



Economy News

- ▶ The food articles wholesale price index (India) in the week to Sept. 11 rose 0.1% to 178.5 from a week earlier, showed data issued Thursday by the Ministry of Commerce and Industry. The year-on-year inflation rate for food articles also accelerated to 15.46% from 15.10% in the prior week. (WSJ)
- ▶ The government has raised the ceiling for investment in government and corporate bonds by foreign funds. The finance ministry revised the cap for investment by foreign portfolio investors in government securities from \$5bn to \$10bn, and in corporate bonds from \$15bn to \$20bn. (ET)
- ▶ Loans have picked up sharply in the fortnight ended September 10 after witnessing sluggish growth for almost two months. Loans to businesses and individuals have risen by Rs 277 bn during the fortnight ended September 10 to Rs 33.3 trn, according to the latest data released by RBI. (ET)

Corporate News

- ▶ Anil Agarwal's Vedanta Resources Plc has inched closer to taking control of **Cairn India Ltd**, a subsidiary of London-based natural resources firm Cairn Energy Plc that it is seeking to acquire for as much as \$9.6 billion (Rs. 438 bn). A senior official of state-run Oil and Natural Gas Corp. Ltd (ONGC) disclosed on Thursday that it had not made a widely-anticipated counter bid before 7 September, the deadline for such a bid. (Mint)
- ▶ **Larsen & Toubro (L&T)** on Thursday signed an agreement with South Africa-based Befula Investments for a joint venture to develop power transmission and distribution (T&D) projects in South Africa. L&T will have a 72.5 per cent stake in the venture. L&T's agreement will help the company exploit the business potential for T&D projects in Africa. The company claims the South African government is likely to invest \$10-12 billion in the next five years in augmenting T&D network. The country has a current peak demand shortage of 3,000 Mw and this is expected to grow by six per cent every year. (BS)
- ▶ Oberoi Group flagship **EIH** has decided to come out with a rights issue of Rs 13 bn. The board of EIH on Thursday ratified the proposal of rights issue. (ToI)
- ▶ India's third largest steelmaker, **JSW Steel Ltd**, expects to make yet another round of price increases next month, by around five per cent or around Rs 2,000 a tonne. This at a time when raw material prices are set to soften, in the October-December period. (ET)
- ▶ **Zee Entertainment Enterprises (ZEEL)** on Thursday announced that its board has approved an issue of bonus shares in the ratio of 1:1. The board has also recommended payment of final dividend of Rs 2 a share of Re 1 each, to the equity shareholders for 2009-10. (FE)
- ▶ **Kingfisher Airlines Ltd** does not have any "overdues" to oil marketing companies, chairman Vijay Mallya said on Thursday. "We have given them (oil marketing companies) a lot of money," Mallya told reporters on the sidelines of an industry conference. "So we do not have any overdues," he said, without elaborating further. He also said all fund raising plans, including for an issue of gross depository receipts, were on track, but did not give more details. (Mint)

Equity

	23 Sep 10	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	19,861	(0.4)	8.5	12.0
NIFTY Index	5,960	(0.5)	8.3	12.0
BANKEX Index	13,778	(1.2)	9.9	25.3
BSET Index	5,943	0.0	7.9	10.0
BSETCG INDEX	15,735	0.1	5.8	7.7
BSEOIL INDEX	10,588	(1.0)	4.1	2.7
CNXMcap Index	9,142	(0.0)	2.2	12.7
BSESMCAP INDEX	10,160	0.1	2.6	12.4
World Indices				
Dow Jones	10,662	(0.7)	6.2	5.0
Nasdaq	2,327	(0.3)	9.6	4.9
FTSE	5,547	(0.1)	7.6	8.8
Nikkei	9,566	(0.4)	3.6	(4.8)
Hangseng	22,048	0.2	5.5	5.7

Value traded (Rs cr)

	23 Sep 10	% Chg - Day
Cash BSE	4,200	(14.8)
Cash NSE	14,484	(15.1)
Derivatives	113,549	(26.3)

Net inflows (Rs cr)

	22 Sep 10	% Chg	MTD	YTD
FII	1,505	(54.6)	20,317	79,405
Mutual Fund	(209)	(39.5)	(2,649)	(18,169)

FII open interest (Rs cr)

	22 Sep 10	% Chg
FII Index Futures	23,439	(2.6)
FII Index Options	88,523	(1.4)
FII Stock Futures	41,173	0.6
FII Stock Options	1,705	(3.1)

Advances / Declines (BSE)

23 Sep 10	A	B	S	Total	% total
Advances	73	882	202	1,157	45
Declines	129	1023	206	1,358	53
Unchanged	2	53	12	67	3

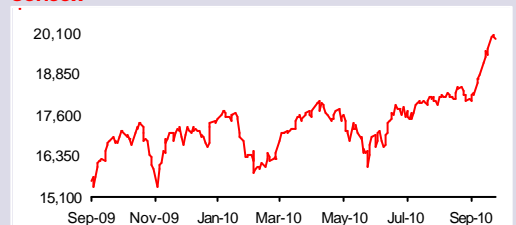
Commodity

	23 Sep 10	1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	75	(0.4)	4.5	(2.2)
Gold (US\$/OZ)	1,292	0.1	5.1	4.0
Silver (US\$/OZ)	21	(0.1)	15.2	13.1

Debt / forex market

	23 Sep 10	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	NA	NA	NA	NA
Re/US\$	45.65	45.59	46.65	46.19

Sensex



COMPANY UPDATE

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LIC HOUSING FINANCE LTD

PRICE: Rs.1307
TARGET PRICE: Rs.1200

RECOMMENDATION: REDUCE
FY11E P/E:12.9x ; P/ABV: 3.1x

- ❑ Demand for real estate housing remain strong, improving individual disposable income supports affordability
- ❑ Strong growth in earnings likely during FY11-12; northward trend in interest rates may impact cost of funds therefore pressurising NIM, we expect NIM at 2.7-2.8% during FY11-12
- ❑ Healthy asset quality; supported by receding incremental slippages and improving recoveries
- ❑ Valuation appear rich at current levels, strong earnings growth and healthy asset quality appears factored in the prices, we recommend to Reduce (accumulate earlier) exposure with a revised price target of Rs.1200 (Rs. 1096 earlier) and look for better entry levels on declines.

Summary table

(Rs bn)	FY10	FY11E	FY12E
Interest Income	32.8	46.3	58.2
Interest expenses	24.0	34.1	43.5
NII	8.9	12.2	14.7
Non-Int Income	1.9	3.3	2.9
Total Income	10.7	15.5	17.6
Optg Profit	8.8	13.7	15.5
PAT	6.7	9.6	10.9
Gross NPA (%)	0.7	0.7	0.7
Net NPA (%)	0.1	0.1	0.1
NIMs (%)	2.7	2.8	2.7
RoA (%)	2.0	2.2	2.0
RoE (%)	23.7	25.6	24.1
Divi. Payout (%)	22.0	0.0	0.0
EPS (Rs)	70.2	101.1	114.3
BV (Rs)	356.6	432.3	517.9
Adj. BV (Rs)	351.7	426.9	512.1
P/E (x)	18.6	12.9	11.4
P/ABV (x)	3.7	3.1	2.6

Source: Company, Kotak Securities - Private Client Research

Demand for real estate housing remain strong, improving individual disposable income supports affordability

India continues to witness a steady trend in the demand for real estate despite around 10% increase in property prices. This is mainly due to improving individual disposable income, which supports affordability. Mortgage penetration is also relatively lower in India at around 7% as compared to 12% in our other Asian counter part like China.

LICHF has witnessed a steady growth in the mortgage advances (27% CAGR over FY06-10) in the wake of its aggressive business growth strategies (dual-interest rate product in competition with PSBs) and strong marketing network of own branches, direct sales agents and home loan agents. Its market share also improved from around 6% in FY07 to over 10% in FY10. Going forward, given positive economic growth outlook and continuing robust growth in demand for housing, we expect mortgage loan growth of 30% during FY11 and 23% in FY12 to Rs. 495bn and Rs.606bn respectively.

Strong growth in earnings likely during FY11-12; northward trend in interest rates may impact cost of funds therefore pressurising NIM, we expect NIM at 2.7-2.8% during FY11-12

In the backdrop of a robust growth in mortgage loans, we expect steady growth in earnings for LICHF over FY11-12. We expect Net profit growth of 44% yoy in FY11 to Rs. 9.6bn (including Rs. 1.1bn profit on sale of stake in LIC Mutual Fund), and 13% yoy growth in FY12 to Rs. 10.8bn. Strong growth in earnings is also attributable to lower operating cost (cost to income ratio at) and loan loss provision requirement as the asset quality is likely to remain healthy.

During 1QFY11, LICHF has reported a NIM of 3.01%, following lower cost of funds and re-pricing of advances under the dual-interest rate scheme. However, going forward we opine that this is likely to sustain, given the rising interest rates scenario, which may push its cost of fund upwards, therefore tempering it margins. We maintain our NIM estimates for LICHF at 2.7-2.8% over FY11-12.

Healthy asset quality; supported by receding incremental slippages and improving recoveries

LICHF has witnessed a material improvement in its asset quality led by steady recoveries (under the SARFAESI Act). Its Gross NPAs ratio improved significantly to 0.69% (1.07% in FY09) and Net NPA improved to 0.12% as compared to 0.21% in FY09. Its provision coverage remained steady at 82%. Improvement in asset quality is also attributable to receding slippages as the mortgage affordability improved in India.

Valuation appear rich, strong business growth appears factored in the prices, recommend reducing exposure at current market price and look for better entry levels on declines.

Following steady growth in mortgage loans, improving asset quality and stable NIM, our outlook for LICHF remains positive. LICHF's preeminent return ratios - ROA of 2.2% and RoE of 25.6% in FY11 have also fetched premium valuations for the stock.

We now recommend to REDUCE on LIC Housing Finance with a revised price target of Rs.1200

However, currently the stock is trading at historic highs and valuation appear rich with a P/Ex of 12.9x and P/ABVx of 3.1x its FY11 estimates and P/Ex of 11.4x and P/ABVx of 2.6x its FY12 estimates. We have revising our earnings estimates on the back of strong growth in advances and are accordingly revising our DDM (dividend discount model) based price target to Rs. 1200 (Rs. 1096 earlier).

Given the rich valuations and a (11%) returns from our target price, we recommend investors to Reduce (Accumulate earlier) exposure in the stock, and look for better entry levels on declines.

Bulk deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
23-Sep	Abl Biotech	Sundaraman Gowri Shankar	B	114,015	20.1
23-Sep	Abl Biotech	R Raghavan	S	115,000	20.1
23-Sep	Anjani Fabrics	Rohnil Boradia	B	60,000	37.3
23-Sep	Anjani Fabrics	Nitaben Shaileshbhai Patel	B	100,000	37.3
23-Sep	Anjani Fabrics	Moulik Kishorchand Bansal	S	100,000	37.3
23-Sep	Anjani Fabrics	Gulshan Kishorchand Bansal	S	100,000	37.3
23-Sep	Bhoruka Alum	Satshri Multitrade Pvt Ltd .	B	56,030	41.3
23-Sep	Cenlub Inds	Anitaben Arvindbhai Bumb	B	22,000	30.2
23-Sep	Chemfab Alk	Lotus Global Investments Limited	S	190,750	65.3
23-Sep	Cupid Trades	Patel Rupal Vipulkumar	B	13,500	59.9
23-Sep	Cupid Trades	Puja Malani	S	11,600	59.9
23-Sep	Henkel India	Sharad Shah	B	669,564	70.6
23-Sep	Hittco Tools	Bimal Jitendrarai Mehta	B	25,000	39.9
23-Sep	Hittco Tools	Asarafbhai Majidbhai Pancha	S	25,060	40.5
23-Sep	Inducto Steel	Shiv Kumar Tekriwal	S	20,450	38.4
23-Sep	Jaihind Syn	E Ally Consulting India Private Limited	B	50,400	55.8
23-Sep	Jaihind Syn	Manish Shashikant Turakhia	S	40,600	54.1
23-Sep	Kpit Cummins	Dsp Blackrock Equity Fund	B	931,000	163.9
23-Sep	Kpit Cummins	Black Rock India Equities Fund Mau	B	1,000,000	163.9
23-Sep	Kpit Cummins	Norges Bank- Government Pension Fund Global	B	950,000	163.9
23-Sep	Kpit Cummins	Lehman Brothers Asia Ltd A/C Gra Finance Corporation Ltd	S	468,409	165.1
23-Sep	Kpit Cummins	Lehman Brothers Asia Ltd a/C Lb India Holdings Mauritius Ii Ltd FDI A/C	S	3,094,414	163.8
23-Sep	Madhur Inds	Vinit Rameshchandra Parikh	S	50,000	24.2
23-Sep	Networth Stock	Albula Investment Fund Ltd	B	544,864	43.3
23-Sep	Networth Stock	Ipro Funds Limited	S	544,864	43.3
23-Sep	Ontrack Sys	Navrang Tradelinks Private Limited	B	40,000	41.1
23-Sep	Orchid Chem	Solrex Pharmaceuticals Company	S	1,040,477	196.5
23-Sep	Oregon Comm	Dhirenkumar Dharamdas Agarwal	B	32,395	164.5
23-Sep	Oregon Comm	Amitkumar Rameshchandra Rana	B	11,830	167.3
23-Sep	PM Strp	Ranisati Dealer Private Limited	B	40,000	37.4
23-Sep	PM Strp	Fact Enterprise Limited	B	20,000	37.4
23-Sep	PM Strp	Surana Gulab Chand Pukhraj	S	10,000	37.4
23-Sep	PM Strp	Ravi Pukhraj Surana	S	14,000	37.4
23-Sep	PM Strp	Dipin Surana	S	13,000	37.4
23-Sep	PM Strp	Priyanka Surana	S	11,000	37.4
23-Sep	PM Strp	Meena Surana	S	12,000	37.4
23-Sep	Raj Packaging	Arunaben Hareshkumar Shah	B	26,000	132.6
23-Sep	Raj Packaging	Arcadia Share & Stock Brokers Pvt. Ltd	B	30,540	132.2
23-Sep	Raj Packaging	Tejas Jayantilal Tanakhia	S	23,829	132.7
23-Sep	Raj Packaging	Kenisha Enterprises Private Limited	S	50,000	132.2
23-Sep	Raj Packaging	Nilesh Pramukhchandra Shah	S	28,800	132.7
23-Sep	Raj Packaging	Chimanlal Maneklal Securities Pvt Ltd	S	27,830	123.9
23-Sep	Ras Resorts	Vishamber Tekchand Shewakramani	B	100,000	38.8
23-Sep	Ras Resorts	Ras Stock & Financial Services Pvt Ltd	S	100,000	38.8
23-Sep	Sacheta Metals	Pumarth Infrastructure Pvt Ltd	B	53,000	65.8
23-Sep	Salzer Elect	Pandian Ilangovan	B	60,000	127.7
23-Sep	Salzer Elect	Saradha Investments Ltd	S	56,500	123.2

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
23-Sep	Seax Global	CDC Medinvest	B	125,500	27.9
23-Sep	Shakti Metdor	Mechno Sales Agencies (P) Ltd.	B	15,500	220.0
23-Sep	Shakti Metdor	Ranjit Kumar M	S	15,276	220.0
23-Sep	Shalibhadra Fin	Ramaswami Radhakrishnan	B	75,000	51.0
23-Sep	Shalibhadra Fin	Anitaben Arvindbhai Bumb	S	64,500	51.1
23-Sep	Singer India	Arora Farms Pvt Ltd	B	106,500	35.3
23-Sep	Singer India	Singer (India) B.V.	S	118,100	35.3
23-Sep	Southern Petro	Asset Reconstruction Co I Ltd	S	1,171,000	23.9
23-Sep	Sterling Hol Res	Sidharth Sankar	S	275,000	90.3
23-Sep	Suave Hotels	Wealdend Fashions Private Ltd	S	98,301	35.6
23-Sep	Tonira Pharma	Mita Dipak Shah	B	50,000	39.1
23-Sep	Tonira Pharma	King Realtors Private Ltd	B	50,000	39.6
23-Sep	Tribhuvan Hous	Ramlal Hiralal Tanwar	B	62,000	34.3
23-Sep	Tribhuvan Hous	Barry Mercantile Private Ltd	S	62,000	34.0
23-Sep	Tulsi Extr	Kamleshbhai Kanubhai Shah	B	250,000	71.0
23-Sep	Tulsi Extr	Indiafocuscarnalfund	S	550,000	71.0
23-Sep	Vertex Sec	B.K.Khullar & Co	B	49,986	258.1
23-Sep	Vertex Sec	Manmohan Damani	S	82,158	258.1
23-Sep	Vikas Wsp	Jitender Kumar	B	754,911	31.5
23-Sep	Visisth Merc	Kishore Ramchand Bhatia	B	30,000	207.6
23-Sep	Visisth Merc	Alpana Mundra	B	20,000	210.0
23-Sep	Visisth Merc	Chirag Shantilal Shah	S	15,100	207.4

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
Gainers				
ITC Ltd	177	1.0	3.2	6.4
ONGC	1,425	1.6	2.6	1.5
Hindustan Unilever	303	1.8	1.9	2.7
Losers				
Reliance Ind	998	(2.2)	(13.0)	5.3
ICICI Bank	1,100	(2.3)	(10.2)	2.1
Bharti Airtel	356	(2.0)	(3.0)	2.5

Source: Bloomberg

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