> </ul>	<ul style="list-style-type: none"> <li>- US durable goods</li> <li>- New home sales</li> <li>- MBA mortgage applications</li> <li>- ACC, Shree Cem, Chennai Petro, Sun Pharma, HPCL, Ambuja Cem, Jain Irrigation, India Cem, BOB, HCL Tech, EIH, Tata Tea, Gail, Power Grid, Cipla, BEML</li> </ul>	<ul style="list-style-type: none"> <li>- Inflation data</li> <li>- US GDP qoq</li> <li>- Initial jobless claims</li> <li>- BPCL, M&amp;M, ONGC, Colgate, Tata Power, Cairn India, P&amp;G, Cummins, RECL, HDIL, Grasim, Apollo Hosp, DLF, PNB, Fin Tech, Opto Circuit, Bank India, IOB, CESC, Voltas, Glenmark</li> </ul>	<ul style="list-style-type: none"> <li>- US personal income</li> <li>- Max India, Thermax, BEL, Ashok Leyland, Torrent Power, IOC, Nestle, ICICI Bank, ABB, Nalco, Mundra Port, Bharti Airtel, Fed Bk, Moser Baer, Alstom Project, IVRCL Infra, Rel Cap, IB Real Estate, RCom, IRB Infra</li> </ul>	<ul style="list-style-type: none"> <li>- Hindalco, Hind Unilever, SCI, Unitech</li> </ul>

Orange: AGM/dividend (D), Black: Quarterly Results, Blue: Economic data, Red: Elections

**Recommendation parameters for fundamental reports:**

**Buy** – Absolute return of over +10%

**Market Performer** – Absolute return between -10% to +10%

**Sell** – Absolute return below -10%

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

For Research related queries, write to: Amar Ambani at [amar@indiainfoline.com](mailto:amar@indiainfoline.com) or [research@indiainfoline.com](mailto:research@indiainfoline.com)  
For Sales and Account related information, write to customer care: [info@5pmail.com](mailto:info@5pmail.com) or call on 91-22 4007 1000