

26/11/2009

MF Global Morning Report

YAP

| Your Attention Please

FROM THE MF GLOBAL SALES DESK

Market are hovering around 5100 levels in the Nifty with F&O expiry appearing to be a non event. With two of the index heavy weights, Infosys and ITC trading at their all time high, we really wonder which are the other index stocks which can lead the rally hereon. On the global front , despite better than expected data coming out of US, the markets there does not seem to cheer the same. We reiterate our by on NDTV with a TP of Rs 198. While there are concerns on the core business, the recent stake sale in NDTV Lifestyle and buy back of FCCB's at a discount is a big positive and should be reflected in the current market cap.

UPDATE FROM MF GLOBAL LONDON COMMODITY DESK*

Metal prices fell modestly on Tuesday, finally decoupling from the weaker dollar and responding more appropriately to the macro numbers out of the US where the pace of recovery remains very much an open question.

TRADING RANGES FOR METALS

	CU	AL	PB	ZN	NI	SN
Support	6732	1970	2220	2150	16000	14500
Resistance	7000	2090	2480	2290	17500	15900

*MF Global Commodity Desk –US market closing

BSE 30 VALUATIONS

	Index Value	MCap (\$bn)	EPS (INR)			P/E (x)		
			FY09e	FY10e	FY11e	FY09e	FY10e	FY11e
BSE-30 Index	17199	560	842	902	1080	20.4	19.1	15.9
Ex Financials	--	465	851	927	1110	20.2	18.6	15.5
Ex Oil&Gas	--	332	1091	1219	1403	15.8	14.1	12.3

Note: Index valuation not adjusted for free float.

INDIAN ADR

	Price US\$	1D Chg %	Volume	Prem/Disc %
Infosys	52.6	1.64	941,972	-0.24
Dr Reddy	23.9	-0.46	194,709	0.52
MTNL	3.2	1.26	150,020	-0.92
Wipro	21.1	2.18	664,710	50.71
HDFC Bank	138.3	2.95	220,365	18.22
ICICI Bank	38.4	1.56	2,860,722	-1.53
Satyam	4.7	-7.92	9,576,362	18.40
VSNL	16.2	0.06	64,155	1.39
Sterlite	18.5	1.76	601,625	-0.07

CORPORATE / INDUSTRY NEWS

- Infotech Enterprises to acquire two US firms
- ITC open to idea of demerging critical biz verticals
- RBI says time not ripe for PSB consolidation
- Infosys BPO likely to get new CEO by Jan 15

Source: SEBI, Bloomberg, MF Global India Research Estimates

SGX NIFTY FUT -20.5PTS AT 5091 @ 8.43AM**PERFORMANCE TREND**

	Latest	1d %	1m %	Ytd %
Indices				
BSE 30	17,199	0.40	2.7	78.3
Nifty	5,108	0.35	2.8	72.6
CNX Midcap	7,232	0.01	3.5	93.6
Nasdaq	2,176	0.32	1.6	38.0
Nikkei	9,445	0.04	-8.9	6.6
DJIA	10,464	0.29	6.0	19.2

Commodities

Crude (\$/barrel)	77	-0.6	-1.5	73.7
Gold (\$/troy oz)	1,193	0.5	14.5	35.0
Copper (cents/lb)	319	0.6	6.2	128.3
Aluminium (\$/Ton)	2,014	1.2	4.0	33.6
Zinc (US\$/metric ton)	2,277	3.2	1.3	92.9
Rubber (JPY/kg)	1,054	-0.4	6.1	106.7

Currencies

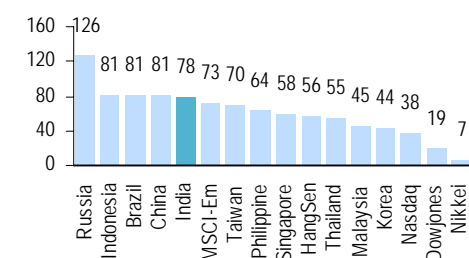
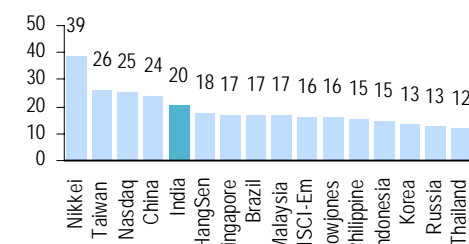
Rs/US\$	46.2	0.4	0.9	5.6
US\$/EUR	1.5	0.2	-1.5	-7.5
US\$/JPY	87.3	0.0	5.6	5.6

Bond

10 year	7.2	-0.3	-4.0	43.6
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NET INSTITUTIONAL INVESTMENTS (US\$ MN)

	Latest	1d	Mtd	Cytd
FII's	65	-14	1,103	15,337
MFs	-60	47	-82	-818

YTD RETURNS: GLOBAL MARKETS**ESTIMATED P/E, X: GLOBAL MARKETS**

NTPC (NATP IN) MOP RECOMMENDS TERMINATION OF EQUIPMENT SUPPLY ORDER FOR BARH-I GIVEN TO TECHNOPROMEXPORT (TPE)

DEEPALI GAUTAM, DHAWAL DOSHI

As per media reports, the Ministry of Power has recommended to terminate the Barh-I equipment supply contract given to the Russian company TPE (in March 2005). This comes as a result of CBI claims that TPE used fraudulent means (kickbacks of Rs100 crs to NTPC officials) to acquire the contract. Besides this, NTPC has also been facing delay in execution of the contract, as TPE was demanding removal of ceiling on price variation. Media reports also indicate, that it would take another year's time for the company to re-allocate the order.

Earlier, we have assumed the first unit of Barh I to get commissioned in FY13, keeping in mind the uncertainty faced by the project due to above stated reasons. We believe that this event would further delay the commissioning date. We assume the project to commission operations from FY14 onwards.

However, this would not bear any material impact on our estimates, and therefore we maintain our price target of Rs200 (-7.5% from CMP), with a neutral rating.

DISHMAN PHARMA (DISH IN) MANAGEMENT MEET

ALOK DALAL

We recently met the management of Dishman Pharma. Following are the key highlights from the meeting:

- » Revival in demand for Eposartan Mesylate has started in Q3 FY10. Management has given sales guidance of Rs 1.25bn for FY10 and Rs 1.75bn for FY11 from Solvay. The FY11 guidance includes supplies of fenofibrate API to Solvay.
- » Carbogen Amcis is witnessing weak demand for pre-clinical/ Phase I products. As a result, the company is likely to report a 10% decline in sales (CHF) for FY10. Management has guided for a flat growth in FY11 as well, partly due to shifting of some contracts to India (Hi-Po facility getting commissioned)
- » Validation batches are ongoing for 3-4 products to be supplied to Astra Zeneca. Sales are likely to start in early FY11
- » Management in active discussion with big pharma companies like J&J, GSK to emerge as a partner of choice from India
- » Chinese facility is likely to start commercial production in FY11 which will help improve margins
- » Marketable Molecules (MM) sales are likely to remain flat in FY11 on the back of weak demand
- » The stock is trading at 14.2x FY10 and 11.3x FY11 earnings
- » We maintain our Neutral rating on the stock with a price target of Rs 254

BALRAMPUR CHINI (BRCM IN) Q4FY09 RESULTS

KAPIL BAGARIA

The highlights of the Balrampur Chini Mills Limited (BRCM IN) results for Q4FY09 are as follows:

- » Top Line stood at Rs 3800 mn as against Rs 4167 mn in the corresponding period last year, registering a de-growth of 8.8% Y-o-Y. The decrease in the top line was largely due to lower revenues in the Distillery and Co-generation segment of the company due to lower cane crushed during the quarter as compared to the corresponding period. During the quarter, the despatches were close to of 136,000 MTs as compared to 207,000 MTs in the corresponding quarter. The sugar realisations for the quarter increased by close to 51% to Rs 25700 per tonne.
- » The Reported PAT for the quarter stood at Rs 427 mn as against Rs 146 mn in the corresponding quarter, up 193%. The EPS for the quarter stands at Rs 1.7.
- » The Sugar business, distillery business and Cogeneration business registered a PBIT of Rs 587 mn, Rs 78 mn and Rs (80) mn respectively for the quarter.
- » The sugar inventory at the end of the quarter stands at close to 92,900 MTs valued at Rs 20430 per tonne.

The highlights of the Results for FY09 are as follows (Standalone):

- » Top Line stood at Rs 17046 mn as against Rs 14686 mn in the corresponding period last year, registering a growth of 16.1% Y-o-Y. During the period, the despatches were close to of 664,000 MTs (de-growth of 10.5% YoY) and the sugar realisation stood at close to Rs 21,450 per MT (YoY increase of 43%).
- » The PAT stood at Rs 2265 mn as against Rs 970 mn in the previous year. The EPS stands at Rs 8.8.
- » The Sugar business, distillery business and Cogeneration business registered a PBIT of Rs 2495 mn, Rs 499 mn and Rs 803 mn respectively for the year.
- » The board has recommended a dividend of Rs 3 per share for FY09.
- » As on 30 September 2009, its long-term debt stood at Rs 9720 mn.
- » At CMP of Rs 135, the stock trades at 15.3x its FY09 EPS of Rs 8.8. We currently have a BUY on the stock; will come out with an update after the concall.

BAJAJ HINDUSTHAN (BJH IN) TO EXPAND POWER GENERATING CAPACITY BY 400 MW

KAPIL BAGARIA

The Board of Directors of Bajaj Hindusthan Ltd (BJH IN) have approved expansion of power generation capacity by 400 MW by way of setting up of new coal based power plants of 80 MW each at five locations on the land adjacent to the existing sugar factories. These new projects are expected to be completed within a period of around 20 months at an aggregate project cost of around Rs 16 bn. The funding of this expansion is planned through internal accruals and debt of close to Rs 11 bn. With this capacity addition the total power generating capacity of the company will increase to 830 MW from 430 MW currently.

The Board (on November 13, 2009) had also approved convening an EGM to seek shareholder approval to raise Rs 20 bn through equity route. The EGM will be held on December 16, 2009.

We believe that this move is quite a positive for the company in the long run as this generation capacities come on stream in next 2 years. We currently have a Neutral rating on the stock.

WELSPUN GUJARAT (WGS IN) RAISES \$100 MN THROUGH QIP

KAPIL BAGARIA

Welspun Gujarat (WGS IN) has completed the capital raising program of \$250 mn. The company raised close to \$150 mn in October 2009 through a Foreign Currency Convertible Bonds (FCCB) issue and recently it has raised \$100 mn in the form of Qualified Institutional Placements (QIP) of equity shares. The conversion price for the FCCB is fixed at Rs 300 whereas the QIP is said to be priced at close to Rs 280 per share.

The funds will be utilised for:

1. Capital Expenditure of close to Rs 3.2 bn (HSAW – 100000 MTs and LSAW – 300000 MTs)
2. Retiring some of the high cost debt of the company (Gross debt of the company stood at close to Rs 25 bn as on 30 September 2009)
3. Funding inorganic opportunities which the company is evaluating.

The FCCB and QIP would entail an equity dilution of close to 12% and 9% respectively for the company (total dilution of close to 21% post conversion of the FCCB). We are positive on the prospects of the company and currently have a BUY rating on the stock with a target price of Rs 336.

UP SUGAR ASSOCIATION REACHES A PACT WITH CANE FARMERS TO PAY RS 25 OVER SAP I.E.RS 190-195 PER QUINTAL

KAPIL BAGARIA

Our assumption - Rs 210 per quintal.

Impact - Our EPS estimate for UP based sugar companies to go up by 8-10%. More importantly the farmer protest may come to an end and crushing activities will normalise. secondly there were news that the UP farmers were asking for Rs 280 per quintal for cane so that risk may have settled now. We expect UP based sugar companies to have some positive price impact. We have a BUY on BRCM IN and TRE IN, while we are Neutral on BJH IN. We will keep you updated on the issue.

CASH EQUITIES AND DERIVATIVES FLOWS AND VOLUMES

	90d mov median	11-Nov-09	12-Nov-09	13-Nov-09	16-Nov-09	17-Nov-09	18-Nov-09	19-Nov-09	20-Nov-09	23-Nov-09	24-Nov-09
Net Inflows (US\$ mn)											
FII Csh equities	96.1	208.9	32.6	144.5	147.4	128.4	112.9	-72.0	-27.0	-14.1	65.0
MF Cash equities	-2.9	32.3	-54.7	21.2	-10.7	-66.6	-65.1	-37.9	-45.7	47.1	-60.0
FII Futures a& Option	0.3	15.2	-86.6	38.8	-16.0	-27.3	68.8	-36.7	-47.9	8.1	-9.8
Total (cash+F&O)	93.5	256.4	-108.8	204.5	120.8	34.6	116.6	-146.6	-120.6	41.2	-4.8
Cash Equities Volumes (US\$ mn)											
FII Cash equities	1,116	1,123	1,047	834	939	899	1,006	965	1,011	853	944
MF Cash Equities	343	346	396	247	229	265	318	256	295	243	318
Others Cash Equities*	3,406	3,697	4,027	3,269	2,757	3,114	3,266	3,325	3,358	2,771	3,076
Total Cash equities	4,866	5,166	5,469	4,350	3,924	4,278	4,590	4,547	4,664	3,867	4,338
FII vol as % of total vol	22.9	21.7	19.1	19.2	23.9	21.0	21.9	21.2	21.7	22.1	21.8
MF vol as % of total vol	7.1	6.7	7.2	5.7	5.8	6.2	6.9	5.6	6.3	6.3	7.3
Others vol as % of total vol*	70.0	71.6	73.6	75.1	70.3	72.8	71.1	73.1	72.0	71.7	70.9
Cash equities % of India Mcap	0.44	0.41	0.44	0.35	0.31	0.34	0.36	0.37	0.38	0.31	0.34
Derivatives Volumes (USDm)											
Total F&O	15,183	18,771	17,597	15,572	12,654	15,388	2,794	16,950	21,042	17,351	19,615
F&O % of India Mcap	1.36	1.51	1.43	1.25	1.01	1.22	0.22	1.37	1.69	1.38	1.56
F&O vol times cash equity vol	3.1	3.6	3.2	3.6	3.2	3.6	0.6	3.7	4.5	4.5	4.5
FII Open Interest	13,266	15,712	15,647	15,993	16,401	16,500	16,948	16,645	17,112	17,650	18,125
Total Open Interest	19,356	22,764	22,708	23,411	24,054	24,160	24,758	24,195	24,914	25,382	25,907
Total OI % of India Mcap	1.74	1.83	1.85	1.89	1.91	1.92	1.97	1.96	2.01	2.02	2.06

*Others include Retail segment and institutions other than FIIs and Domestic MFs

Source: SEBI, BSE, NSE and MF Global India Research

Rating Rationale

BUY and SELL recommendations are used to draw attention to stocks, which we believe are under-priced or over-priced by circa 15%, that is, price differential of +/- 15% between our price target and the market price. Stocks which do not achieve this price differential are NEUTRAL. Price targets are established in the context of a flat market.

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