

# Activation Ideas

Equity Advisory Group

4<sup>th</sup> December 2009

HSBC  InvestDirect

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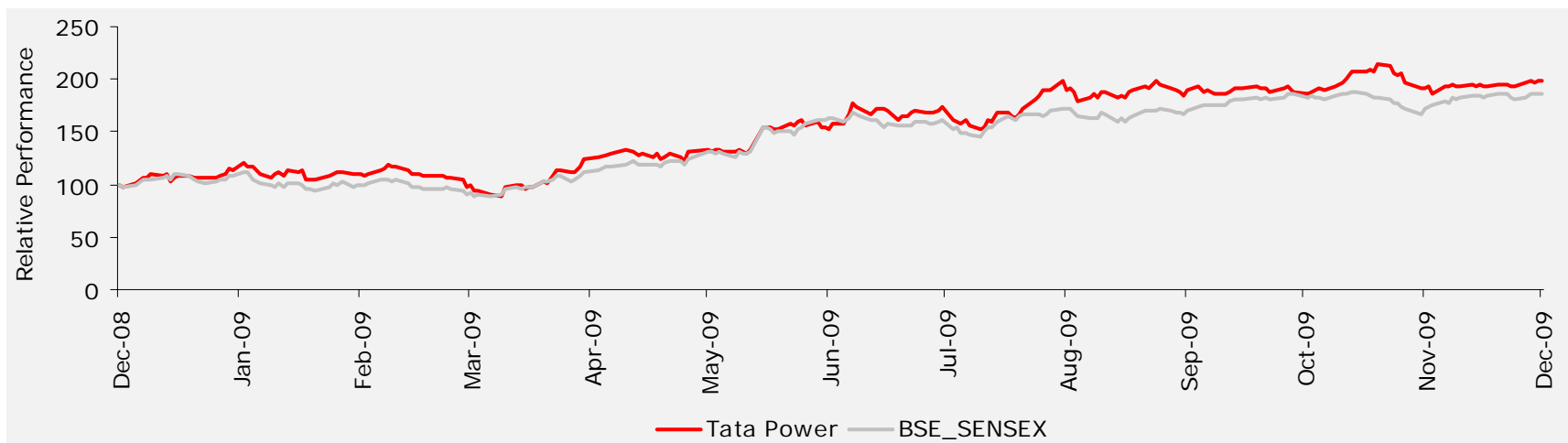
## POTENTIAL RETURN

- Continuing in line with our efforts to revive our dormant customer base, we are recommending three Investment ideas from short to medium term horizon. We expect investor traders to buy/accumulate these with a potential return of 10~15% in the short to medium term on a conservative basis.

# Tata Power

- We believe the key catalysts for the stock presently being: a) 1368MW of capacity additions should result in good revenue growth for the power business; b) ascribing a higher coal mine valuation due to the improvement in coal prices, c) improved visibility of projects under development, with government approval received for the coal mine plan (addressing the fuel requirement) and the power generation projects now awaiting board approval. A total of 4.4GW of projects is under development. The stock has underperformed the market recently, which is unwarranted and therefore providing an opportunity.
- We recommend investors to **accumulate with a short term price target of Rs.1485.**

## Tata Power vs. Sensex

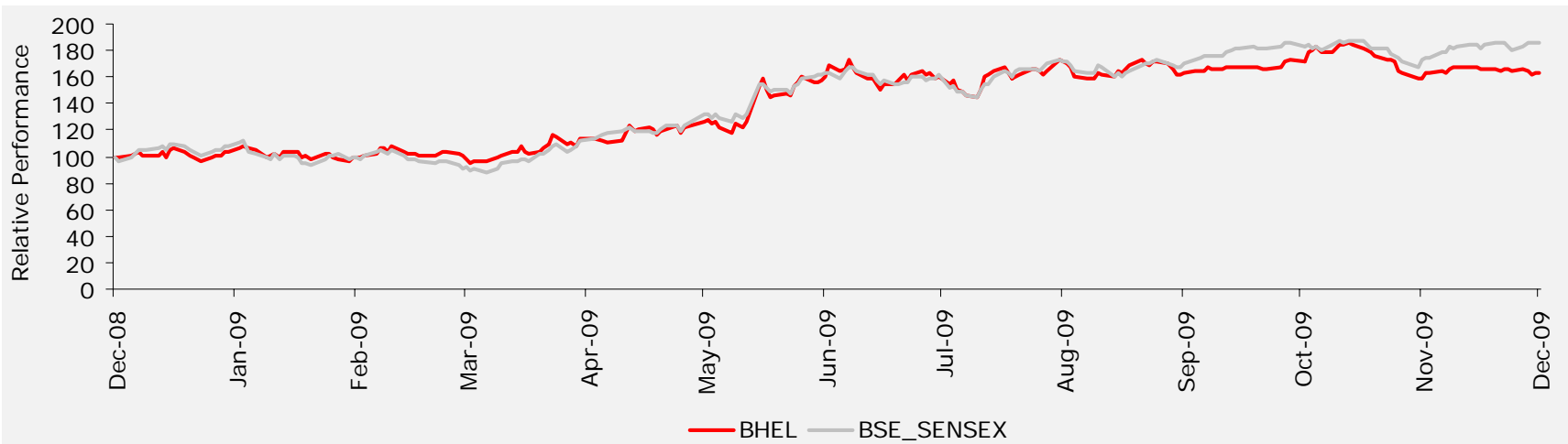


Source: HISL Advisory, Capitaline.

# BHEL

- The order inflow pipeline remains strong for BHEL. Rs.350bn worth of new orders are expected in H2FY10. We believe BHEL's capacity expansion of its main plant equipment to 20GW and transformer capacity to 45,000 MVA is on track. This should help BHEL execute its existing order backlog of INR1258bn (3.8x FY10e book-to-bill). The margins too have started showing improvement. The capital good space has underperformed the market recently thus giving an opportunity. BHEL is a steady Indian story and with market P/E expanding, BHEL would not be left behind.
- We recommend investors to **accumulate with a short term to medium term price target of Rs.2380.**

## BHEL vs. Sensex

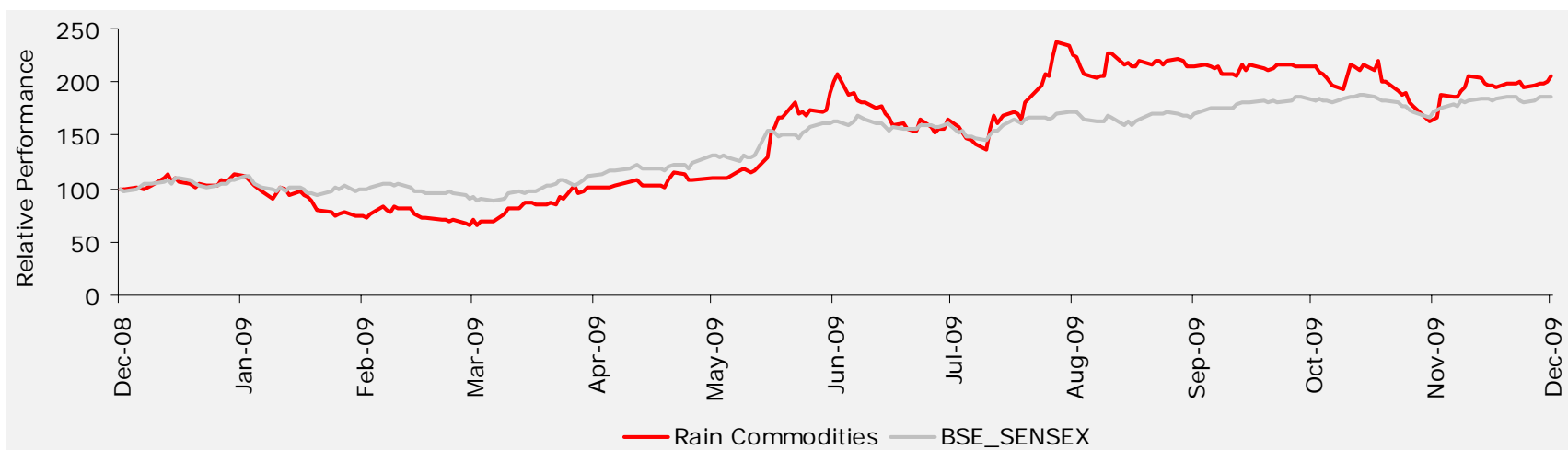


Source: HISL Advisory, Capitaline.

## Rain Commodities

- We believe improved sentiment in metal space along with stable outlook in the cement segment over medium term augur well for the growth prospects of the company. The company is expected to report an EPS of over Rs.55 per share for CY09. At the current price of Rs 173, the stock is trading at PER of 3.2x, which is very attractive looking at the current market scenario. We also believe consistent performance by the company will result in re-rating of PE multiples for the company.
- We recommend our investors to buy this **with a short to medium term target of Rs.200.**

### Rain Commodities vs. Sensex



Source: HISL Advisory, Capitaline.

## Performance of Activation Idea till date

Reco Date	Stock	Reco Price	High	Closing Price as on 4thDec	High Returns %
23/11/2009	Dishman	217	242	235.6	11.5
23/11/2009	Balrampur Chini	131	138	131.15	5.3
23/11/2009	Welspun Gujarat	283	284	277.2	0.4
30/11/2009	Noida Toll	34.75	40.75	37.9	17.3
30/11/2009	Divi's Laboratories Ltd:	590.25	679	673	15.0
30/11/2009	Union Bank	271.2	289.25	274.7	6.7

Source: NSE, BSE & HISL Advisory.

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