



Oct 12th, 2009

Outlook-

- The key benchmark indices may remain volatile on mixed Asia and ahead of holiday on Tuesday, 13 October 2009. The stock market remains shut on 13 October 2009 on account of the assembly elections. The investors will keenly watch industrial output data for the month of August 2009 due today. The index of industrial production stood at 6.8% in July 2009.
- HDFC, Axis Bank, Astra Microwave, DCB, Exide Industries, Geojit BNP Paribas, Infomedia 18, Praj Industries, Sintex Industries, TTK Prestige will announce their Q2 September 2009 result today.
- Investors will also watch response to Indiabulls Power's 39.07 crore shares initial public offering which opens for subscription today. Indiabulls Power, a unit of Mumbai-based developer Indiabulls Real Estate, is developing five thermal power plants in western and central India, with total capacity of 6,600 megawatts, and will use the issue proceeds to fund two projects. Issue closes on Thursday, 15 October 2009.
- Stock and sector-specific activity may dominate trade in the coming days based on expectations on Q2 September 2009 results. Auto firms are seen reporting strong Q2 results on strong volume growth and on lower input costs. Cement firms too are seen reporting good Q2 numbers on the back of volume growth, higher realisation and decline in costs like imported coal. Metal firms are seen reporting fall in net profit due to a sharp fall in metal prices on year-on-year basis.
- Fall in volumes in the commercial property segment and lower realisations in both commercial and residential property segments, will pull earnings of realty firms lower. A sharp surge in equity markets may help treasury gains for some banks.
- Strong growth in new subscriber additions will aid topline growth of telecom firms. But falling average revenue per user (ARPU) and revenue per minute due to intense competition will cap bottom line growth.
- Asian stocks were trading mixed today. In US markets, the Dow Jones hit a fresh 2009 high on Friday, 9 September 2009. Chevron said it expected its third-quarter earnings to be significantly higher than the second quarter lifted sentiment.

Support & Resistance

	Support	Resistance
Nifty	4905	5000
Sensex	16500	16950

Global Indices

	Close	% Change
Dow Jones	9864	0.80
NASDAQ	2139	0.74
FTSE	5161	0.14
Hang Sang	20459	0.19
Nikkei	10016	1.87
Bovespa	64071	0.49
CBOE VIX	23.12	4.38



House View:

Idea Cellular Ltd. CMP : 62

About the Company: Idea Cellular (Idea), part of the Aditya Birla Group, is one of the leading providers of wireless communication services in India. Currently, the company is operating in 17 of 22 telecom circles in India, is set to become a pan-India player by end-2009. The company is a unique wireless play—strong incumbent in a tough industry environment with superior spectrum profile, as well as a new entrant capitalising on new growth opportunities. Idea's expansion into new circles is expected to provide a leg up to its subscriber and revenue growth in the near term and offer long-term profit growth opportunities. It is slated to launch operations in five circles over the next two quarters—three category C circles (Assam, NE, J&K), one category B circle (West Bengal), and one Metro circle (Kolkata). On valuation front, Idea's consolidated EBITDA and net profit to post a healthy CAGR of 20% and 14%, respectively, over FY10-12E. The company is in a comfortable funding position (ex-3G) post stake sale to Axiata and Providence Equity We expect Idea (incl Spice) to post a healthy revenue CAGR of 14% with new circles driving revenue growth; old circles are expected to post a 10% CAGR over FY10-12E. Revenue share of new circles is expected to touch 15% in FY12E. However the Idea Cellular stock has been de-rated by the markets over the last couple of days, and has been trading much below its issue price on the back of worries about declining revenues. Along with the Key risks that include irrational bidding for 3G spectrum and execution risks on new launches, news that hammered the stock was the TRAI's planning to make per second billing option mandatory. Tariff cuts will intensify the pressures on the sector in the near-term.

	June'09	June'08
Net Income	281794	217318
Total Expenditure	242216	172396
Net Profit	30921	26953
Face Value	Rs 10	Rs 10
Basic EPS	1.00	1.20
Market cap as on Date	Rs 19344.59 cr	

Technical: The counter has been witnessing a steep downtrend. The third part of the down trend that commenced from the Rs 77 peak is currently in motion and has dragged the stock towards its long-term support at Rs 62. The stock can form a long-term trough at this level and move up towards Rs 72-75 again. However, the long-term outlook for this stock will turn positive only if it moves above Rs 75. Counter bottomed out in the beginning of 2009 at the level of 43-45 and since then it started to retrace back along with good amount of volumes and touched the high of 92.



As per other technical indicators it is trading well below the crossover of 9 & 18 days WMA and 50 days SMA. This indicates the counter is bearish in short to medium term However 14 Days RSI is trading at 18 level, indicating that the counter is in oversold zone. Therefore we may expect fresh buying to come from these lower levels. On weekly chart the counter is trading at its crucial support level. Weekly stochastic is in highly oversold area, again a sign of fresh buying. So any dip in price levels from here will be taken as an opportunity to make fresh long position for the immediate resistance as well as target of 75



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