



Cement Monthly Update - February, 2009

In February 2009, India's domestic cement consumption grew by 8.2% yoy, marginally above our estimate. The higher-than expected growth was due to acceleration in infrastructure activity ahead of the election scheduled over next two months. Consumption in Eastern (13.8% yoy), Central (10.2% yoy) and Northern (9.6% yoy) region continued to grow at robust pace. Consumption in Western region was disappointing with muted growth of 1.3% yoy on account of lower demand in Maharashtra. We believe that consumption growth is likely to moderate as historical evidence suggests that infrastructure activity generally takes a pause post elections. All India cement prices witnessed an increase of 1.5% mom to Rs238 per 50kg bag as demand picked-up due to the onset of peak construction season. Prices in Central region rose by ~10% (Rs20 per 50kg bag) on account of spurt in construction and infrastructure activity. However, we believe that commissioning of ~50mtpa new capacity over the next two quarters will result in a supply glut, which in turn will lead to pricing pressure for the industry. On the cost front, international coal prices continued to slide but freight index has bounced back sharply from its recent lows. We maintain our cement demand growth estimates of 5.3-6.4% for the year FY10.

Demand-push led to improvement in prices

All-India cement prices witnessed an increase of 1.5% mom to Rs238 per 50kg bag. Onset of the peak construction season as well as strong demand from government initiated infrastructure projects lifted cement prices by Rs20 per 50kg bag in the Central region. However, prices remained weak in the Southern and Western regions, as marginal oversupply continued to weigh on prices. We expect all-India cement prices to decline from Q1 FY10 on account of a supply glut.

Capacity utilization continue to remain at higher levels

All-India cement capacity utilization stood at 92.3%, lower 100bps mom and 760bps yoy. Capacity utilization has been on the rise in the past four months. Total industry capacity stood at ~208mtpa at the end of February 2009. We expect industry capacity utilization to fall to 80-84% levels in FY10 as new capacities commence operations.

International coal prices continue to slide; freight index rebounds

International coal prices have declined to US\$65/ton by the end of February 2009, down ~52.5% yoy. Prices in the international market are at a two-year low amid worries of weak demand and excess supply in the export market. The Baltic Freight Index, a measure of commodity shipping cost, has rebounded from its lows and is trading at 1,773, still down ~85% from its peak.

All-India cement figures

(mn tons)	Feb-09	Feb-08	Jan-09	yoy (%)	mom (%)
Production	16.00	14.67	16.13	9.1	(0.8)
Dispatches	16.07	14.73	16.13	9.1	(0.4)
Consumption	15.74	14.55	15.76	8.2	(0.2)
Cap Utilization (%)	92.39	100.82	93.39	-	-

Source: CMA, Bloomberg

Commodity Monthly Update - March, 2009

Base metal prices finally found some firm footing, registering its highest monthly gain in the past month. The Dow Jones-AIG industrial metals index rose 17.3% mom, led by a 29% gain in copper prices and a 17.5% gain in zinc. The rally was fueled by the weakness in the US dollar and fresh announcement of the US bailout package boosting market sentiments. On the other hand, steel and iron ore prices plunged on account of a sharp inventory build-up in China. With no real demand domestically as well as globally and Chinese steel production accelerating, the country's steel inventory rose by 57.8% mom in February 2009. The Baltic Dry Index which was in an upswing since November 2008 slipped in the past 30 days, indicating a decline in trading activity. We remain concerned about the state of the iron ore market in the near term, given the additional supply available. We expect a decline of 40% in Australian iron ore fines contract price for FY10 supply.

Aluminium prices continued to underperform within the base metals pack

Aluminium prices over the last 30 days managed to gain 10.9% against the 29% rise witnessed in copper and 17.5% gain in zinc futures. This has mainly been due to significant inventory build-up witnessed over the last six months and slower than expected production cut by manufacturers globally. The bounce back in the base metals pack can be attributed to various factors like the weakness in the US dollar, positive news flow from US, stimulus packages announced and also due to buying by the Chinese Special Reserve Bureau. However, we expect prices to slip from current levels as real demand further weakens over the next two quarters.

Chinese steel prices plunge as inventory levels surge 57.8% mom

Chinese steel prices rebounded sharply over past two months due to restocking by consumers and production cuts implemented post November 2008. The price recovery led to a sharp rebound in Chinese production. However, with real demand staying low, we expect steel prices to correct going forward on supply increase. In the near-term, we expect Chinese steel production to slowdown due to elevated production in the past two months and normalization of inventory levels at the customers end.

Spot iron ore prices end stronger

Spot iron ore prices after trading steadily in the price range of US\$75-85 per ton till mid-February 2009, slid 22% in the past one month. The rebound in Chinese steel production increased the demand for iron ore, with imports rising to its all-time high of 46.7mn tons in February 2009. Iron ore inventory levels at the Chinese ports also increased 8% mom. We expect iron ore contract price for FY10 supply to fall 40% yoy, in-line with the current spot realisations.

Commodity prices

Price * (US\$/ton)	Mar-09	Mar-08	yoy (%)	Feb-08	mom (%)
Aluminium	1,407	2,802	(49.8)	1,269	10.9
Copper	4,020	7,972	(49.6)	3,115	29.0
Zinc	1,266	2,237	(43.4)	1,078	17.5
Steel US HRC	491	798	(38.5)	518	(5.2)
Iron ore China (cfr)	67	208	(68.0)	85	(21.3)

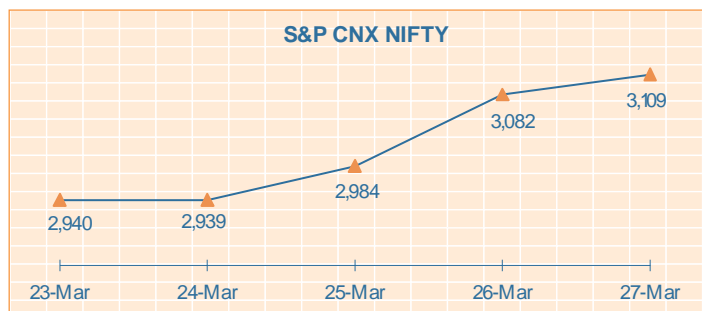
Source: Bloomberg, India Infoline Research

*Prices as on 23rd March, 2009

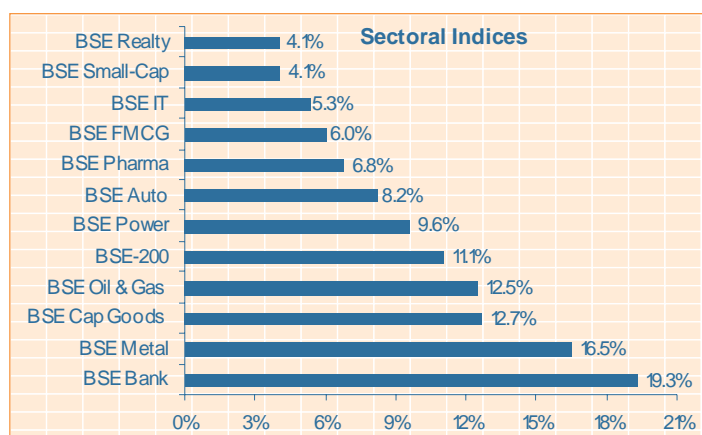
India Infoline Weekly Wrap

Market review

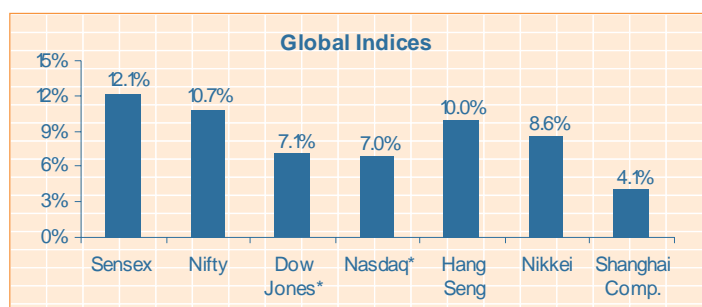
Short-covering on account of F&O expiry, heavy buying by FIIs and buoyancy across the global markets lifted the Indian indices further. The bulls also shrugged off negatives like the uncertainty over elections, ballooning fiscal deficit, a sluggish economy and deceleration in corporate profits. Finally, the benchmark BSE Sensex surged 12% to 10,048 and the NSE Nifty surged 10.7% to shut shop at 3,109.



Banking stocks climbed as falling inflation fuelled speculation that the RBI may cut interest rates further. Banking shares also rose as they had been beaten down badly in the recent crash. Steady buying in the capital goods space lifted the BSE Capital Goods index. All the other major sectoral indices registered strong gains during the week.



The latest catalyst powering the global rally over the week was US government's plan to buy banks' soured assets and get credit flowing again. Wall Street and world markets also welcomed positive reports on durable goods orders and new home sales. Among the Asian indices, the Nikkei added 8% and the Hang Seng rose by 10%.



*As per previous close

FII & MF activity

(Rs cr)

Date	FII Net Investment	MF Net Investment
19-Mar	158	(45)
20-Mar	49	(163)
23-Mar	316	392
24-Mar	699	125
25-Mar	298	133
Total 2009	(6,722)	(1,323)

BSE Sensex & BSE 200 Top Five Gainers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Tata Steel	223	26.6	PNB	439	31.9
HDFC Bank	1,001	19.3	J&K Bank	293	31.0
ICICI Bank	385	19.2	Aban Offshore	421	29.0
SBI	1,124	17.8	Orchid Chem	79	26.2
Reliance Infra	568	17.5	Axis Bank	431	25.9

BSE Sensex & BSE 200 Top Five Losers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
-	-	-	Tanla Solutions	26	(8.4)
-	-	-	Crompt Greaves	118	(6.8)
-	-	-	Piramal HC	175	(5.4)
-	-	-	Dish TV	24	(4.8)
-	-	-	Amtek Auto	75	(4.5)

Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
23-Mar	Rel Cap Trust	Dhanus Tech	S	1.3	13
23-Mar	Ranbaxy	Religare Ent	B	6.0	377
24-Mar	Rel Cap Trust	United Spirits	B	7.3	630
25-Mar	Merrill Lynch	Action Const	S	20.4	12
25-Mar	Morgan Stanley	Unitech	B	96.0	31

Stock in No-Delivery

Company	From	To
Pudumjee Pulp	23-Mar-09	30-Mar-09

Insider trades

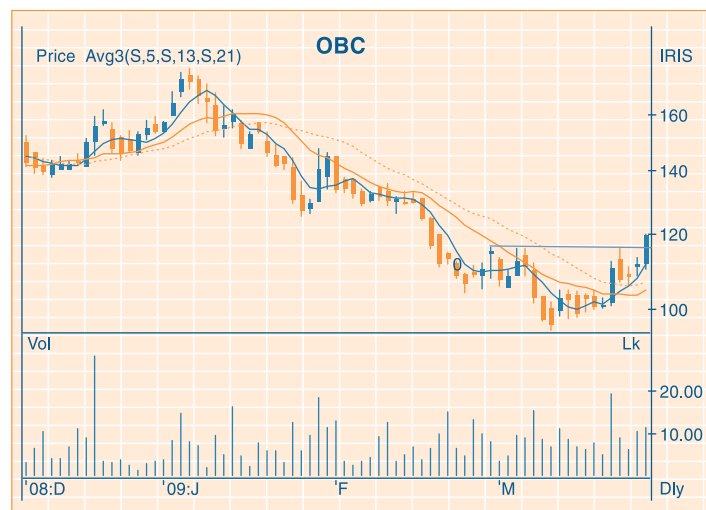
Company	Name	B/S	Qty ('000)
Patel Eng	Sonal Patel	B	17.5
Patni	N.K Patni	B	167.0
Varun Ind	Kiran Mehta	B	50.0
Ambuja Cem	Manju Taparia	B	52.0
Dabur India	Ambati Sudharkar	S	5.0

India Infoline Weekly Wrap

Technical ideas

Oriental Bank Of Commerce

BUY
CMP Rs119



On the daily chart, the stock has given an upside breakout. The above mentioned pattern has taken place after a strong downtrend. The stock had been on a well entrenched downtrend from the peak of Rs179.5 in early January 2009 to a low of Rs95 in early March 2009. Since then, the stock has managed to hold on the support of Rs95-100 and has bounced back from those levels.

On Friday, the stock gave a close above its key resistance levels of Rs116-119 (as seen in the above chart). The short term oscillators continue to remain in the positive territory. Keeping in mind, the above mentioned evidence we expect the uptrend to continue in the near term. We recommend traders to accumulate the stock between the levels of Rs116-120 with a stop loss of Rs109 for a target of Rs133, 136.

Positive open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
FT	9.1	236.0	17.2
United phos	2.4	100.0	0.3
RNRL	10.4	53.8	1,028.7
BEML	5.7	53.2	1.2
RIIL	7.9	48.1	0.4

Technically strong

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
GHCL	26	26	9.4	3.5
Chambal Fert	40	38	91.6	40.6
IDBI	49	45	39.6	24.3
Allahabad Bank	40	39	19.3	11.9
Alok Inds	12	12	63.1	22.5

Reliance Communications

BUY
CMP Rs182



R COM has made higher tops and higher bottoms in last three weeks. It has risen steadily from the levels of Rs131 in second week of March 2009 to the current levels. The stock confirmed a breakout after giving a close above its critical resistance zone of Rs180 (as seen above in the chart). In addition, the gain in the stock price from a recent low of Rs158 has been supported by strong volumes.

On Friday, the stock rallied by over 7% confirming the bullish set up. We continue to remain positive on the stock from technical perspective as the stock has managed to hold on to its short-term support trendline. Moreover, the stock has given a close above its key short term moving averages. The daily momentum oscillators i.e. RSI and MACD are suggesting strength in the upmove. A move above Rs187, which is 100-DMA for the stock, could take the stock above Rs205 in the near term. Keeping in mind the above-mentioned observations, we suggest traders to buy the stock in the range of Rs178-185 with a stop loss placed at Rs169 levels for target of Rs207-212.

Negative open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
SREI Infra	(2.7)	87.0	8.3
Utv Software	(1.6)	66.7	0.9
Karnataka Bank	(1.7)	46.2	1.2
Everonn	(5.0)	28.2	1.8
Crompton Greaves	(1.5)	26.2	12.9

Technically weak

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Satyam Comp	43	43	198.7	337.5
TTML	23	23	40.3	88.2
GSK Pharma	1,066	1,090	0.2	0.5
Marico	59	60	1.5	6.1
Amtek Auto	76	77	0.9	9.9

India Infoline Weekly Wrap

Mutual fund round-up

India Infoline picks

Mutual Funds	Assets	NAV	Absolute return (%) as on March 26, 2009							
	(Rs Cr)	(Rs)	1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
Birla SL Frontline Equity Fund (G)	384	42.0	7.4	7.9	3.4	(19.7)	(31.9)	(15.0)	6.7	117.8
DSP-BR Top 100 Equity - RP (G)	993	52.3	6.9	6.1	2.4	(16.0)	(27.1)	(3.7)	10.9	138.6
Kotak 30 (G)	611	55.9	7.1	6.0	(0.4)	(21.5)	(35.5)	(12.5)	(5.1)	123.6
Reliance Vision Fund (G)	2,281	135.0	7.1	8.3	(1.0)	(18.4)	(35.2)	(19.1)	(11.2)	115.5
Sundaram BNP Tax Saver (G)	521	23.0	7.1	5.0	(5.0)	(20.2)	(31.1)	(11.0)	(5.4)	186.1

Fund this week: Kotak - 30 Growth

Fund snapshot		Asset allocation (%)	
Fund Manager	Emmanuel Elango	Equity	78.7
Latest NAV	Rs55.9	Debt	6.8
NAV 52 high/low	Rs93/49	Cash/call	14.5
Latest AUM	Rs611cr	Top 5 holdings (%)	
Type	Open-ended	Reliance Inds.	7.9
Class	Equity - Diversified	Kotak Mahindra Bank	6.8
Options	Growth & dividend	NTPC	5.4
Min investment	Rs5,000	Bharti Airtel	5.3
Entry load	2.25%<Rs5cr	ITC	4.2
Exit load	1%<Rs5cr<1yr	Top 3 sectors (%)	
Benchmark	S&P Nifty	Banks	19.6
No. of stocks	33	Oil & Gas, Petroleum & Refinery	16.3
Expense ratio	2.2%	Power	7.7

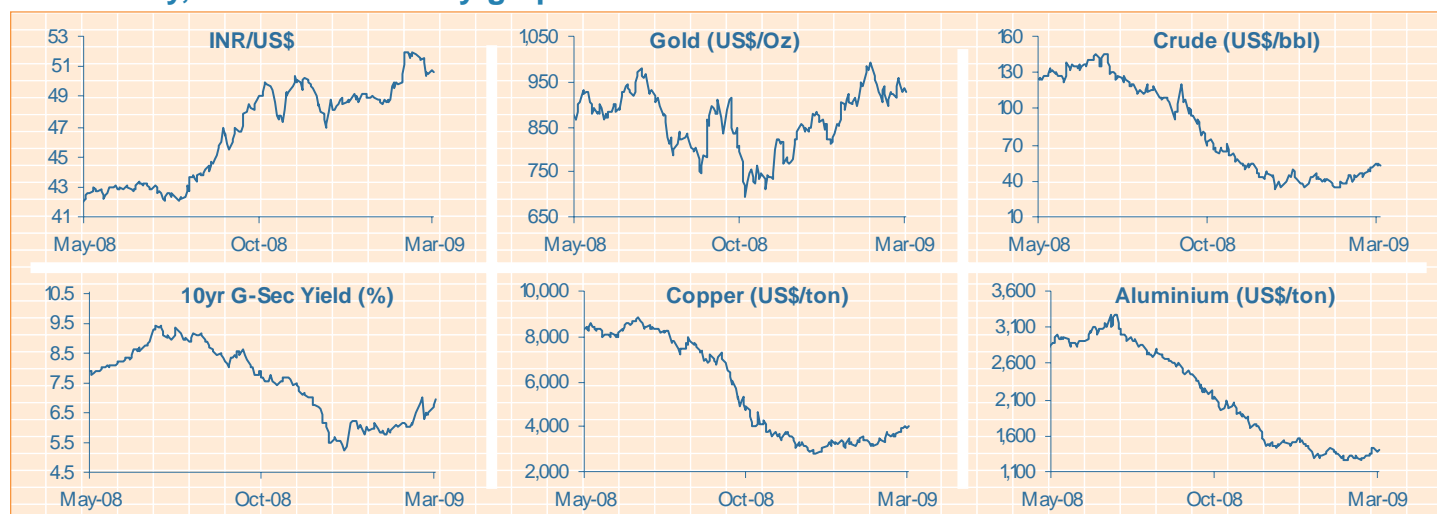
NFO update

Fund Name	Close	Type	Class
Reliance FHF-XII-3-Reg(G)	30-Mar	CE	Debt - FMP
Birla SL FTP-BR(G)	6-Apr	CE	Debt - FMP
Sahara Short Term Bond	8-Apr	OE	Debt - Short Term

Dividend update

Mutual Fund	Dividend %	Record date	Class
Kotak ñ 30 Fund	10.0	30-Mar	Equity - Div
SBI Arbitrage Opprty Fund	7.0	30-Mar	Debt - Sply
UTI G-Sec Fund	3.0	30-Mar	Debt - Gilt

Commodity, debt and currency graphs



* As per previous close

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