

Utilities - "Spot prices set to correct"

Slowdown in GDP indicates lower consumption

India's gross domestic product (GDP), the leading indicator of any country's growth and overall consumption, reported a drastic contraction of 358bps yoy to 5.3% during Q3 FY09. This is the slowest growth reported by the country since Q1 FY03. The slowdown was primarily due to muted activities in manufacturing and construction segments. Both these segments reported lower growth by ~600bps each. We expect India's GDP to grow by 4-5% during FY10, thus translating into lower requirement of power.

IIP contracts again in January '09

India's industrial production index registered de-growth of 0.5% yoy in January '09, following a 0.6% yoy de-growth in December '08 which was revised from 2% yoy decline. Manufacturing output declined again by 0.8% with 12 out of 17 industries contracting. For the ten months period this year, seven out of 17 industries contracted. Continued dismal performance from the manufacturing sector reflects low demand. Although we might see spurts in growth in the near future, we expect the overall growth to remain negative.

Peak deficit to reduce with more capacity and lower consumption

India plans to add ~78GW during the XIth plan to reduce its high peak deficit. Equipments for ~68GW have already been ordered and this capacity is currently under construction, therefore we can expect atleast majority of it to commission on time. We expect power demand to touch ~774BU in FY09 and grow further to 814BU in FY10. Slower growth of the economy will lead to lower consumption of power. As fresh capacity gets added and gas availability improves - gas will be available from KG-D6 and NELP blocks, the country's overall generation is expected to rise. Non-availability of gas has handicapped India's generation by ~30BU, resulting into low PLF of 55% for gas stations. As a result, the overall peak deficit is expected to reduce by ~2-3% thus pressurizing spot prices.

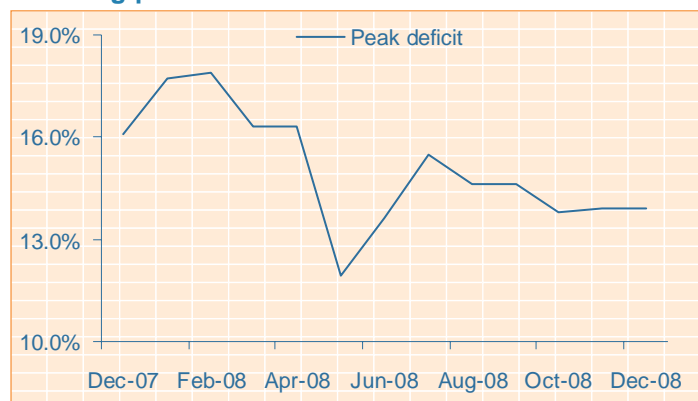
Spot electricity prices expected to correct

Industries and commercial establishments together accounted for 43% of electricity consumption in FY08. With slowing activities in both these areas, which is visible from lower production activities, planned shutdowns and reduced working days per week, we expect demand for power to soften. India's peak deficit has fallen by 310bps to 13.9% in January '09 from ~17% in FY08. This will reduce further as more capacity will be added during the XIth plan and demand continues to remain subdued. Apart from demand-supply gap, high fuel prices also led to firm power prices. However, now with coal prices falling by ~50%, coupled with reducing peak deficit, we expect spot electricity prices to correct.

Merchant power players to be worst hit

Price of traded electricity has remained high in the recent past, touching ~Rs13/unit. However with slowing activities of industries we believe power consumption will decline in future. This coupled with CERC's proposal to cap prices could translate into lower realizations for the merchant players. Currently there are very few capacities operating as merchant. Most of the players are in the process of adding fresh merchant capacity which is expected to commission over the next decade. The largest of them being Reliance Power with ~20GW, followed by Sterlite Energy. However due to the slowdown in the economy, a number of players are either reconsidering their entry into power generation or are slowing down their activities. Jindal Steel and Power Ltd. (recommended MP; Target Price: Rs989) is one of the few with an operational merchant capacity. Out of its 1GW capacity 750MW will be sold as merchant and it plans to set up another 1.3GW over the next couple of years. Its capacity has come up at a time when prices are high. We believe its average realizations will decline as traded electricity prices fall and hence have factored declining realizations for its merchant sales. Although most of the merchant players usually enter into short term contracts for ~30% of their capacity, we believe the operational risk continues to remain high for them.

Declining peak deficit



Source: CEA, India Infoline Research

Planned merchant capacities

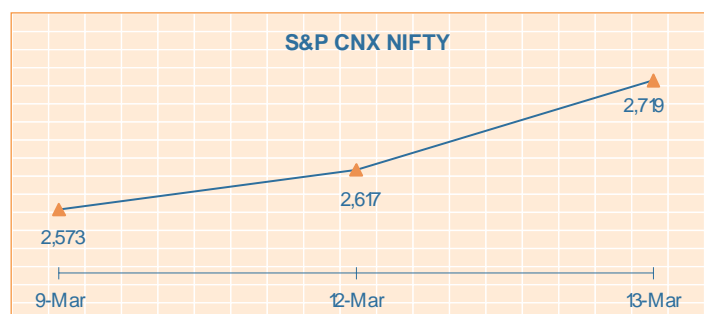
Key players	MW
Reliance Power	20,120
Tata Power	2,010
Lanco Infratech	2,192
Adani Enterprises	640
KSK Energy Ventures	790
CESC	3,300
Sterlite Energy	10,800
JSPL	1,000
Total	40,852

Source: Companies, India Infoline Research

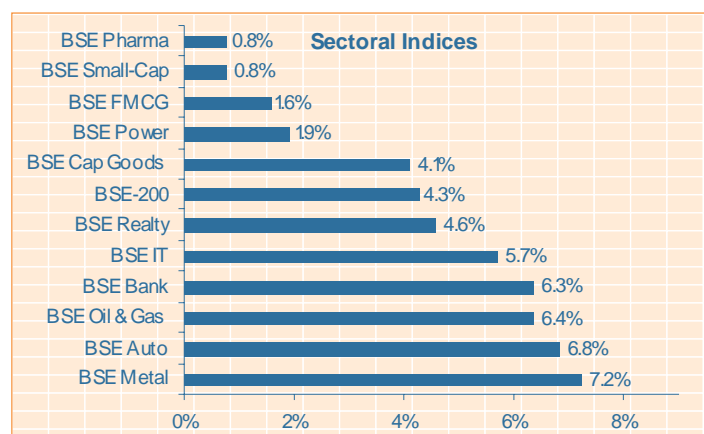
India Infoline Weekly Wrap

Market review

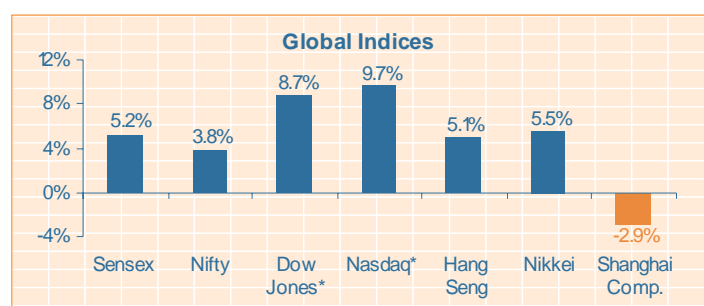
Key Indian stock indices advanced in a truncated trading week, tracking strong gains across the globe. The lowest rate of inflation in six and a half years (2.34%) also aided the recovery on Dalal Street. Finally, the BSE 30-share Sensex surged 5.2% to close at 8,757. The NSE Nifty climbed 3.8% to shut shop at 2,719, shrugging off negative IIP data for January at -0.5% and continuous selling by the FIIs.



Metal stocks surged, led by gains in Tata Steel following statements by Chinese premier Wen Jiabao that the government will allocate money for stimulating demand. Also, firm steel prices on LME lifted the steel stocks back home. Auto stocks like Hero Honda, Maruti and Tata Motors clocked impressive gains amid hope that the worst for the sector is over. Banking and IT stocks were among the other prominent gainers.



Financial and banking stocks led the reversal across major equity indices. Citigroup, JP Morgan and Bank of America CEOs said the banks were profitable in the first two months of the year. Bank of America CEO also said that the bank will not need further federal government capital. In Asia, both the Nikkei and the Hang Seng indices surged by over 5%. The Chinese market fell due to poor economic reports.



*As per previous close

FII & MF activity

(Rs cr)

Date	FII Net Investment	MF Net Investment
5-Mar	(609)	(219)
6-Mar	(2)	129
9-Mar	12	(97)
Total 2009	(9,118)	(2,902)

BSE Sensex & BSE 200 Top Five Gainers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Tata Motors	162	16.6	United Phos	86	13.9
ICICI Bank	309	14.7	Sterlite	284	13.3
HDFC	1,378	12.9	GSPL	36	12.3
RIL	1,284	9.8	Axis Bank	330	11.8
Hindalco	42	7.1	Spice Jet	14	11.2

BSE Sensex & BSE 200 Top Five Losers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Bharti Airtel	559	(7.2)	Jubilant Org	89	(7.2)
NTPC	170	(3.8)	IOC	403	(6.8)
Ranbaxy	139	(2.0)	Zee Ent	93	(6.5)
-	-	-	MLL	22	(5.5)
-	-	-	IDFC	46	(5.5)

Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
9-Mar	LIC	IOB	B	150.0	37
9-Mar	Relta India	Credit Suisse	S	20.8	44
12-Mar	HSBC Bank	IOL Netcom	S	3.4	39

Book closures and record dates

Company	Date	Purpose
Landmark Leisure	27-Mar-09	AGM

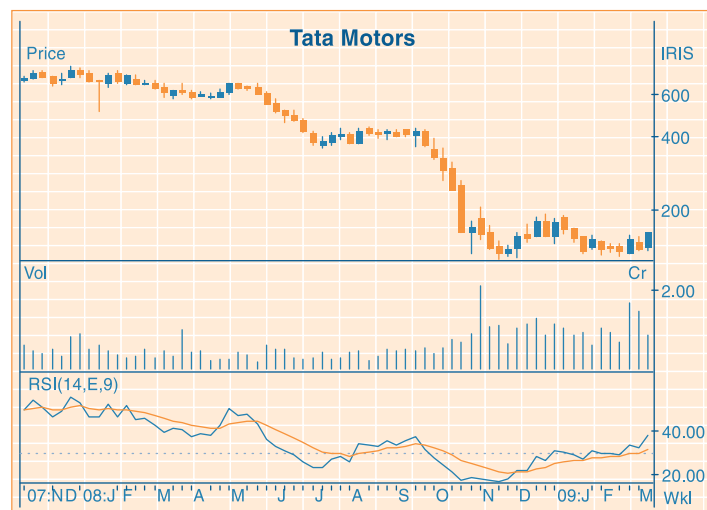
Insider trades

Company	Name	B/S	Qty ('000)
Relta	Atul Dev	B	51.5
V-Guard Ind	Kochouseph Chittilappilly	B	5.9
Dolphin Off	Manjit Kirpal	B	2.1
JP Hydro	Manoj Gaur	B	1.0
ISMT Ltd	A K Jain	B	26.2

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Technical ideas

Tata Motors BUY CMP Rs162

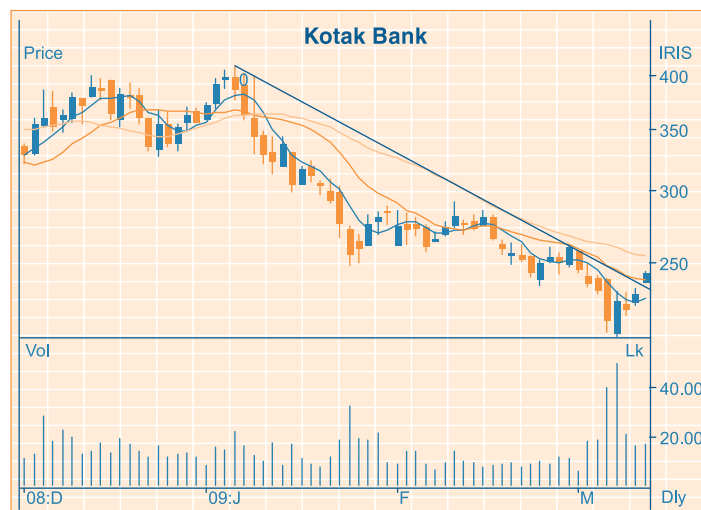


Tata Motors recovery from its 52-week low of Rs122 is still in progress and further upside cannot be ruled out from this point. For the past few weeks, it consolidated sideways in a range between Rs154-Rs129 levels. On Friday, the stock broke out from this trading range with huge volumes. As seen in the chart above, the stock has taken strong support near to its 52-week low.

Daily chart suggests formation of higher bottom. Friday's rally has also led to formation of a bullish Engulfing candlestick pattern on the weekly chart. Downside momentum has clearly diminished with momentum oscillators like daily MACD daily and weekly RSI exhibiting bullish divergence.

Keeping in mind the above mentioned evidences, we recommend traders to buy the stock at current levels and on declines up to the levels of Rs155 with a stop loss of Rs148 for target of Rs185 and 190.

Kotak Bank BUY CMP Rs244



The stock has seen a sharp correction from the recent peak of Rs405 to a low of Rs208, which is incidentally the 52-week low of the stock. A stronger rebound from the support levels is likely to see the stock attempting the levels of Rs275 and above.

As seen in the chart, the price decline from January 2009 till date has taken strong resistance at the falling trendline. On Friday, the stock has given a close well above the critical resistance levels (falling trendline).

The recent upmove (from a low of Rs219) in the current week has been on back of increasing volumes, indicating accumulation at lower levels. The daily momentum oscillators i.e. RSI and MACD are suggesting strength in the current upmove. The stock is currently trading above the cluster of daily averages. A move above the 26-week average currently placed at Rs252 levels will infuse momentum in the stock and see the share price heading towards Rs275 and Rs283 in the coming weeks. We recommend traders to buy the stock between Rs236-245 with stop loss of Rs218 on all the long positions.

Positive open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
Everonn	6.8	63.0	1.4
Dish Tv	9.5	62.2	29.7
Canara Bank	1.7	26.5	12.9
Bank of Baroda	7.9	24.2	21.7
ABG shipyard	3.0	22.0	4.3

Negative open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
ICSA	(1.4)	21.1	2.0
Glaxo Smith	(3.0)	15.4	0.0
ABB	(1.5)	14.4	9.1
Tech M	(2.3)	10.7	0.7
HPCL	(4.8)	6.8	12.0

Technically strong

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
GAIL	210	202	35.8	16.1
Tata Comm	452	406	4.0	1.4
Auro Pharma	159	155	3.5	2.7
Petronet Lng	34	33	11.4	9.2
Apollo Hosp	377	376	0.3	0.2

Technically weak

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Videocon Inds	85	85	0.0	2.1
India Cem	97	99	0.1	6.8
HUL	228	238	1.3	54.5
NTPC	175	179	3.4	61.3
Bank of India	193	207	1.7	24.6

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Mutual fund round-up

India Infoline picks

Mutual Funds	Assets	NAV	Absolute return (%) as on March 12, 2009							
	(Rs Cr)	(Rs)	1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
DSP-BR Top 100 Equity - RP (G)	982	47.6	(0.3)	(7.8)	(5.7)	(26.5)	(32.1)	(12.9)	3.0	116.7
ICICI Prudential Dynamic Fund (G)	1,014	44.6	(0.3)	(10.4)	(9.9)	(34.0)	(36.9)	(28.4)	(11.7)	138.2
Kotak 30 (G)	611	49.9	(0.3)	(10.5)	(11.7)	(33.6)	(41.1)	(22.2)	(11.8)	102.9
Reliance Vision Fund (G)	2,281	119.2	1.0	(10.9)	(12.5)	(32.7)	(42.6)	(29.2)	(19.8)	90.2
Sundaram BNP Tax Saver (G)	515	20.7	(0.4)	(12.3)	(13.7)	(31.2)	(37.9)	(19.7)	(13.9)	157.6

Fund this week: Reliance Vision Fund - Growth

Fund snapshot		Asset allocation (%)	
Fund Manager	Ashwani Kumar	Equity	63.7
Latest NAV	Rs119.2	Debt	0.0
NAV 52 high/low	Rs225/116	Cash/call	36.3
Latest AUM	Rs2,281cr	Top 5 holdings (%)	
Type	Open-ended	Reliance Industries Ltd	5.6
Class	Equity - Diversified	Divis Laboratories Ltd	5.5
Options	Growth, dividend & bonus	State Bank of India Ltd	4.8
Min investment	Rs5,000	Hindustan Unilever Ltd	4.4
Entry load	2.25%<Rs5cr	Maruti Suzuki India Ltd	4.4
Exit load	1%<Rs5cr<1yr	Top 3 sectors (%)	
Benchmark	BSE-100	Pharmaceuticals	8.5
No. of stocks	19	Banks	7.8
Expense ratio	1.9%	Computers - Software & Education	7.4

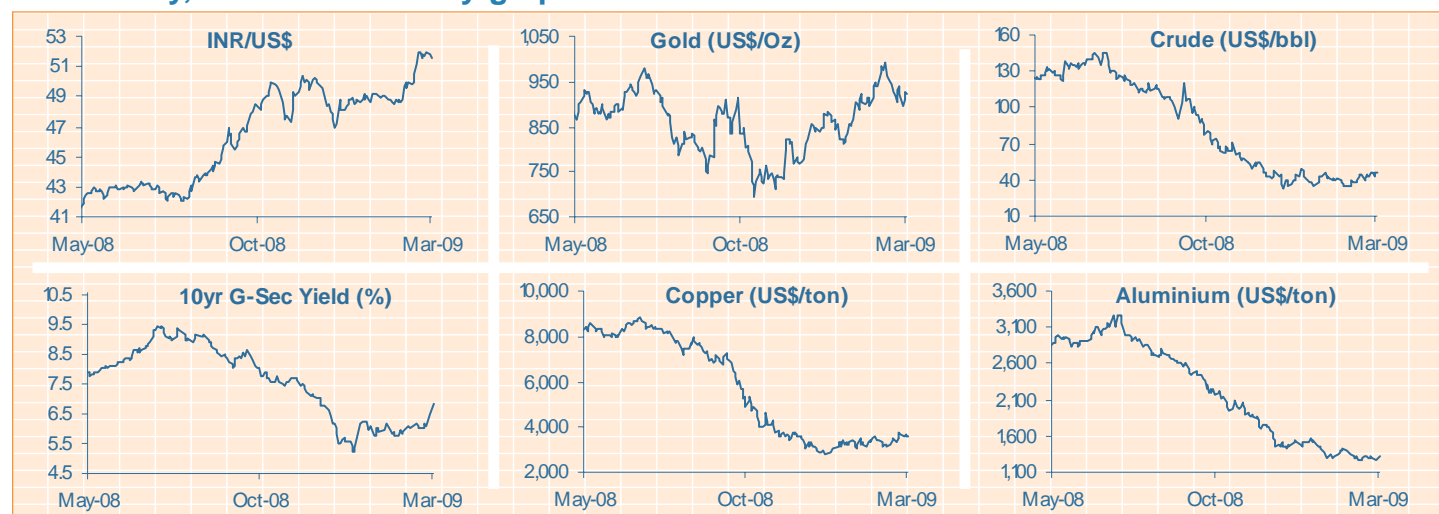
NFO update

Fund Name	Close	Type	Class
Tata Infra Tax Saving Fund	16-Mar	OE	Equity - ELSS
DBS Chola Tax Advantage Fund	19-Mar	CE	Equity - ELSS
Taurus Ethical Fund	20-Mar	OE	Equity - Div

Dividend update

Mutual Fund	Dividend %	Record date	Class
Religare Q Interval Plan D	100.0	15-Mar	Debt - Invnt
UTI Short Term Sr I ñ VIII	100.0	16-Mar	Debt - FMP
Templeton Q Interval Plan B	100.0	18-Mar	Debt - Invnt

Commodity, debt and currency graphs



* As per previous close

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