

A graphic of a spotlight beam shining from the top left corner onto the text.

Weekly Spotlight

24th December 2010

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Weekly Spotlight

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- **Weekly Picks** - A short-term POSITIONAL bet for Investor-Trader / Trader-Investor
- **Strategy:** Take advantage of the technical selling in the market and identify scrip which are mispriced; capitalise on the directional as well as the consolidating market; Capture the sectoral rotation in the market.
- **Stock selection basis:** While selecting the stocks, emphasis is given on fundamentals, and prospective event flow in the market. This is supported and endorsed by technical indicators and derivative data.
- **Time horizon and potential returns:** The product carries two-to-three trading/investment ideas with a **time horizon ranging from one to eight weeks** targeting a potential return of 4-8% for the large caps and 8-12% for the mid-cap during the given timeframe.
- **Execution:** While the stock fundamentals are sound, stop loss is recommended for the leveraged traders based on the individual's risk appetite at the support level indicated in the technical view. The trade should be closed once the target is achieved or eight weeks, whichever happens earlier.
- **Frequency:** After weekly closing.

Weekly Spotlight

Tata Chemicals Limited (Large Cap) CMP ₹ 391.9

- TCL is present in two main businesses- chemicals and agri-business. The chemicals business comprises its soda-ash operations. Post acquisition of General Chemical Industrial Products Inc in US in March 2008, TCL became the second largest producer of soda ash in the world with a total capacity of 5.2mn tonnes p.a., with facilities spread over in US, UK, Kenya and India. Recent acquisition of British Salt for ~Rs6.5bn to secure long term raw material supplies for its Brunner Mond soda ash operations is a positive for the company.
- In the farm segment of agribusiness, it has a strong presence in crop nutrients (urea and phosphatic fertilisers) and crop protection products (through its subsidiary Rallis). In the consumer segment, TCL is a pioneer and market leader in branded iodised salt. To leverage its strong distribution and marketing network, TCL is increasingly expanding its presence in the consumer segment through marketing and distribution of fruits, pulses and vegetables and has also entered water purifier business by launching Tata Swach. The recent foray into marketing pulses through the "I Shakti" brand is a significant development
- TCL trades at a consensus P/E and EV/EBITDA of 10.7x and 6.7x FY12E. Given its leadership position in fertilisers and chemicals and promising prospects in the consumer segment of the agribusiness through its marketing and distribution ventures in fruits, vegetables, pulses and water purifier, we believe that TCL is likely to get re-rated.

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Tata Chem - Technical Perspective



- Tata Chem has been trading in a well defined channel formed joining pivotal highs and lows since last 17 months. After falling from the upper band of the channel at 446, the stock has once gain found support at the lower band of the channel at 340 and turned up.
- With the price action of this week, Tata Chem has formed a Bullish Belt on weekly charts indicating that Bulls are in complete control and could take prices further up towards 420 -430 levels.
- Momentum indicators are positive with a Buy crossover in weekly stochastic and a crossover in daily MACD above the zero line.
- Further prices have also breached above 21 and 55 DEMA indicating that that short term trend has turned up.
- Resistance is placed at 415/430 and support is placed at 380/366

Weekly Spotlight

Cairn India Limited (Large Cap)

CMP ₹ 328.2

- Cairn India Ltd (CIL) is one of the biggest private exploration and production (E&P) companies in India. Being a private E&P company, it is not liable to share under-recoveries like ONGC, OIL and therefore the best play in this sector in the rising crude scenario. Cairn India has attained production of 130 kbopd with its Mangala field (Rajasthan) hitting a peak of 125 kbopd recently.
- The stock has not performed owing to the overhang of change in management at Cairn India and the impending open offer. The markets have not discounted the run-up in the crude oil prices. Crude oil price has rallied ~9% and 15 % for the month and the quarter respectively. Brent has averaged US\$85.7/bbl in November, driven by higher-than-expected cold season in Europe, global economic recovery and dollar depreciation.
- Cairn India, we believe, is the best proxy in the rising crude scenario. At CMP of Rs.328, the stock is trading at 7.4x consensus FY12E earnings. (Bloomberg)

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Cairn India Limited - Technical Perspective



- Cairn has been trading in a well defined channel formed joining pivotal highs and lows since last 19 months. After falling from the upper band of the channel at 337, the stock has once gain found support at the lower band of the channel at 309 and turned up sharply.
- After the initial bounce Cairn has been consolidating in a sideways range between 318 and 340 since last 3 weeks. Thus a breach above 340 would indicate resumption in uptrend towards the upper band of the channel at 370-380. Further above 340 ,Cairn would also breach the falling trend line drawn across last two swing highs.
- Momentum is positive with stochastic rising and MACD crossing above zero line.
- Resistance is placed at 340/360 and support is placed at 318/300

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Weekly Spotlight MIS for last eight weeks

Current Nifty Level: 6011.6

Reco Date	Stocks	Category*	Reco Price	High	Closing Price	Return at high price (%)	Return at Closing Price (%)	Nifty Level	Target Achieved / Calls open
29-Oct-10	HDFC BANK	L	2279.7	2425.0	2,218.4	6.4	(2.7)	6,067.1	Achieved
29-Oct-10	INFOSYS	L	2971.7	3381.8	3,370.2	13.8	13.4	6,068.1	Achieved
4-Nov-10	Reliance Industries Limited	L	1105.05	1120.5	1,059.7	1.4	(4.1)	6,281.8	Call open
4-Nov-10	Apollo Tyres	L	73.45	76.5	65.9	4.2	(10.3)	6,281.8	Achieved
12-Nov-10	CIPLA	L	329.7	380.0	363.7	15.3	10.3	6,071.7	Achieved
12-Nov-10	IDFC	L	190.1	197.8	175.7	4.1	(7.6)	6,071.7	Achieved
19-Nov-10	CIPLA	L	342.8	380.0	363.7	10.9	6.1	5,890.3	Achieved
19-Nov-10	ITC	L	171	176.4	169.9	3.2	(0.6)	5,890.3	Call open
26-Nov-10	Maruti Suzuki Ltd	L	1367	1454.9	1,391.5	6.4	1.8	5,752.0	Achieved
26-Nov-10	Nifty BEES	L	584.01	620.0	608.3	6.2	4.2	5,752.0	Achieved
3-Dec-10	Bharti Airtel	L	345.6	354.8	348.6	2.6	0.9	5,992.8	Call open
3-Dec-10	Tata Power	L	1290.4	1329.0	1,302.4	3.0	0.9	5,992.8	Call open
10-Dec-10	Larsen & Toubro Limited	L	1943.8	2020.0	1,960.2	3.9	0.8	5,857.4	Call open
10-Dec-10	Coal India Ltd	L	317.3	331.8	312.2	4.6	(1.6)	5,857.4	Achieved
16-Dec-10	HDFC Bank	L	2200.8	2240.0	2,218.4	1.8	0.8	5,948.8	Call open
16-Dec-10	Spice Jet	M	74.5	83.9	78.7	12.6	5.6	5,948.8	Achieved

* Category : L for Large cap (Target Price for L cap: 4% to 8% in 8 Weeks)

M for Mid cap (Target Price for M cap: 8% to 12% in 8 Weeks)

Total Open Call 6 / Achieved 10

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