

## Dealer's Diary

The key benchmark indices opened on a positive note, tracking strong global cues led by sustained buying from foreign investors. The market soon reversed its opening gains and traded in the negative territory on concerns of rising crude prices. However, the indices gathered some steam and traded near the baseline in early afternoon trade. However, the recovery proved short-lived and the market pared all its gains despite a positive start to European markets. The market continued to slide further down to hit fresh intraday low near the closing session. Finally, the market closed near one-week lows with the Sensex and Nifty closing down by 0.7% each. The mid-cap and small-cap indices underperformed the broader markets, losing 1.3% and 1.4%, respectively. Among the front liners, Bharti Airtel, ITC, L&T, BHEL and Hindustan Unilever gained 0–2%, while JP Associates, DLF, Hindalco, Tata Motors and Reliance Infra lost 2–4%. Among mid caps, Sunteck Realty, S Kumars Nationwide, P&G, Prestige Estates and CMC gained 5–20%, while Jai Corp., OnMobile Global, India Infoline, KGN Industries and Jagran Prakashan lost 4–6%.

## Markets Today

The trend deciding level for the day is 19512/5864 levels. If NIFTY trades above this level during the first half-an-hour of trade then we may witness a further rally up to 19636 – 19821/5905 – 5969 levels. However, if NIFTY trades below 19512/5864 levels for the first half-an-hour of trade then it may correct up to 19328 – 19204/5800 – 5759 levels.

Indices	S2	S1	R1	R2
SENSEX	19,204	19,328	19,636	19,821
NIFTY	5,759	5,800	5,905	5,969

## News Analysis

- Tata Steel sales volume up 4% in FY2011
- Sesa Goa's iron ore sales volume marginally higher in 4QFY2011
- USFDA's initial response to the Lipitor case – A positive for Ranbaxy

Refer detailed news analysis on the following page

### Net Inflows (April 7, 2011)

₹ cr	Purch	Sales	Net	MTD	YTD
FII	2,688	2,305	383	6,750	4,249
MFs	339	389	(50)	(733)	1,320

### FII Derivatives (April 8, 2011)

₹ cr	Purch	Sales	Net	Open Interest
Index Futures	1,340	2,128	(788)	16,799
Stock Futures	1,112	1,673	(561)	31,038

### Gainers / Losers

Gainers			Losers		
Company	Price (₹)	chg (%)	Company	Price (₹)	chg (%)
Essar Oil	140	5.2	Jai Corp	188	(5.6)
Mangalore Ref	72	3.8	Indian Bank	232	(5.5)
Areva T&D	279	3.5	India Infoline	79	(5.2)
Suzlon Energy	55	3.4	PTC India	90	(4.6)
Hindustan Zinc	143	3.0	Bajaj Holdings	781	(4.5)

Domestic Indices	Chg (%)	(Pts)	(Close)
BSE Sensex	-0.7%	(139.7)	19,451
Nifty	-0.7%	(43.7)	5,842
MID CAP	-1.3%	(90.8)	7,174
SMALL CAP	-1.4%	(124.6)	8,773
BSE HC	-0.3%	(19.4)	6,123
BSE PSU	-1.4%	(125.7)	9,052
BANKEX	-0.6%	(86.2)	13,299
AUTO	-1.9%	(179.5)	9,397
METAL	-1.3%	(208.0)	16,460
OIL & GAS	-1.3%	(135.9)	10,088
BSE IT	-0.7%	(46.8)	6,558
Global Indices	Chg (%)	(Pts)	(Close)
Dow Jones	-0.2%	(29.4)	12,380
NASDAQ	-0.6%	(15.7)	2,780
FTSE	0.8%	48.4	6,056
Nikkei	1.9%	177.2	9,768
Hang Seng	0.5%	114.3	24,396
Straits Times	0.5%	15.7	3,187
Shanghai Com	0.7%	22.1	3,030

Indian ADRs	Chg (%)	(Pts)	(Close)
Infosys	-1.7%	(1.2)	\$72.1
Wipro	-0.3%	(0.0)	\$15.1
ICICI Bank	-0.5%	(0.3)	\$49.3
HDFC Bank	0.4%	0.7	\$172.2

Advances / Declines	BSE	NSE
Advances	1,002	353
Declines	1,947	1,108
Unchanged	89	41

Volumes (₹ cr)	
BSE	3,442
NSE	12,654

## Tata Steel sales volume up 4% in FY2011

For FY2011, Tata Steel's hot metal production increased by 3.8% to 7.5mn tonnes (7.2mn tonnes in FY2010), while crude steel production came in at 6.9mn tonnes (6.6mn tonnes in FY2010). In addition, saleable steel production increased by 3.9% to 6.7mn tonnes during FY2011. Thus, sales volume for FY2011 grew by 4% to 6.4mn tonnes. For 4QFY2011, the company's sales volume was flat at 1.7mn tonnes (up by 4.3% qoq).

We remain bullish on Tata Steel for its buoyant business outlook, driven by a) higher sales volume in FY2013E on completion of its 2.9mn tonne brownfield expansion project in Jamshedpur, b) backward integration initiatives for Tata Steel Europe (TSE) via raw-material projects at Mozambique and Canada and c) cost-reduction initiatives at TSE. **We maintain our Buy recommendation on Tata Steel with a target price of ₹802.**

## Sesa Goa's iron ore sales volume marginally higher in 4QFY2011

For 4QFY2011, due to the export ban in Karnataka since the end of July 2010 and termination of third-party mining in Orissa in November 2010, iron ore production on a dry metric tonnes (DMT) basis declined by 21% yoy to 5.49mn tonnes (6.24mn tonnes on wet metric tonne – WMT basis). However, iron ore sales volume came in marginally higher at 6.65mn tonnes on DMT basis (7.53mn tonnes on WMT basis), compared to 6.55mn tonnes (7.37mn tonnes on WMT basis) in 4QFY2010.

For FY2011, iron ore production was marginally lower at 18.8mn tonnes (21.08mn tonnes on WMT basis), while sales volume was flat at 18.14mn tonnes (20.37mn tonnes on WMT basis), as against 18.39mn tonnes (20.52mn tonnes on WMT basis) sold in FY2010.

Recently, the Supreme Court has issued an interim ruling that the Karnataka export ban is to be lifted from April 20, 2011. However, the final hearing of the case is expected in the first week of May 2011. **We maintain our Buy rating on the stock with a target price of ₹382, valuing the stock at 3.0x FY2013E EV/EBITDA.**

## USFDA's initial response to the *Lipitor* case – A positive for Ranbaxy

In a recent update on Ranbaxy's *Lipitor* case, the FDA responded to Mylan's suit asking the court to deny Mylan's request for a preliminary injunction and stating that no immediate decision will be made on Ranbaxy's ANDA for *Lipitor*. It said that no drug manufacturer can state USFDA's priorities and that the administration has not made any unreasonable delay in taking the decision. It further emphasised that there is no generic company that has received any approval so far, and there is no certainty of approval until the technical or scientific issues are resolved.

The FDA and Ranbaxy are engaged in discussions to resolve the issues and the clarity on the positioning of the ANDA is unlikely to come soon. We retain our numbers for Ranbaxy as the news is positive for the company and clarity on the ongoing litigation is still awaited.

The stock is currently trading at 16x and 10.4x its CY2011E and CY2012E earnings. Even in the worst case, the stock would have an upside of 12% (excluding the *Lipitor* opportunity) and, hence, the risk- reward is favourable. **Thus, we maintain our stand on the company and recommend Buy on the stock with a target price of ₹588.**

## Economic and Political News

- Indian automobile industry registers 27.8% yoy growth in sales in FY2011
- RBI extends special liquidity measures till May 6
- Auto sector expected to grow by 12–15% in FY2012: SIAM
- Government has asked RIL to meet gas demands of fertilizer and power companies first
- Government to soon unveil a national manufacturing policy: Anand Sharma

## Corporate News

- JLR to invest GBP7.5bn over the next five years mainly on product development
- Mahindra and Mahindra raises prices of its vehicles by 1.5–2%
- Tata Power plans to raise US\$500mn through perpetual bond issue
- Gayatri Projects plans to raise US\$250mn via private equity route by August 2011
- Suzlon raises total bond issue size to US\$175mn
- ONGC Videsh's oil and oil-equivalent gas output rose 6.3% yoy in FY2011

Source: *Economic Times, Business Standard, Business Line, Financial Express, Mint*

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<b>Ratings (Returns) :</b>	Buy (> 15%) Reduce (-5% to -15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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