

## Research calls

### In-house view

<p><b>Tata Motors</b></p> <p><b>Price: 557</b></p> <p><b>Target: 645</b></p> <p><b>Rating: BUY</b></p> <p><b>Risk: High</b></p>	<p><b>Tata Motors – JLR drags down financials, domestic business to remedy matters</b></p> <p>The last few months in the domestic market have been good for Tata Motors (TTMT) as the CV industry demand has significantly improved. The M&amp;HCV segment reported volume growth in Jul-Aug '09 as against the steep decline it had been witnessing a few months back and the LCV segment continues to do well. In the passenger car segment, the newly launched Vista has been doing well and the deliveries of the Nano have also begun. The expected launches of the new Sedan and the UV should further provide fillip to the volumes in the quarters to come. We expect the strong near term prospects of the domestic business to counter the overhang of the performance/financials of the foreign acquisition.</p> <p>TTMT reported consolidated loss of Rs 3.3 bn on a topline of Rs 164bn during Q1FY10 (See Fig 1). The results are however not comparable YoY, as Q1FY09 included results of the Jaguar Land Rover (JLR) subsidiary only from June 02, 2008 (29 days), when the acquisition came into effect. Also, as this is the first time that the company is declaring the quarterly performance of JLR, comparable financials of Q1/Q4 FY09 are not available. JLR reported operating losses, dragging down the margins of the consolidated entity. Performance of other key subsidiaries was also subdued due to downturn in global automotive industry. (See Fig 2&amp; Fig 3).</p> <p>The financial performance of JLR included some changes in cost structure in Apr-Jun'09 quarter which was markedly different from the results declared for Jun'08-Mar'09. JLR continued to report losses at the EBITDA level posting a £34 mn operating loss. Higher sales from the Jaguar stable on the back of new launches lead to higher realizations by 5% to £31,337/unit. However, it also lead to an increase of RM Cost/unit by 20% to £22,674 /unit. While wholesale volumes during the quarter improved by 10% QoQ, retail volumes remained flat. Interestingly, retail volumes in the six months Jan-Jun'09 have been 37% higher than wholesale volumes, indicating a correction in dealer inventory and a possibility of higher wholesale volumes in the quarters to come.</p> <p>The CV sales have recovered faster than our expectations and we see the performance to continue in the near term. We have revised our estimates for CV sales in FY10 by 13% from 301k units to 339k units. For JLR we have largely retained our estimates and expect it to report profits in FY11, both due improvement in volumes and better operating performance. We value the standalone business at 13x FY11E EPS at Rs 522. The combined value of holdings and subsidiaries (including JLR) stands at Rs 123. Our new target price stands at Rs 645. We upgrade the stock to BUY.</p>
---	---

### Event-based calls

- ❖ Bharti MTN reaches preliminary accord. (BS)
- ❖ BSNL, MTNL in consortium to buy 46% in Kuwait telecom firm. (BS)

### Market outlook

<p><b>Dow: Positive</b></p> <p><b>Asia: Positive</b></p> <p><b>Day's view: Positive</b></p>	<p>US markets closed up and other Asian markets are positive. The Federal Reserve said 11 of its 12 regional banks reported signs of a stable or improving economy in July and August, adding anecdotal evidence that the worst US recession in seven decades is over. We expect our market to open up and rally for the day. We remain bullish for the short term.</p>
---	---

## Stocks in focus

Stock	Rationale
Reliance Industries	Reliance Industries' main growth story would be its E&P business as gas production is likely to start from March-end with an initial capacity of 25mmscmd, expanding to 80mmscmd by Q3FY10 . However, its refinery business is likely to be adversely impacted by the southward trend in GRMs. To mitigate the risk, the company has merged its refining subsidiary RPL to get the benefit of better combined GRM due to the higher refining complexity of the RPL refinery. The RIL-RPL merger is a win-win proposition for both the companies. We recommend a Hold rating on the stock.

## Key market data

Market turnover	Value (US\$ mn)	% Chg	Forex / Crude	% Chg			
				09-Sep-09	1-day	1-mth	3-mth
BSE	1,288	(13.1)	Rs/US\$	48.5	(0.1)	(1.4)	(2.1)
NSE	3,984	(10.0)	Euro/US\$	1.5	0.0	3.0	4.1
Derivatives (NSE)	11,118	(20.2)	Crude (\$/bbl)	71.7	0.6	1.6	0.6

Emerging markets	% Chg				
	09-Sep-09	1-day	1-mth	3-mth	6-mth
Brazil	57,910	0.1	1.9	8.4	49.3
Shanghai	2,923	(0.8)	(10.0)	3.8	35.4
Hong Kong	21,166	1.5	1.1	12.7	81.0
India	16,184	0.4	7.8	4.6	98.3
South Korea	1,631	1.5	3.5	15.3	49.4
Taiwan	7,321	1.0	6.4	13.3	56.7

Niket Shah

(91-22) 6766 3438

niket.shah@religare.in

## Derivative trends

### F&O synopsis

<p><b>Nifty futures: 4817.60</b></p> <p><b>P/C ratio: 1.73</b></p> <p><b>COC: 16.9bps(Annu)</b></p>	<ul style="list-style-type: none"> <li>❖ Range-bound trading continued with activity seen in the closing hour once again. Implied volatility was at 29-30%. P/C ratio for the current series is at 1.73.</li> <li>❖ The most active strike was 4900 in Calls (5.09Lac calls covered) and 4700 in Puts (8.54Lac puts sold), indicating support between 4800-4750 and resistance between 4850-4900.</li> <li>❖ Markets are expected to trade between 4797-4778 on the lower side while resistance lies between 4856-4893.</li> </ul>
---	--

### Derivatives outlook

<p><b>Bank stocks appear strong</b></p>	<ul style="list-style-type: none"> <li>❖ <b>Market view:</b> Volatile.</li> <li>❖ <b>Sector-specific:</b> Bank stocks appearing strong.</li> <li>❖ <b>Stock-specific:</b> PNB, RIL, TCS appearing positive.</li> </ul>
---	--

### Support & resistance levels

Particulars	Level	Support	Resistance
<b>Bank Nifty</b>	First	7727	7912
7792.25	Second	7671	7992
<b>Nifty Futures</b>	First	4797	4856
4817.60	Second	4778	4893
<b>Market-wide open interest: Rs93,840Cr.</b>			

### FII trends

(Rs Cr)	9-Sep-09	8-Sep-09	7-Sep-09
Cash	193.4	991.8	1,060.6
Index Futures	7.9	815.8	1,117.3
Index Options	(29.2)	12.0	420.2
Stock Futures	(50.9)	199.3	288.4
Stock Options	2.7	105.8	0.4

Somendra Agarwal  
 (91-22) 6766 3453  
 somendra.agarwal@religare.in

# Technical analysis

## BSE Sensex daily trend



Source: ASA

## Technical outlook daily

SENSEX (16183.55 ↑ 59.80)	NIFTY (4814.25 ↑ 9)
<p>Sensex traded side ways and remained within the narrow range, the breakout of the last two trading session range would decide further short term trend.</p>	
<p>Sensex, as expected, has now established a range, with support at 15964-15791(Nifty 4743-4721) and resistance at 16138-16311(Nifty 4822-4877). Within this range the crucial support is at 16030(Nifty 4782) if maintained and is able to move above 16232 (Nifty 4842) it could move higher up 16311(Nifty 4877) which is the crucial resistance and breakout levels for Sensex. On the contrary, its failure to sustain above its yesterday's high of 16232 (Nifty 4842) and any reaction below 16016 (Nifty 4782) would lead to the support level of 15964-15791 (Nifty 4743-4721) levels.</p>	
<p>As discussed, a consolidation around 16036 for three to four trading sessions which is the 61.8% retracement level of the Sensex fall from all time high of 21206 to its low of 7697 recorded in October 2008 and a positive breakout thereafter, would confirm continuation of positive trend for Sensex, in that case it could move up to a target level of 17072-17632-18131 (Nifty 5079-5243-5388) in four weeks of time period.</p>	
<p>The count presented in black above is bullish, which would be confirmed, if Sensex gives a decisive breakout above 16002(Nifty 4743) during the week, if its hold true, the Sensex breakout move would achieve a minimum target level of 17072-17632-18131 (Nifty 5079-5243-5388) in four weeks of time period, in this case long position should have a stop loss of 15356(Nifty 4576), below 15356 (Nifty 4576) should have a neutral view and stand aside.</p>	
<p>On the contrary, the bearish count presented in black, would be confirmed, if Sensex fails to sustain above 16002 (Nifty 4743) and move decisively below 14684 (Nifty 4353) would confirm the end of Sensex present uptrend that had began from 8047(Nifty 2539) levels. <b>As Sensex, is still trading within the blue dotted trend line forming an upward bias "Wedge" or "Triangle" pattern, the alternative bearish count is still applicable. Hence, remain cautious unless a confirm break out is established.</b></p>	
<p><b>Sensex Intraday Support levels:</b> Support 15964-15791-15655 Resistance 16246-16311.</p>	
<p><b>Nifty Intraday Support levels:</b> Support 4670-4650-4576 Resistance 4822-4877.</p>	
<p><b>Sector Specific&amp; Sock Specific:</b> BSE Bank, BSE Oil and Gas indices are positive. BOB and Century Textile are positive.</p>	
<ol style="list-style-type: none"> <li>1) BOB LTP Rs.451.70 buy at Rs.447-445 stop loss Rs.441 target Rs.464.</li> <li>2) Buy Century Textile Rs.486.80 stop loss Rs.472 target Rs.500-507.</li> </ol>	

**Birendrakumar Singh**  
 (91-22) 6766 3452  
 birendrakumar.singh@religare.in

**Religare Capital Markets Ltd**

**Mumbai:** 4th Floor, GYS Infinity Paranjpe "B" Scheme, Subhash Road, Mumbai-400 057. Phone: +91 22 67663400 Fax- 67663600

**New Delhi:** 19, Nehru Place, New Delhi - 110019, Phone: +91 11 30815100.

**Disclaimer**

This document has been prepared by **Religare Capital Markets Limited (Religare)**. Religare Hichens, Harrison plc. is a part of Religare Enterprises Limited (REL) – a leading integrated financial services group in India. Hichens, Harrison & Co. plc. (HH), established in 1803, is the Brokerage and Investment firm in London with a global footprint. Post its acquisition through REL's indirect subsidiary - Religare Capital Markets International (UK) Limited, HH has been rechristened as Religare Hichens Harrison plc. (RHH).

Religare research is published with a view on all segments of recipients including Institutional clients, portfolio managers and private clients. Religare / Religare affiliates may issue/ may have issued reports that may or may not match or may be contrary with the views, estimates, rating and target price, information etc. presented in this report etc. and/or reach different conclusion.

We are not soliciting any action based upon this material. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of recipients. It does not constitute a recommendation or take into account the particular investment objectives, financial situations, or needs of individual recipients. Not all recipients may receive this report at the same time. Religare will not treat recipients as customers/ clients by virtue of their receiving this report. We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable. It should be noted that the information contained herein is from publicly available data or other sources believed to be reliable. Neither Religare, nor any person connected with it, accepts any liability arising from the use of this document.

This document is prepared for assistance only and is not intended to be and must not be taken as the basis for any investment decision. The investment discussed or views expressed may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions -including those involving futures, options and other derivatives as well as securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centres on studying charts of price movement and trading volume, as opposed to focusing on fundamentals and as such, may not match with a report based on fundamentals.

Opinions expressed are our current opinions as of the date appearing on this material only. We do not undertake to advise you as to any change of our views expressed in this document. While we would endeavour to update the information herein on a reasonable basis, Religare, its affiliates, subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also there may be regulatory, compliance, or other reasons that may prevent Religare and affiliates from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Religare and affiliates to any registration or licensing requirement within such jurisdiction. The investments described herein may or may not be eligible for sale in all jurisdictions or to certain category of persons. Persons in whose possession this document may come are required to ascertain themselves of and to observe such restriction.

Religare and its affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the investments in / securities of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments / securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall Religare, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Copyright in this document vests exclusively with Religare. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose, without prior written permission from Religare. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

**Analyst's holding in the stocks mentioned in the report: NIL.**

*"Religare Enterprises Limited proposes, subject to receipt of requisite approvals, market conditions and other considerations, to make a rights issue of its equity shares to its existing shareholders and has filed a draft letter of offer ("DLOF") with the Securities and Exchange Board of India ("SEBI"). The DLOF is available on the website of SEBI at [www.sebi.gov.in](http://www.sebi.gov.in) as well as on the websites of the lead manager at [www.enam.com](http://www.enam.com). Investment in equity shares involves a high degree of risk and for details relating to the same, please refer to the section titled "Risk Factors" of the DLOF."*