

Dealer's Diary

The market nudged higher in early trade on data showing sustained buying by foreign funds. However, the market lost ground and hit a fresh intraday low in morning trade. The market came off lows in mid-morning trade, but again hit a fresh intraday low in early afternoon trade. The market recovered from its lower level in afternoon trade. The Sensex and Nifty closed down by 0.5% and 0.7%, respectively amid profit booking across sectors. BSE mid-cap and small-cap indices closed with losses of 0.7% each. Among the front liners, Bharti Airtel, Reliance Communications, SBI, HDFC Bank and HUL gained 1–2%, while Sterlite Inds, Hindalco, DLF, Jaiprakash Associates and Reliance Infra lost 2–4%. Among mid caps, State Bank of Mysore, State Bank of Bikaner and Jaipur, State Bank of Travancore, KGN Industries and Religare Enterprises gained 8–20%, while Jai Corp., Central Bank of India, MVL, ISPAT Industries and Bombay Dyeing declined 4–6%.

Markets Today

The trend deciding level for the day is 18341 / 5514 levels. If NIFTY trades above this level during the first half-an-hour of trade then we may witness a further rally up to 18422 – 18532 / 5539 - 5572 levels. However, if NIFTY trades below 18341 / 5514 levels for the first half-an-hour of trade then it may correct up to 18231 – 18150 / 5480 - 5455 levels.

Indices	S2	S1	R1	R2
SENSEX	18,150	18,231	18,422	18,532
NIFTY	5,455	5,480	5,539	5,572

News Analysis

- MoEF rejects Vedanta's Niyamgiri project in Orissa
- GDL raises Rs300cr from Blackstone
- PTC India Financial Services gets IFC status

Refer detailed news analysis on the following page.

Net Inflows (August 20, 2010)					
Rs cr	Purch	Sales	Net	MTD	YTD
FII	2,622	1,908	714	10,678	58,372
MFs	740	721	19	(1,482)	(14,427)

FII Derivatives (August 24, 2010)				
Rs cr	Purch	Sales	Net	Open Interest
Index Futures	8,497	9,657	(1,160)	19,928
Stock Futures	8,471	8,688	(218)	39,461

Gainers / Losers

Gainers			Losers		
Company	Price (Rs)	chg (%)	Company	Price (Rs)	chg (%)
PTC India	124	4.3	Jai Corp	276	(5.8)
Castrol India	506	4.2	Ispat Ind	18	(4.9)
Piramal Health	521	4.0	Bombay Dye	625	(4.5)
Opto Circuits	277	3.6	Hind Oil Exp	252	(4.1)
Cairn India	354	3.2	Sterlite Ind	152	(4.0)

Domestic Indices	Chg (%)	(Pts)	(Close)
BSE Sensex	-0.5%	(97.8)	18,312
Nifty	-0.7%	(38.4)	5,505
MID CAP	-0.7%	(55.2)	7,832
SMALL CAP	-0.7%	(67.3)	9,901
BSE HC	0.1%	8.1	5,655
BSE PSU	-0.8%	(77.4)	9,737
BANKEX	-0.5%	(60.4)	12,538
AUTO	-0.2%	(21.4)	8,894
METAL	-1.9%	(300.7)	15,181
OIL & GAS	-0.5%	(55.8)	10,175
BSE IT	-0.7%	(37.4)	5,510

Global Indices	Chg (%)	(Pts)	(Close)
Dow Jones	-1.3%	(134.0)	10,040
NASDAQ	-1.7%	(35.9)	2,124
FTSE	-1.5%	(78.9)	5,156
Nikkei	-1.3%	(121.6)	8,995
Hang Seng	-1.1%	(230.3)	20,659
Straits Times	-0.1%	(3.1)	2,923
Shanghai Com	0.4%	10.9	2,650

Indian ADRs	Chg (%)	(Pts)	(Close)
Infosys	-1.2%	(0.7)	\$58.6
Wipro	-2.9%	(0.4)	\$12.9
Satyam	-2.6%	(0.1)	\$4.5
ICICI Bank	-1.3%	(0.6)	\$42.1
HDFC Bank	-0.9%	(1.5)	\$161.9

Advances / Declines	BSE	NSE
Advances	1,184	434
Declines	1,740	926
Unchanged	114	41

Volumes (Rs cr)	
BSE	4,979
NSE	14,613

MoEF rejects Vedanta's Niyamgiri project in Orissa

The Ministry of Environment and Forests (MoEF) has rejected Vedanta Aluminium's (VAL) application for Stage-II forest license for its Niyamgiri mining project (Orissa). VAL is a subsidiary of Vedanta Resources (71%) and Sterlite (29%).

The MoEF's decision comes after the government-appointed NC Saxena panel recommended last week that it would be illegal to allow bauxite mining operations on the Niyamgiri hills as the company has consistently violated the Forest Conservation Act, Forest Rights Act, Environment Protection Act and the Orissa Forest Act. One such violation was related to the unauthorised capacity expansion from 1mn tonne to 6mn tonne. The panel said that the existing clearance for the refinery should also be cancelled.

The MoEF said that it was studying the violation of forest laws by VAL and was examining a possible penal action against the company. It has also decided to issue a Show Cause Notice to VAL for its alumina refinery.

In our view, the mining denial is a big dampener for VAL's expansion projects. However, we feel the company will consider other alternatives, as captive bauxite is key to VAL's projects in the long term. Moreover, the development will not have a material impact on our earnings estimates as the consolidated financial statements for Sterlite include only 29% of the profit from VAL. **Hence, we maintain our Buy rating on Sterlite with a Target Price of Rs215.**

GDL raises Rs300cr from Blackstone

Gateway Distriparks Limited's (GDL) subsidiary Gateway Rail Freight Ltd. (GRFL) has received Rs300cr via an issue of compulsorily convertible preference shares (CCPS) to Blackstone under an agreement entered in November 2009. As per the deal, upon conversion of CCPS after five years, Blackstone would acquire 37.3–49.9% stake in GRFL based on the operating performance of the rail segment. GDL also owns a call option to acquire the CCPS at the end of the five years, while Blackstone has the put option to sell the CCPS at the end of 10 years. The CCPS does not carry any coupon.

GRFL intends to use around Rs215cr of the funds for expansion purposes by adding another 10 rakes to its current 18 rakes over next two–three years. The company would also be incurring capex at its Faridabad ICD, which is expected to get operational by end-FY2011. Moreover, GDL would be paid Rs85cr as consideration for transferring its Garhi ICD land (~78 acres) to GRFL. At the CMP, the stock is trading at 11.3x FY2012E EPS and 1.7x P/BV FY2012E. **We maintain our Accumulate rating with a Target Price of Rs123.**

PTC India Financial Services gets IFC status

PTC India Financial Services (PFS), a subsidiary of PTC India, has been given the infrastructure financial company (IFC) status by the Reserve Bank of India (RBI). The RBI had earlier classified non-banking financial companies (NBFCs) under three categories, namely asset finance companies, loan companies and investment companies. Recently, the RBI introduced a fourth category of NBFCs, i.e. IFCs. Post this development, PFS would be allowed to have a higher exposure to lending and investment to a single borrower or a group of borrowers. Further, PFS would have better access to resources as the exposure limit for banks' funding to IFCs has been improved. PTC India is trading at 23.5x FY2011E and at 18.2x FY2012E earnings. **We maintain our Buy recommendation on the stock with an SOTP Target Price of Rs136.**

Economic and Political News

- Industry Ministry in favour of compulsory licensing for third-party drug making
- FY2011 trade deficit seen atleast at US \$120bn, says Trade Secretary
- RBI questions FDI changes in the aviation sector
- Independent directors face board cap: SEBI proposal
- Number of Regional Rural Banks down to 82 from 196: RBI

Corporate News

- Reliance Power eyes US \$5bn Indonesia investment
- National Fertilisers has tied up with 13 banks for financing Rs3,850cr expansion
- EIH to spend Rs150cr on new projects over the next two years
- Bharti Airtel eyes mobile market leadership in Kenya
- Muthoot Finance raises Rs43cr via PE

Source: Economic Times, Business Standard, Business Line, Financial Express, Mint

Events for the day	
Cipla	Dividend
Mphasis	Results

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Ratings (Returns) :

 Buy (> 15%)
 Reduce (-5% to -15%)

 Accumulate (5% to 15%)
 Sell (< -15%)

Neutral (-5 to 5%)

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