Global concerns dampen the mood on the bourses

The Indian stock markets lost quite a bit during the current week of trade, amidst sessions marked by high volatility, with both the benchmark indices, the BSE Sensex and the NSE Nifty, ending lower by 3.2% each. The BSE Mid- and Small-cap indices were also battered, with both the indices ending in the red, losing 3.7% and 4.5%, respectively. During the week, among the major policy moves, the government more than doubled the price of natural gas produced from nomination blocks. On the sectoral front, most of the major sectoral indices ended deep in the red, with the BSE Realty index losing the maximum of 8.8%, followed by the Metal index, down 6.5%.

BSE Metal Index - Stumbles on global cues

The BSE Metal Index lost 6.5% over the previous week, underperforming the Sensex by 3.3%, on the back of longer term worries about the outlook for the Euro zone and China. Moreover, there were media reports that the Indian government is also proposing a windfall tax on non-fuel minerals. SAIL and Jindal Steel outperformed the BSE Metal Index by 4.0% each, but JSW Steel and Tata Steel underperformed the benchmark metal index by 2.8% and 0.6%, respectively. On the iron ore front, NMDC outperformed the Metal Index by 0.5%, on reports that the company is seeking a 90% hike in its export contract prices, but Sesa Goa underperformed by 2.6% due to a fall in the prices of iron ore fines. Among the Non-Ferrous pack, Nalco outperformed the Metal index by 5.7%, while Hindustan Zinc, Sterlite and Hindalco underperformed by 3.7%, 2.0% and 0.7%, respectively, as base metal prices on LME declined during the week. **Our top picks in the sector are JSW Steel, Hindalco, Hindustan Zinc and Sterlite.**

Inside This Weekly

3G Auction Outcome - Event Update: The 3G Spectrum auction concluded on Day 34, raising about Rs680bn for the Government, 2x of the budgeted estimate. Bharti won 13 circles (outlay of Rs12,295cr), RCOM won 13 (outlay of Rs8,585cr), and Idea won 12 (outlay of Rs5,972cr). The aggressive bidding would lead to increased capex spends, straining the leverage position of the companies. However, we believe that Bharti, Idea and RCOM managed to corner crucial and scarce spectrum in their required respective circles, which would cover up for their large existing subscriber base.

APM Gas Price De-regulation - Event Update: The Government has hiked APM gas price from Rs3.20/scm to Rs6.82/scm. In a related development, the cabinet has also approved the marketing margins of US $0.112/mmbtu (Rs200/scm) for GAIL on APM gas marketing volumes.The move is positive for State upstream companies and GAIL.

ICICI Bank - Event Update: The Board of Directors of ICICI Bank has granted its in-principle approval for the amalgamation of Bank of Rajasthan (BoR) with ICICI Bank, subject to further approvals. Based on the swap ratio, ICICI Bank has valued BoR at 5.3x FY2010E ABV, which is expensive in our view. That said, at about 3.2% of ICICI Bank's MCap and 4.5% of Total Assets, the acquisition is too small to have any material impact on ICICI Bank.

Note: Stock Prices are as on Report release date; Refer all Detailed Reports on Angel website

FII activity

(Rs crore)

As on	Cash (Equity)	Futures	Net Activity
May 14	(205)	(1,854)	(2,058)
May 17	(1,032)	(1,457)	(2,489)
May 18	(439)	837	398
May 19	(1,474)	(1,533)	(3,006)
May 20	(711)	107	(604)
Net	**(3,860)**	**(3,899)**	**(7,759)**

Mutual Fund activity (Equity)

(Rs crore)

As on	Purchases	Sales	Net Activity
May 13	592	798	(206)
May 14	688	732	(44)
May 17	798	703	95
May 18	633	1,046	(413)
Net	**2,712**	**3,279**	**(567)**

Note: Mutual Fund data for 19th May not updated in SEBI

Global Indices

Indices	May 14, 10	May 21, 10	Weekly (% chg)	YTD
BSE 30	16,995	16,446	(3.2)	(5.8)
NSE	5094	4931	(3.2)	(5.2)
Nasdaq	2,347	2,229	(5.0)	(1.8)
DOW	10,620	10,193	(4.0)	(2.2)
Nikkei	10,463	9,785	(6.5)	(7.2)
HangSeng	20,145	19,546	(3.0)	(10.6)
Straits Times	2,855	2,701	(5.4)	(6.8)
Shanghai Composite	2,697	2,584	(4.2)	(21.2)
KLSE Composite	1,339	1,286	(4.0)	1.0
Jakarta Composite	2,858	2,623	(8.2)	3.5
KOSPI Composite	1,696	1,600	(5.6)	(4.9)

Sectoral Watch

Indices	May 14, 10	May 21, 10	Weekly (% chg)	YTD
BANKEX	10,846	10,394	(4.2)	3.6
BSE AUTO	7,792	7,399	(5.1)	(0.5)
BSE IT	5,246	5,047	(3.8)	(2.7)
BSE PSU	8,934	8,842	(1.0)	(7.2)

3G Auction Outcome

Event Update

Winner's Curse

The 3G Spectrum auction concluded on Day 34, raising about Rs680bn for the Government, 2x of the budgeted estimate. Among the major bidders, Bharti won 13 circles (outlay of Rs12,295cr), RCOM won 13 (outlay of Rs8,585cr), Idea won 12 (outlay of Rs5,972cr), Tata Tele won 9 (outlay of Rs5,864cr), Vodafone won 9 (outlay of Rs11,618cr) and Aircel won 12 (Outlay of Rs6,296cr).

Bharti - Key Highlights

- Bharti has been declared the winner in 13 circles, including the key metro circles of Mumbai and Delhi. The total outlay has been about Rs12.3bn, which has been the highest, though lower than the anticipated pan-India license valued at Rs16bn.
- The company cornered key Metro circles, but missed on few crucial circles such as Maharashtra and Gujarat. The winning circle covers about 65% of its total subscribers, and a revenue market share of 69%
- The 3G auction would lead to higher-than-estimated Capex; thus, this would increase the interest costs and may dilute the EPS by another 3%. However, we continue to remain positive, in view of its better financial placing, with a Debt-Equity of 0.1x and net debt to EBIDTA of 0.3x.

RCOM - Key Highlights

- RCOM cornered 13 circle, with a strategic mix of Metros and C-Circles and an estimated outlay of Rs8.5bn. The company cornered many circles, despite its spare capacity, focusing on future opportunities.
- The average tele-density in the successfully subscribed circles stood at 61%. Estimated subscribers in GSM are about 40% of the total base of 102mn. On an aggregate subscriber base (CDMA + GSM), the total revenue coverage in the winning territory stood at 41.1%.
- The incremental spend on 3G would further strain the company's balance sheet and would result in a further dilution in its profitability.

Idea Cellular - Key Highlights

- Idea bagged 11 circles out of 22, with a strategy to support the spectrum requirement in its strong territories. The total revenue share coverage has been the highest at 81.5%.
- The company, however, missed out in the metro circles, as the bidding crossed over 9-10x of the reserved price. The average tele-density in the successfully subscribed circles stood at 51%, and offers enough room for growth in terms of an untapped subscriber base.
- Incidentally, Bharti and Idea had just three overlaps in terms of successful circle wins, which make a potential case for future spectrum-sharing arrangements.

Event Implications

In a nutshell, we believe that the outcome is positive for RCOM and Idea, and neutral for Bharti. We believe that the aggressive bidding would lead to increased capex spends, straining the leverage position of the companies in coming period. However, we believe that Bharti, Idea and RCOM managed to corner crucial and scarce spectrum in their required respective circles. Telecom operators will have to pay the spectrum payout in the next 10 days; thus, we would see an increased interest burden from 2QFY2010 onwards. Also, BWA auctions start on May 21,2010, and with most of the telecom service providers participating in the auction (2 slots available and 11 bidders), the competition is likely to be fierce.

3G Auction - Provisional Results

Players	Circles won	Amount Payable (Rs cr)
Bharti Airtel	Delhi,Mumbai,Andhra Pradesh, Karnataka,Tamil Nadu,UP(W),Rajasthan, West Bengal,HP, Bihar, Assam,North East,J&K	12,295.5
RCOM	Delhi,Mumbai, Kolkata,Punjab,Rajasthan, MP, West Bengal,HP, Bihar,Orissa,Assam,North East,J&K	8,585.0
Idea	Maharashtra, Gujarat, Andhra Pradesh, Kerala, Punjab, Haryana, UP(E), UP(W), MP, HP, Bihar, J&K	5,972.1
Vodafone	Delhi, Mumbai, Maharashtra, Gujarat, Tamil Nadu, Kolkata, Haryana, UP(E), West Bengal	11,617.9
Aircel	Andhra Pradesh, Karnataka, Tamil Nadu, Kolkatta, Kerala, Punjab,UP(E),West Bengal, Orissa, Assam, North East, J&K	6,296.0
Tata	Maharashtra, Gujarat, Karanataka, Kerala, Punjab, Haryana, UP(W), Rajasthan, MP	5,864.3
S-Tel	HP, Bihar, Orissa	337.7
Total		**50,968.4**

Source: DoT, Angel Research

Research Analyst - Rahul Jain/Vibha Salvi

APM Gas Price De-regulation

Event Update

Not a Pipe Dream Anymore

The Government of India has approved a hike in the APM gas price sold by ONGC and OIL from nomination blocks from Rs3.20/scm to Rs6.82/scm. Prices are now at US $4.2/mmbtu (pre-royalty adjusted) from US $1.9/mmbtu earlier. After the hike, APM prices are now in line with EGoM-determined gas prices for the KG-D6. APM gas prices were last revised in 2005. The move follows the Finance Ministry's suggestion of bringing about pricing parity between APM and KG gas in one swift move, rather than a phased increase in the APM gas prices as was proposed by the petroleum ministry. The prices will be effective until March, 2014 (FY2014).

In a related development, the cabinet has also approved the marketing margins of US $0.112/mmbtu (Rs200/scm) for GAIL on APM gas marketing volumes. Previous to this, GAIL did not receive any marketing margin on sales of APM gas.

Impact on the Gas segment: We believe that the move is a step toward a uniform gas-pricing policy in the country, which is likely to improve the competitiveness of imported LNG. This move could also encourage state-owned gas producers to develop marginal gas fields, which could increase domestic gas production, and benefit the gas transportation companies such as GAIL and GSPL, apart from the producers of the gas.

On the negative side, City Gas Distribution Companies, IGL and MGL, would be adversely impacted on account of the gas price hike, as a large part of their supplies are at APM gas prices. We believe that given the huge gross margins reported by these companies on account of the benefit of cheaper APM gas in the past, it would be difficult for these companies to maintain their margins. Moreover, given the fact that price of natural gas is indexed to administered retails selling price of LPG (14.2kg cylinder), price hike in the Domestic PNG segment will be difficult. Currently, we await more clarity over the increase in the prices of CNG for IGL before reviewing the stock. In case of Gujarat Gas, given the fact that APM gas supplies form less than 5.0% of its total gas sources, we do not expect the same to have any material impact on the company's financials.

Impact on the Oil marketing Segment: There is no direct implication of the gas price hike on oil marketing companies. However, given the fact that the APM gas price hike was long overdue, this decision points towards the government's intent to address the problems of subsidy-sharing and under-recoveries. As the government is likely to consider the Kirit Parekh committee recommendations in the near-term, we can also expect some of the recommendations to be accepted, which is likely to be positive for OMCs. Also, the improved profitability of the upstream companies (ONGC, OIL and GAIL) could prompt the government to change the subsidy-sharing mechanism in favour of OMCs.

Impact Analysis

We expect ONGC to gain around Rs6,086cr on the Top-line front and Rs4,047cr on the bottom-line front during FY2012E, thus translating into an EPS gain of Rs18.9/share. However, as we were building around a 15% increase in APM gas prices over FY2010-12E, our Top-line and bottom-line for the company stands increased by Rs5,039cr and Rs3,351cr for FY2012E. Thus, we expect an EPS accretion of Rs15.7/share on account of the gas price increase to Rs6.8/scm.

We expect OIL India to gain around Rs941cr on the Top-line front and Rs622cr on the bottom-line front during FY2012E, thus translating into an EPS gain of Rs25.9/share. Given the fact that OIL India's net gas realisations were lower than that of ONGC's APM realisation, it stands to benefit more on account of the increase in the gas prices to US $4.2/mmbtu.

GAIL uses gas for its petrochemical and LPG operations; however, as it was not procuring APM gas, the company is not likely to be impacted by the gas price hike. Yet, we believe that the levy of marketing margins on the APM gas increased GAIL's Top-line and profitability. According to our calculations, GAIL benefits by around Rs344cr on the Top-line front and Rs239cr on the bottom-line front, which translates into an EPS increase of Rs1.9/share (FY2012E), on account of the levy of marketing margins on the APM gas supplies.

Outlook and Valuation

On account of earnings revision, we have upgraded ONGC from Neutral to Accumulate, with a Target price of Rs1,233. In the case of GAIL, we have upgraded the target price by Rs27 to Rs580, and maintain a Buy on the stock. We do not have a rating on OIL India.

Research Analyst - Deepak Pareek/Amit Vora

ICICI Bank - Buy

Price - Rs889
Target Price - Rs1,169

Event Update

Merger with Bank of Rajasthan

The Board of Directors of ICICI Bank has granted its in-principle approval for the amalgamation of Bank of Rajasthan (BoR) with ICICI Bank, subject to further approvals. The swap ratio has been fixed at 25:118 (25 shares of ICICI Bank for 118 shares of BoR).

As on March 31, 2009, Bank of Rajasthan had 463 branches and 111 ATMs, total assets of Rs17,224cr, deposits of Rs15,187cr and advances of Rs7,781cr. It reported net profit of Rs118cr in FY2009 and net loss of Rs10cr in the 9MFY2010. In our view, the main benefit of the merger for ICICI Bank is BOR's branch network, concentrated in northern states like Rajasthan (60% ot total branch network), Punjab, Haryana and Delhi. Bank of Rajasthan was the only potential acquisition target amongst the old private sector banks to have such a presence, while all its other peers have largely branch networks concentrated in the south.

Outlook and Valuation

Based on the swap ratio, ICICI Bank has valued BoR at 5.3x FY2010E ABV (at an 89% premium to yesterday's closing price), which is expensive in our view, considering the poor profitability and the recent asset-quality pressures and corporate governance issues with the Bank of Rajasthan. Further, in such an acquisition, there is downside risk from further NPAs from the target bank's existing loan book.

Looking at it from a market cap per branch basis also, the acquisition looks expensive, though less than it does in P/BV terms. As per our calculations, old private banks are trading at an average MCap/branch of Rs5.4cr at current prices. Based on the swap ratio announced, the MCap/Branch paid for BoR works out to Rs6.6cr, which indicates a premium of 21% to the peer average. If we compare the HDFC Bank and CBoP deal in FY2008, HDFC Bank had paid a consideration of Rs24.1cr per branch for CBoP.

Keeping aside the risk of further book value erosion from fresh NPA accretion post-acquisition, even the existing capital adequacy of BOR is on the lower side. Moreover, in our view, on a higher level of business per branch (from Rs37cr assets / branch at present to about 50cr), the normalised Networth per branch would have to be atleast Rs2.5-3.5cr, while BOR's existing Networth per branch is Rs1.3cr. If we add this additional capital requirement to the acquisition price, then per branch acquisition price would be about Rs8.8cr (assuming NW / branch of Rs3.5cr). At this level, BOR's implied P/BV would work out to about 2.5x, not taking into account the 2-3 years it may take to scale up the productivity of these branches. Even on this basis, the acquisition looks expensive relative to peers.

That said, at about 3.2% of ICICI Bank's market cap and 4.5% of Total Assets, in our view, the acquisition is too small to have any material impact on ICICI Bank. At Rs889, ICICI Bank is trading at 1.5x its FY2012E ABV (excl. subsidiaries) (without factoring the acquisition into our estimates). **We maintain a Buy on the stock, with a Target Price of Rs1,169, representing an upside of 31%.**

Valuations of Old private Banks

Bank	Market Cap. (Rs cr)	Branches (No.)	MCap/Branch (Rs cr)
Bank of Rajasth.	**3,039**	**463**	**6.6**
City Union Bank*	1,326	202	6.6
Dhanalaksh.Bank	944	265	3.6
Federal Bank	5,256	672	7.8
Karnataka Bank	2,033	458	4.4
Karur Vysya Bank*	2,770	320	8.7
Lak. Vilas Bank	775	270	2.8
South Ind.Bank	1,645	580	2.8
Average			**5.4**

*Source: Company, Angel Research; Note: *As on March 31, 2009*

Research Analyst - Vaibhav Agrawal/Amit Rane

Crompton Greaves - Buy

Price - Rs243
Target Price - Rs307

4QFY2010 Result Update

Performance Highlights

Crompton Greaves reported another strong quarterly performance, with an impressive 39.9% yoy growth in its adjusted bottom-line to Rs271cr, which was better than our estimates. Although the company had a muted top-line performance, clocking a mere 1.9% yoy growth, it made up for this with a wider-than-expected expansion in operating margins.

Strong operating performance - consolidated PAT surges by ~40%, beats expectations: On the consolidated level, Crompton Greaves posted a muted top-line growth of 1.9% yoy to Rs2,508cr (Rs2,460cr) for 4QFY2010. Although the standalone business posted a healthy top-line growth of 18.8% yoy, international operations negated the effect, with a 19.0% yoy de-growth in its revenues (of which ~9% due to currency movement). For FY2010, the consolidated top-line grew by 4.6% yoy to Rs9,141cr (Rs8,737cr).

The consolidated EBITDA margin, however, expanded by 269bp to 16.1% (13.4%), driven by higher operating margins for both the standalone and international operations. Though the raw material cost increased 204bp as a % of net sales, it was more than made up for by the combination of lower other expenses and employee costs. Notably, as the margin improvement during the year was majorly led by operational efficiencies, the management seemed confident of maintaining its margins at a consolidated level for FY2011E.

Higher operating margins, coupled with a lower tax rate (due to the lower tax burden on international operations), led to an impressive 39.9% yoy growth in the adjusted net profit to Rs271cr (Rs194cr). For the full year FY2010, the consolidated adjusted net profit grew 47.3% yoy to Rs825cr (Rs560cr).

International business - sales under pressure, but margins improve by 463bp: The international business continues to face pressure, with the top-line falling sharply by 19.0% yoy to Rs890cr (Rs1,098cr) for 4QFY2010, which was primarily driven by the 18.5% yoy de-growth in the revenues of the international power systems segment. Nonetheless, the EBITDA margin for the international business witnessed an expansion of 463bp to 14.8% (10.2%), due to lower raw material costs along with lower other expenses. Higher margins, coupled with a lower tax rate, resulted in a net profit growth of 27.8% yoy to Rs81cr (Rs63cr). For FY2010, the net profit grew by 52.1% yoy to Rs248cr (Rs163cr).

Outlook and Valuation

Crompton Greaves is one of the leading players in the power transmission and distribution space in the country. The company has a diversified business presence, with revenues accruing from multiple streams that are spread across geographies. Besides, over the past few years, the company has made several strategic overseas acquisitions, which, in addition to plugging in technology gaps, have provided the necessary scale to its operations.

During FY2010-12E, we expect the company to register a Top-line and Bottom-line CAGR of 11.5% and 7.1%, respectively. At Rs243, the stock is quoting at 17.7x and 15.8x FY2011E and FY2012E EPS, respectively, which we believe is attractive as compared to its peers, ABB and Areva T&D. **We maintain our Buy recommendation, with a Target Price of Rs307.**

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2009	FY2010E	FY2011E	FY2012E
Net Sales	**8,737**	**9,141**	**10,068**	**11,354**
% chg	*27.9*	*4.6*	*10.1*	*12.8*
Adj. Net Profit	**560**	**860**	**882**	**986**
% chg	*37.7*	*53.6*	*2.5*	*11.8*
EBITDA (%)	11.4	14.0	13.7	13.3
EPS (Rs)	**8.7**	**13.4**	**13.7**	**15.4**
P/E (x)	27.8	18.1	17.7	15.8
P/BV (x)	8.6	6.3	4.9	3.9
RoE (%)	36.1	39.9	30.9	27.3
RoCE (%)	27.5	31.5	29.0	27.1
EV/Sales (x)	1.8	1.7	1.5	1.3
EV/EBITDA (x)	15.7	12.0	10.8	9.5

Source: Company, Angel Research, Price as on May 18, 2010

Research Analyst - Puneet Bambha

Deccan Chronicle Holdings - Buy

Price - Rs142
Target Price - Rs193

4QFY2010 Result Update

Performance Highlights

Political turmoil in AP affects sales; Top-line below our estimates: Deccan Chronicle Holdings Ltd (DCHL) reported a muted Top-line growth of 6.3% yoy to Rs191.7cr (Rs180.3cr),affected by the political turmoil in Andhra Pradesh (Telangana region). The company reported a ~6% yoy growth in advertisement revenue to Rs177cr (Rs166cr) and a flattish growth in circulation revenue to Rs15cr (Rs14cr).

Gross Margin expansion continues; Earnings decline due to higher Tax rate: On the Operating front, DCHL registered a significant Margin expansion of 1,900bp yoy, driving a 92.6% yoy growth in EBITDA to Rs81.3cr (Rs42.2cr). The company continued to benefit from benign newsprint prices and rupee appreciation, with the raw material cost this quarter showing a decline of 2,752bp yoy to Rs74.7cr (Rs119.9cr). However, the staff costs and other expenditure for the company increased by 247bp yoy and 605bp yoy (low base effect) to Rs18.1cr and Rs17.6cr, respectively, limiting any further Margin expansion.

DCHL's reported weak Earnings for the quarter (on a standalone basis), which registered a decline of 20.2% yoy to Rs6.5cr (Rs8.1cr), on account of the weak Top-line growth, a 1,883bp yoy jump in the Tax rate to 89.9% (71.1%), and a 32.9% yoy increase in depreciation to Rs12.6cr (Rs9.5cr).

Outlook and Valuation

After the 4QFY2010 results, we have revised our Top-line estimates downward by 4-7% for FY2011E and FY2012E to model in: 1) flattish circulation revenue, and 2) slow growth in advertisement revenue (due to rising competition in the Chennai market from TOI).

During FY2010-12E, we expect DCHL to post a CAGR of 11.7% in its standalone revenues, driven largely by a 12.1% CAGR in advertising revenues and a 6% CAGR in circulation revenues, on account of a higher contribution from the Bangalore edition. In terms of Earnings, we have factored an 11.6% CAGR during the period, driven largely by Top-line growth, as we expect Margins to dip marginally as newsprint prices harden (we have modeled in ~10% rise in the newsprint).

Based on the floor price of US $225mn for the recent, new team auctions (Kochi team and Pune team), we had calculated Rs43 as the per share value for DCHL's IPL team. However, on account of the uncertainty arising from the recent team auctions, as covered in certain media reports, we have adopted a cautious approach, giving a 25% discount to our earlier per share price. Thus, we have arrived at a value of Rs32 per share for DCHL's IPL team.

We value DCHL on an SOTP Basis and maintain a Buy. However, we have revised our Target Price downward to Rs193 (Rs216 earlier), based on: 1) Rs161 per share value for its core Print Business (12x FY2012E Standalone Earnings), and 2) Rs32 per share value for its IPL Team (25% discount to the per share value calculated earlier, based on the US $225mn floor price set for the auction of new teams).

Moreover, there exist upside risks to our valuation, on account of the following:

- Higher Gate/Sponsorship Revenues: Addition of two new franchises would lead to an increase in the number of matches, from 59 to 94 matches.

- Revision in Media Telecast Rights: After the auction, we expect the IPL to re-work media telecast rights with Sony (to factor in the higher number of matches).

Key Financials (Standalone)

Y/E March (Rs cr)	FY2009	FY2010E	FY2011E	FY2012E
Net Sales	**815**	**892**	**991**	**1,113**
% chg	*4.2*	*9.5*	*11.0*	*12.4*
Net Profit (Adj)	**140.1**	**261.1**	**286.1**	**325.4**
% chg	*(48.5)*	*86.4*	*9.6*	*13.7*
OPM (%)	32.9	50.7	48.5	47.7
EPS (Rs)	**5.7**	**10.8**	**11.8**	**13.4**
P/E (x)	24.8	13.1	12.0	10.6
P/BV (x)	3.0	2.6	2.3	2.0
RoE (%)	12.2	19.7	18.9	19.1
RoCE (%)	14.9	23.7	23.5	24.2
EV/Sales (x)	4.1	3.6	3.1	2.6
EV/EBITDA (x)	12.5	7.1	6.4	5.5

Source: Company, Angel Research, Price as on May 14, 2010

Research Analyst - Anand Shah/Chitrangda Kapur

Graphite India - Buy

Price - Rs99
Target Price - Rs117

4QFY2010 Result Update

Performance Highlights

Graphite India's (GIL) 4QFY2010 Sales growth of 66% yoy, on a Standalone basis, came in line with our estimates. However, FY2010 Sales (Consolidated) fell slightly more than our expectation due to the lower-than-expected production at the company's Nuremberg facility. Nevertheless, going forward, we believe that the company is well placed on account of strengthening demand for graphite electrodes from the Steel industry and large capacity expansion in the Durgapur plant. We maintain our Earnings estimates for FY2011E and FY2012E.

Muted Sales, Strong Margins: FY2010 Sales (Consolidated) fell 10.1%, much lower than our estimates, mainly because of the 50% drop in production at its German facility. Production at the Indian plants fell 24% yoy. However, OPM for FY2010 increased to a strong 29.4% (24.4%) owing to higher realizations. Interest cost for the year fell to Rs14.5cr (Rs35.1cr) mainly due to lower working capital requirements. Consequently, PAT for the year came in line with our estimate at Rs235cr.

Key Highlights

For 4QFY2010, the company's Sales grew at an impressive 66.5% yoy and 21.4% qoq albeit on a low base due to the slowdown in 4QFY2009. In 4QFY2010, OPM at 29.0% fell from the high of 36.8% in 3QFY2010. For FY2010, Standalone OPM stood at the historical high of 33.5%. Globally graphite electrode prices increased in CY2009 on higher needle coke prices, but other raw material and manufacturing costs fell during the year. Going ahead, OPMs are expected to further correct to more reasonable levels of around 24.0%. PAT Margin for 4QFY2010 was 16.4% compared to 22.6% in 3QFY2010.

Key takeaways from Management discussion

- Global leaders like SGL and GrafTech have shown more aggression to win orders in the last few months to ensure better capacity utilisation. Consequently, graphite electrode prices have declined by 8-10% over the last few months.

- Management expects downside in pricing to be minimal, 3-4% at most, over the next couple of quarters. Post that, as demand for graphite electrodes increases, capacity utilisation of the global players will increase and prices would start firming up again.

- Management expects the graphite electrode contracts to remain quarterly, till there is volatility in prices. Once there is stability in prices and buyers expect secular firming of prices, the contracts are expected to return to annual basis.

- Currently, expansion at the Durgapur facility is progressing slowly. However, it is expected to pick up from 1Q or 2Q of FY2011E to get completed within the targeted time frame.

Outlook and Valuation

Going ahead, we expect the demand for graphite electrodes to be strong as steel manufacturing through the EAF route picks up and the effect of de-stocking of inventories reverses. The company's move to increase capacity at the Durgapur facility by 22,000MT/year as against the earlier plan to increase it by 10,500MT/year would provide a major boost to the company's future growth prospects. Margins are expected to stay strong at over 24% levels during the next few years. Overall, we expect GIL to register a CAGR of 19.1% in Top-line and 8.2% in Profit over FY2010-12E. At Rs99, the stock is trading at 1.2x and 1.1x FY2011E and FY2012E P/BV, respectively. **We maintain a Buy on the stock, with a Target Price of Rs117.**

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2009	FY2010	FY2011E	FY2012E
Net Sales	**1,498**	**1,347**	**1,600**	**1,910**
% chg	*12.6*	*(10.1)*	*18.8*	*19.3*
Net Profit	**237**	**235**	**239**	**275**
% chg	*66.4*	*(0.9)*	*1.6*	*15.1*
EBITDA Margin (%)	24.4	29.4	24.4	24.2
FDEPS (Rs)	**11.6**	**10.7**	**12.2**	**14.0**
P/E (x)	8.3	9.0	7.9	6.8
P/BV (x)	1.5	1.3	1.2	1.1
RoE (%)	25.3	19.6	16.7	16.6
RoACE (%)	20.4	20.4	19.5	20.2
EV/Sales (x)	1.1	1.2	1.3	1.0
EV/EBITDA (x)	4.6	4.1	5.3	4.2

Source: Company, Angel Research, Price as on May 14, 2010

Research Analyst - Jai Sharda

JK Lakshmi Cement - Buy

Price - Rs65
Target Price - Rs86

4QFY2010 Result Update

Performance Highlights

JK Lakshmi Cement (JKLC) reported a healthy 21.1% yoy growth in its net sales to Rs441cr during 4QFY2010, primarily on account of an impressive growth in the sales volume. The company's sales volume during the quarter rose by 21% yoy to 1.41mn tonnes, aided by a capacity increase and robust demand. However, on the operating front, the company's margins declined by 756bp yoy, on account of a surge in raw material costs (up 48.3% yoy) and other expenses (up 72.8% yoy). The company reported a 32.6% decline in its Bottom-line to Rs70cr, on account of higher depreciation and interest costs.

Higher raw material and interest costs drag Net Profit down by 32.6% yoy: JKLC's operating profit declined by 8.7% yoy to Rs102.3cr, despite a 21.1% growth in net sales to Rs441cr. The operating profit was marred by an increase in raw material, freight and other expenses, although the realisations remained flat yoy. The company had also purchased high cost clinker from external sources during the quarter. The interest and depreciation costs rose substantially during the quarter on a yoy basis, and stood at Rs10.7cr (net interest income of Rs2.1cr) and Rs21.3cr (Rs14.1cr), respectively.

Operational Highlights

The company's per tonne cement realisation was flat yoy during the quarter, although it was up by 3% qoq. The company's average realisation during the quarter stood at Rs3,130/tonne. The company's key markets in Western and Northern India experienced robust demand during the quarter, which resulted in the prices remaining at healthy levels. The raw material costs per tonne were up by 22.5% yoy and stood at Rs659. Operating profit per tonne stood at Rs726 during the quarter, down by 24.7% yoy and by 5.2% qoq.

Capacity addition on track

The company is in the process of expanding its cement and power capacities. JKLC, which currently has a capacity of 5.4mtpa, is setting up a 2.7mtpa green-field cement plant in Chattisgarh, at a cost of Rs1,200cr. The Chattisgarh plant is expected to be operational by December 2012, and will take the company's total cement capacity to 8mtpa. It is also planning to increase its total captive power capacity from 36MW to 66MW by FY2012E, which will be sufficient to meet close to 90% of its power requirement on the expanded capacity of 8mtpa. The company expects to sell 25MW (including the 21MW procured from VS Lignite power) of surplus power from FY2011E onwards.

Outlook and Valuation

The stock trades at a P/E of 4.1x, at an EV/EBITDA of 3.9x and at an EV/tonne of US $65/tonne, according to its FY2012E estimates. On the valuation front, we have valued JK Lakshmi Cements at an average of a Target EV/EBITDA of 4x and an EV/tonne of US $60/tonne, which is at a discount to the replacement cost, to arrive at a fair value of Rs86. **We maintain a Buy recommendation on the stock.**

Key Financials

Y/E March (Rs cr)	FY2009	FY2010E	FY2011E	FY2012E
Net Sales	**1,225**	**1,491**	**1,376**	**1,570**
% chg	*10.6*	*21.7*	*(7.7)*	*14.1*
Net Profit	**179**	**241**	**154**	**192**
% chg	*(20.2)*	*35.0*	*(36.3)*	*25.1*
OPM (%)	25.4	28.5	24.4	26.1
EPS (Rs)	**14.6**	**19.7**	**12.5**	**15.7**
P/E (x)	4.4	3.3	5.2	4.1
P/BV (x)	1.0	0.8	0.7	0.6
RoE (%)	24.2	25.7	13.9	15.4
RoCE (%)	16.6	21.2	13.0	13.7
EV/Sales (x)	1.0	0.8	1.0	1.0
EV/EBITDA (x)	3.7	2.9	4.1	3.9
EV/Tonnes (US $)	55	57	64	65

Source: Company, Angel Research, Price as on May 19, 2010

Research Analyst - Rupesh Sankhe/V Srinivasan

McNally Bharat Engineering - Buy

Price - Rs312
Target Price - Rs486

4QFY2010 Result Update

Performance Highlights

McNally Bharat Engineering (MBE)'s 4QFY2010 Sales and Adj. PAT growth of 19% and 142%, respectively, was ahead of our estimates. MBE's strong performance was on the back of a higher EBITDA margin and lower interest outflow. The major improvement was on the EBITDA front, where margins expanded by 165bp, from 5.6% (4QFY2009) to 7.3% (4QFY2010). Interest costs for the quarter declined by 55% yoy. Overall, MBE's FY2010 performance was ahead of our expectations.

Strong, execution-led growth: MBE's (standalone) sales for the quarter grew by 19%; however, its EBITDA grew by 54%, on the back of better execution and cost control. Overall interest costs for the quarter declined by 55% yoy, due to better working capital management and a reduction in the average cost of borrowing. The overall Adj. PAT for the quarter increased by 142% to Rs24cr from Rs10cr (4QFY2009). For the full year FY2010, standalone sales grew by 50% to Rs1,448cr (from Rs968cr in FY2009), while the EBITDA margin improved by 80bp to 6.8% (from 6%).

Strong order inflow continues: MBE's Order inflow has been on the rise, having increased from Rs700cr in FY2005 to Rs3,334cr in FY2009, posting a CAGR of 48% over the mentioned period. For FY2010, the company ended the year with an order book of Rs4,550cr, while we estimate that on a consolidated basis it stood at Rs5,150cr. The management has further indicated that bids for order worth Rs1,300cr have been placed and the outcome of the same is expected during the year.

Key takeaways from the Conference call

- The management expects the Power sector to be the key growth driver for the company over the next few years. The key opportunity areas are in Material handling solutions (which include coal handling, coal washer, desalination plant and RO plant).
- After bagging 2 BoP-based orders (770 MW), MBE is qualified to bid for all ranges of BoP projects across the power sector. BoP projects have margins in the region of 7-8%; however, the margin improves once a company starts executing a higher range of projects.
- Going ahead, MBE plans to build up its skill set in Cement, and the Oil and Gas industry, as it plans to diversify its order book.
- McNally Sayaji plans to invest Rs65cr in setting up a new facility for its product, while the Parent MBE plans to have a capex of Rs45cr for FY2011E.
- A decision on the rights issue would be taken by June 2010.
- Overall, the management has outlined a revenue target of around Rs5,000cr by FY2013E, of which MBE standalone would stand at Rs4,000cr, MSE at Rs600-700cr and the CMT group (international subsidiary) at Rs500cr.

Outlook and Valuation

We believe that an improving economic scenario (indicated by a revival in the IIP), the continuous government focus on infrastructure spend and a pick-up in private capex augurs well for the companies providing EPC solutions for the core sectors of the economy. MBE's current consolidated order book stands at Rs5,110cr (2.6x FY2010 revenue). Going ahead, over FY2010-12E, we estimate the company to register a CAGR of 28% and 35% in Sales and Profit, respectively. **We maintain our Buy recommendation on the stock, with a revised Target Price of Rs486.**

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2009	FY2010E	FY2011E	FY2012E
Net Sales	**1,115**	**2,019**	**2,501**	**3,332**
% chg	*101.0*	*81.1*	*23.9*	*33.2*
Adj Profit	**39.7**	**65.0**	**93.6**	**118.7**
% chg	*91.1*	*63.9*	*44.0*	*26.8*
Adj FDEPS (Rs)	**12.8**	**20.9**	**27.4**	**34.7**
EBITDA Margin (%)	9.8	7.9	9.7	9.6
P/E (x)	24.5	14.9	11.4	9.0
P/BV (x)	4.7	3.6	2.7	2.1
RoE (%)	21.7	27.2	28.0	26.1
RoACE (%)	29.4	27.0	31.0	30.3
EV/Sales (x)	1.0	0.6	0.5	0.4
EV/EBITDA (x)	10.6	7.5	5.5	4.6

Source: Company, Angel Research, Price as on May 18, 2010

Research Analyst - Sageraj Bariya

Motherson Sumi Systems (MSSL) - Buy

Price - Rs137
Target Price - Rs167

4QFY2010 Result Update

Performance Highlights

Results above expectations; Forex gain boosts Bottom-line: For 4QFY2010, MSSL clocked a 140.5% yoy growth in Net Sales to Rs2,028cr (Rs843cr), which exceeded our expectations. The numbers for the quarter are not exactly comparable, as 4QFY2009 include only the one month results of Samvardhana Motherson Visiocorp Solution (acquired during that quarter). The company's Sales growth came largely on the back of this inorganic operation, wherein MSSL's outside-India Revenue jumped by a significant 187.4% yoy to Rs1,306cr (Rs454cr). The company's Bottom-line also registered a significant increase of 84.5% yoy to Rs141.9cr (Rs76.9cr), which again surpassed our expectation for the quarter. The Net Profit recorded a substantial jump, due to favourable currency movements (helped it register a Forex gain of Rs40cr) during the quarter.

Lower Raw Material and favourable currency movements push Margins up: For 4QFY2010, MSSL witnessed a 361bp yoy increase in its EBITDA Margin to 14.8% (11.2%) owing to favourable currency movements and a 336bp yoy decline in Raw Material costs. Other expenditure, however, recorded a yoy increase of 180bp, while Staff cost to Sales remained flat yoy. The OPM improved by around 387bp on a qoq basis as well. Thus, the higher Top-line aided Operating Profit growth, which surged by 217.8% yoy to Rs301.1cr during 4QFY2010. However, higher Interest and Depreciation resulted in a 84.5% yoy jump in the Net Profit to Rs141.9cr.

SMR turns positive at the PAT level in 2HFY2010: SMR registered a positive PAT in 2HFY2010. Further, during FY2010, SMR received orders for the supply of mirrors worth approximately Euro 700mn, to be supplied over the life of the new models to be launched in 2011. MSSL has been in the process of restructuring the assets acquired through SMR and registered a qoq improvement in Margins. The company achieved its target of around an 8% EBITDA margin in 4QFY2010 on the SMR front. The company stands by its resolve to improve the EBITDA and to generate a decent RoCE.

Outlook and Valuation

MSSL is a leader in Wire Harnessing, controlling over 65% of the domestic passenger vehicle (PV) market and around a 48% market share in the domestic Rear View Mirror market. After the recent acquisition, the company now controls around 25% of the global Rear View Mirror market. It is now focusing on the supply of higher level assemblies and modules, where Margins are comparatively higher. MSSL is also increasing its content per car, in a bid to diversify its product portfolio. The company is laying emphasis on its global product plan (GPP), where it is looking at setting up JVs with leading Tier-I suppliers to upgrade its technology base and to bolster its clientele as well.

We expect MSSL's consolidated Net Sales to register a substantial growth over FY2010-12E, aided by its strong order-book position. On the Margin front, we have modeled an improvement in the OPM in FY2011E and FY2012E, owing to higher utilisation levels in the domestic and overseas operations, where it is expected to achieve better Operating leverage.

We estimate the company to clock a consolidated EPS of Rs9 for FY2011E and Rs11.1 for FY2012E. At Rs137, the stock is trading at 15.1x FY2011E and 12.3x FY2012E consolidated Earnings (fully diluted). Considering the company's prospects after the restructuring of SMR and the fact that it is one of the few ancillary companies registering decent numbers, despite having a high presence in overseas markets, **we maintain a Buy on the stock, with a Target Price of Rs167, at which the stock would trade at 15x FY2012E EPS.**

Key Financials

Y/E March (Rs cr)	FY2009	FY2010E	FY2011E	FY2012E
Net Sales	**2,640**	**6,924**	**8,120**	**9,192**
% chg	*28.7*	*162.3*	*17.3*	*13.2*
Net Profit	**176**	**243**	**350**	**432**
% chg	*11.0*	*37.7*	*44.4*	*23.2*
OPM (%)	10.7	10.0	11.3	11.5
EPS (Rs)	**4.9**	**6.5**	**9.0**	**11.1**
P/E (x)	27.8	21.1	15.1	12.3
P/BV (x)	6.2	4.4	3.9	3.5
RoE (%)	26.7	29.4	27.7	29.7
RoCE (%)	11.8	21.7	28.5	31.5
EV/Sales (x)	1.9	0.7	0.6	0.5
EV/EBITDA (x)	18.6	7.6	5.8	5.0

Source: Company, Angel Research, Price as on May 18, 2010

Research Analyst - Vaishali Jajoo

Patel Engineering - Buy

Price - Rs404
Target Price - Rs563

4QFY2010 Result Update

Performance Highlights

Patel Engineering (PEL) posted numbers in line with our estimates for 4QFY2010. The Top-line grew by 24.1% to Rs1,197cr (Rs965cr) for the quarter. The EBITDA Margin was a tad lower at 12.6%, while the Bottom-line came at Rs71.9cr. Strong order inflow, we believe, is a deciding factor for the stock's future performance going ahead.

In-line performance: PEL reported a Top-line growth of 24.1%, which was a in line with our estimates, to Rs1,197cr (Rs965cr). The EBITDA Margin for the quarter came in at 12.6% (15.4%), which was below our estimates, due to lower contribution from the US subsidiary and PEL's micro-tunnelling subsidiary, Michigan, both of which have higher profitability. The Bottom-line was majorly in line, inspite of the lower EBITDA margin, mainly on account of higher other income due to a stake sale.

Power portfolio: PEL is in the process of setting up a thermal power plant at the Nagapatnam district in Tamil Nadu. The first phase of the project will be of 1,050MW, while the second phase will be of 1,600MW. For the first phase, land acquisition has been completed and the company has also bagged environment clearances. It has also received coal linkage for 50% capacity of the first phase, and expects to achieve financial closure in FY2011E. Work on the second phase will start only after the first phase is commissioned. PEL is also planning to develop a 140MW hydel plant in Arunachal Pradesh. The capacity of the plant has been enhanced from 90MW to 140MW and this has pushed the plant's financial closure back by a couple of quarters.

Real estate projects: PEL has already launched its Bangalore Electronic City project (average realisation has been ~Rs2,500/ sq ft, where it plans to develop a township and is now planning to launch India's biggest strip mall there. About 50% of the space in the mall has already been pre-leased. PEL has also launched a residential project at Noida. The total developable area in this project stands at 2.2 mn sq ft, while the average realisation has been ~Rs3,500/sq ft. The company has also started work on the 1 mn sq ft corporate space in Jogeshwari. It has already signed an agreement with an anchor tenant at Rs130/sq ft.

PEL has also won a US $1bn project to develop a township in Mauritius, and the master plan for the project is under preparation. The company has sold a 1% stake in the project for Rs300mn, and the investor has an option to pick up a 10% stake at the same valuation within a year.

Outlook and Valuation

PEL has an order book of Rs8,500cr, spread across hydel (49%), irrigation (43%), and the balance in roads and urban infra segments. With PEL's real estate plans taking a concrete form and with steady progress in power ventures, we expect the stock performance of PEL to improve in the coming times. At Rs404, the stock is trading at attractive valuations, with a P/E of 13.0x and 12.3x on its FY2011E and FY2012E Earnings, respectively, which does not factor the value of its real estate business, PEL's premium position in high margin businesses and its strong growth prospects. **Hence, we maintain a Buy on the stock, with a Target price of Rs563, by assigning a 14x FY2012E EPS of Rs32.9 and valuing its investments at Rs103/share.**

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2009	FY2010E	FY2011E	FY2012E
Net Sales (incl op. income)	**2,458**	**3,081**	**3,685**	**4,297**
% chg	*32.5*	*25.4*	*19.6*	*16.6*
Adj. Net Profit	**180.5**	**163.3**	**217.9**	**229.7**
% chg	*19.2*	*(9.5)*	*33.4*	*5.4*
FDEPS (Rs)	**25.8**	**23.4**	**31.2**	**32.9**
EBITDA Margin (%)	15.8	15.9	16.0	15.8
P/E (x)	15.6	17.3	13.0	12.3
RoAE (%)	19.4	12.8	13.3	12.4
RoACE (%)	10.9	12.2	12.7	12.1
P/BV (x)	2.8	1.8	1.6	1.4
EV/Sales (x)	1.7	1.4	1.3	1.2
EV/EBITDA (x)	11.0	8.6	7.9	7.8

Source: Company, Angel Research, Price as on May 19, 2010

Research Analyst - Shailesh Kanani/Aniruddha Mate

Volatility rules - 4800 crucial support

Sensex (16446) / Nifty (4931)

In our previous Weekly report, we had mentioned that the undertone remains bearish and any close below 16684 / 4984 levels would intensify the selling pressure and indices could test 16200 - 16150 / 4850 - 4800 levels. The week began on a pessimistic note and selling dragged the indices to test low of 16187 / 4842 levels, thereby achieving our first mentioned target levels.

The Sensex ended with a net loss of 3.23%, whereas the Nifty lost 3.19% vis-à-vis the previous week.

Pattern Formation

- On the Daily chart, the intermediate trend is down and prices are maintaining a lower-top lower-bottom formation. Further, the momentum oscillators viz. the stochastic is in oversold zone on both the Daily and Weekly charts. Hence, a bounce from current levels up to 16788 - 16840 / 5025 - 5050 levels cannot be ruled out.

- On the Weekly chart, we are witnessing that prices are trading in a an upward sloping channel (as shown in the Exhibit 1). The prices are near the lower trendline of the channel. Only a weekly close below 16187 / 4842 would clearly indicate a breakdown from the channel and selling pressure would further intensify.

Future Outlook

The coming week is likely to trade in the range of 16150 / 4800 on the downside, and 16840 / 5050 on the upside. As the market approaches the F&O expiry, we expect volatile movement going forward. Since the Daily charts are in an oversold zone, once indices trade above 16500 / 4950 levels, a bounce up to 16788 - 16840 / 5025 - 5050 levels can be expected. On the downside, if 16150 / 4800 level is breached in the latter part of the week, selling pressure may intensify and indices may test lower levels of 15800- 15650 / 4725 - 4675.

Exhibit 1: Nifty Weekly chart

Source: Falcon

Weekly Pivot Levels For Nifty 50 Stocks

SCRIPS	R2	R1	PIVOT	S1	S2
SENSEX	17,358	16,902	16,544	16,088	15,731
NIFTY	5,222	5,077	4,960	4,814	4,697
BANK NIFTY	9,829	9,482	9,226	8,879	8,623
A.C.C.	916	890	857	831	798
ABB LTD.	985	906	796	717	607
AMBUJACEM	112	109	105	102	99
AXISBANK	1,326	1,271	1,222	1,167	1,118
BHARAT PETRO	579	569	553	543	527
BHARTIARTL	283	275	263	255	244
BHEL	2,399	2,344	2,298	2,244	2,198
CAIRN	305	291	280	266	254
CIPLA	333	325	316	307	298
DLF	312	290	276	254	240
GAIL	482	468	443	429	405
HCL TECHNOLO	429	398	374	343	318
HDFC BANK	2,004	1,915	1,858	1,770	1,712
HERO HONDA	1,919	1,887	1,853	1,820	1,786
HINDALCO	173	162	156	145	138
HINDUNILVR	252	241	235	225	218
HOUS DEV FIN	2,852	2,781	2,714	2,643	2,576
ICICI BANK	947	891	849	793	751
IDEA	67	59	55	48	44
IDFC	170	161	155	145	139
INFOSYS TECH	2,702	2,642	2,600	2,540	2,498
ITC	285	278	268	261	250
JINDL STL&PO	694	664	632	602	570
JPASSOCIAT	139	128	118	107	97
KOTAK BANK	819	780	752	713	686
LT	1,799	1,704	1,589	1,494	1,380
MAH & MAH	601	570	537	506	474
MARUTI	1,306	1,272	1,221	1,187	1,136
NTPC	212	204	200	192	187
ONGC CORP.	1,213	1,154	1,083	1,024	953
PNB	1,058	1,024	1,001	967	944
POWERGRID	109	106	103	101	98
RANBAXY LAB.	478	447	428	397	378
RCOM	151	142	137	128	122
REL.CAPITAL	720	681	646	607	572
RELIANCE	1,061	1,028	1,002	970	944
RELINFRA	1,050	1,019	987	956	924
RPOWER	151	145	139	133	127
SIEMENS	735	698	676	639	617
STATE BANK	2,394	2,332	2,237	2,176	2,080
STEEL AUTHOR	222	212	204	194	185
STER	743	692	657	606	571
SUN PHARMA.	1,629	1,587	1,554	1,512	1,479
SUZLON	69	64	60	55	51
TATA POWER	1,361	1,310	1,282	1,231	1,203
TATAMOTORS	862	786	731	655	601
TATASTEEL	567	538	513	484	459
TCS	816	767	726	678	637
UNITECH LTD	85	77	70	62	54
WIPRO	684	663	645	624	605

Technical Research Team

Don't short below 4900 level for May series; 4800 is strong support

Nifty spot has closed at **4931.15** this week, against a close of **5094** last week. The Put-Call Ratio has decreased from **1.12** to **1.02** levels and the annualized Cost of Carry (CoC) is negative **3.39%**. The Open Interest in Nifty Futures has increased by **20.13%**.

Put-Call Ratio Analysis

The Nifty PCR has decreased from 1.12 to 1.02 levels. Over-the-week, significant build-up was visible in most of the call options and unwinding in many of the Put options. At the start of the month, we had observed selling in the 4800 put option, though market has corrected significantly, unwinding was not visible in this. Therefore, we believe market may take support around this level. Avoid forming fresh short as of now and support can be used to cover short positions.

Open Interest Analysis

The total Open Interest of the market is Rs1,47,289cr, as against Rs. 1,35,702cr last week, and the Stock Futures' open interest has increased from Rs35,189cr to Rs36,768cr. Amongst financial counters, HDFC is looking strong. Therefore, positional traders can form long positions in it. Some liquid stocks where open interest has increased are ITC, GAIL, IDFC, DRREDDY and LT. Stocks where open interest has decreased significantly are ABAN, GRASIM, IOC, ACC and ORCHIDCHEM.

Futures Annual Volatility Analysis

The Historical Volatility of the Nifty has increased from 22.99% to 23.52%. Market witnessed increased volatility in the week gone by. IV of at the money options has increased from 22.30% to 26.00%. Some liquid counters where HV has increased significantly are ABB, ONGC, ORCHIDCHEM, MTNL and PIRHEALTH. Stocks where HV has declined are GTOFFSHORE, ULTRACEMCO, RPOWER, RNRL and GTL.

Cost-of-Carry Analysis

The May Future closed at a discount of 2.75 points as against a discount of 9.85 points last week and June future closed at a discount of 6.55 points. Some liquid counters where CoC turned from negative to positive are ONMOBILE, GTOFFSHORE, TRIVENI, RECLTD and ASHOKLEY. Counters where CoC turned from positive to negative are POWERGRID, HDFC and PIRHEALTH.

Derivative Strategy

Scrip : MARUTI | **CMP : Rs. 1238.55/-** | **Lot Size : 200** | **Expiry Date (F&O) :** 27th May, 2010

View: Mildly Bullish | **Strategy: Long Call**

Buy/Sell	Qty	Scrip	Strike Price	Series	Option Type	Buy Rate (Rs.)
Buy	200	MARUTI	1250	May	Call	10.00

BEP: Rs.1,260.00/-

Max. Risk: Rs. 2,000.00/- If Stock closes at or below Rs.1250 on expiry.

Max. Profit: Unlimited If stock continues to trade above BEP.

NOTE: Profit can be booked before expiry, if stock moves in the favorable direction.

Expected Payoff

Closing Price	Expected Profit/Loss
Rs. 1200.00	(Rs. 10.00)
Rs. 1225.00	(Rs. 10.00)
Rs. 1250.00	(Rs. 10.00)
Rs. 1275.00	Rs. 15.00
Rs. 1300.00	Rs. 40.00
Rs. 1325.00	Rs. 65.00

Scrip : STER | **CMP : Rs. 641.65/-** | **Lot Size : 438** | **Expiry Date (F&O) :** 27th May, 2010

View: Mildly Bullish | **Strategy: Long Call**

Buy/Sell	Qty	Scrip	Strike Price	Series	Option Type	Buy Rate (Rs.)
Buy	438	STER	660	May	Call	7.00

BEP: Rs. 667.00/-

Max. Risk: Rs. 3,066.00/- If Stock closes at or below Rs.660 on expiry.

Max. Profit: Unlimited If stock continues to trade above BEP.

NOTE: Profit can be booked before expiry, if stock moves in the favorable direction.

Expected Payoff

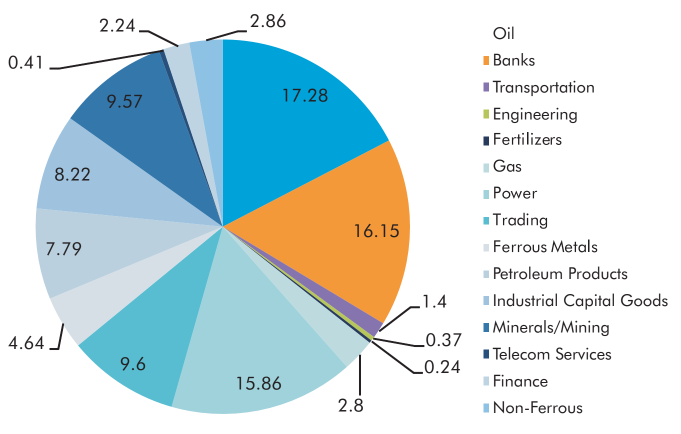
Closing Price	Expected Profit/Loss
Rs. 620.00	(Rs. 7.00)
Rs. 640.00	(Rs. 7.00)
Rs. 660.00	(Rs. 7.00)
Rs. 680.00	Rs. 13.00
Rs.700.00	Rs. 33.00

Public Sector Units - An Investment Opportunity

PSUs - Public Sector Units

- Public Sector Units play an important role in any developing economy and make major contributions towards its growth.
- Most of the PSU companies are present in sectors, which are core to the India's growth.
- They have played an important role in building countries infrastructure, enhancing economic development, capital formation and government revenue.
- Most of the PSU companies are leaders in their category and in many cases have a virtual monopoly in business.

BSE PSU Index Sector Representation (%)



Source: SBI, AMC

The PSUs are spread across the major sectors of the economy making the PSU universe a more diversified one rather than a concentrated one.

PSUs - Growth Engine for Economy

- Top 18 PSUs total income is equal to 15% of India's GDP.
- 20 companies of the BSE 100 with a combined market cap weightage of 33% are from the PSU space
- Net Profit of central PSUs has grown at a CAGR of 19.37% in the last 10 years
- One out of five companies in the Nifty50 is PSUs.
- NTPC accounts for 30% of power generation.
- ONGC and OIL manage 90% of oil production.
- PSU banks account for about 73% of entire banking system assets.
- BHEL is market leader in Power equipments.

PSUs-an Opportunity for Long Term Wealth Creation

Strong Fundamentals

- Performance of PSUs has been exceptionally good as compared to the broader indices.
- PSUs have robust financials with moderate leverage, sizeable cash & investment..

Wealth Creators

- PSUs have Demonstrated ability to create share holder value.
- The PSU index has outperformed the BSE Sensex by a substantial margin over the years.

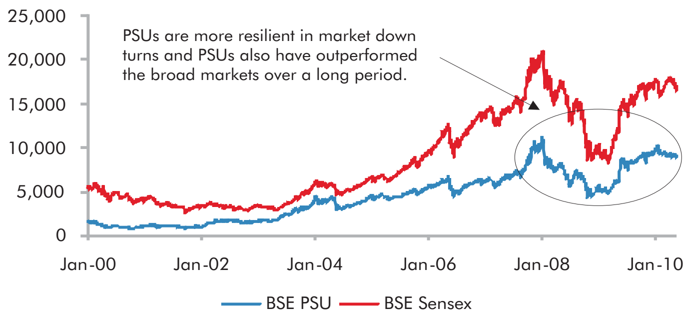
Strong Dividend Payout History

- PSU companies have a stronger dividend payout history compared to the Non-PSU stocks.

Resilient in economic downturn

- Ability to show greater resilience in an economic downturn - less vulnerable to a slowdown in earnings growth.
- Huge cash on books puts them in an advantageous position when it comes to funding their expansion plans.

BSE PSU v/s BSE Sensex



Source: Angel Research

Why Invest in PSUs Now?

Divestment

- Government is focusing on Listing of PSU Companies and further divestment in existing companies.
- All listed companies to mandatorily have minimum public holding of at least 25%. Thus PSUs having stake above 75% will have to dilute their holding to that extent.
- Privatization of divested Companies could lead to wealth creation.
- The expected re-rating rating of these companies in future, can lead to above average gains over a period of time.

Attractive Valuations

- PSU companies are currently available at a substantial discount to the private sector companies and to broader markets.
- Valuations as measured by P/E & P/B multiple also suggest that PSUs are better placed than the broader markets.

SBI PSU Fund - NFO Analysis

Fund Features **NFO Date: 17th May to 14th June 2010**

Scheme Objective	To provide investors with opportunities for long-term growth in capital along with the liquidity of an open-ended scheme through an active management of investments in a diversified basket of equity stocks of domestic Public Sector Undertakings and in debt and money market instruments issued by PSUs and others.		
Type of Scheme	An Open ended Equity Scheme		
Bench Mark Index	BSE PSU index		
Minimum Investment	Minimum of Rs. 5,000/- and in multiples of Rs. 1/- thereafter		
Entry load/Exit Load	Entry Load- Nil Exit Load-Exit within 3 years from the date of allotment - 1 %, Exit after 3 years - Nil		
Plans/Options	**Plans:** Dividend and Growth Plan **Options:** Dividend Payout and Reinvestment option		
Fund Manager	Mr.Rama Iyer Srinivasan		
Asset Allocation	**Instruments**	**Indicative Allocation (% of Total Assets)**	**Risk Profile**
	Equity and equity related instruments covered under the universe of PSU Companies including derivatives	65 - 100	Medium to High
	Debt and Money Market Instruments	0 - 35	Low to Medium

Note: Exposure to derivatives instruments in the scheme may be to the extent of 50% of the net assets. Combined gross total exposure of debt (excluding CBLO/repo) + equity + derivatives (gross notional exposure) shall not exceed 100%.. Exposure to securitized debt may be to the extent of 20% of the net assets.

Why invest in PSU Theme Now?

A Riskier World

- Substantial Increase in Public Debt
- The Euro Crisis
- Financial Sector Deleveraging

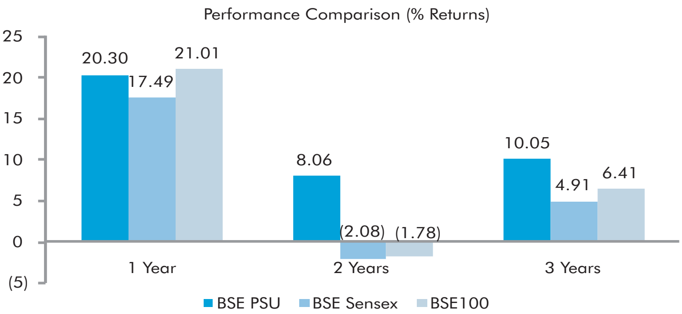
The India Story

- Strong Domestic Economy
- Demographics
- Incremental Flows

PSUs offer Better Risk-Return Trade Off

- PSUs are wealth creators of the nation, with strong fundamentals and are available at attractive valuations compared to broader markets.
- There may arise several disinvestment opportunities too which shall lead to unlocking of value in these companies.

Performance Analysis



Source: Angel Research; Note: Returns (%) are ABSOLUTE for <1 year and CAGR for =>1 Year (Report as on 21rd May 2010)

Key Analysis:

- The BSE PSU index has consistently outperformed the other broad market indices by substantial margin.
- In phases of economic downturn while other indices have given negative returns BSE PSU index has given positive returns to the extent of 8% CAGR.

Investment Strategy

- The primary strategy would be to invest in the stocks of PSU companies.
- Endeavors to identify market opportunities & achieve sufficient diversification.
- Control liquidity risks and non-systematic risks by selecting well researched stocks with long & mid-term growth prospects for stability and possibility of returns.
- Investment in equities would be through primary & secondary market, private placement / QIP, preferential/firm allotments or any other mode as may be prescribed/ available.

Fund Manager Profile

NAME: Rama Iyer Srinivasan

EDUCATIONAL QUALIFICATION: M.Com, MFM

EXPERIENCE: Future Capital Holding - Head - Portfolio Management

Performance of the Funds Managed by Fund Manager

Schemes	1 Years	2 Years	3 Years	5 Years	Since Inception
SBI Infrastructure Fund - Series I	12.02	(7.80)	N.A	N.A	(1.09)
SBI Magnum Equity Fund	26.41	3.57	9.93	20.09	7.20
SBI Magnum Global Fund 94	47.14	2.24	3.84	21.24	10.82
SBI Magnum Sector Umbrella - Emerging Businesses	46.67	(0.71)	3.90	16.41	24.45

Note: Returns (%) are ABSOLUTE for <1 year and CAGR for =>1 Year (Report as on 21rd May 2010)

Ideal for investors

- Interested in long term value unlocking in PSUs.
- Looking for diversification in their portfolio.
- Investment Horizon:- Long Term
- Risk Appetite:- High

Crude Oil

Crude gets vulnerable on EU concerns

Crude oil prices on the NYMEX slumped sharply in the last week, touching a low of $68.85/bbl. Prices suffered a setback on the back of fiscal issues in the Euro Zone which could stifle global economic growth and also lead to lower demand for crude oil. This factor coupled with rising inventories in the US, the world's largest energy consumer is also leading to downside pressure on the commodity. Strength in the Dollar Index (DX) is additionally adding to downside pressure on crude oil which lost 18% in May.

Crude oil inventory data in the last week came on the bearish side as the US Energy Department reported a rise in crude oil inventories by 900,000 barrels to a record 37.9 million barrels in the week to 14th May. Crude stored at the delivery hub in Cushing, Oklahoma rose 500,000 barrels in the week to 18th May. This inventory data is bearish and continuing rise in inventories pose concern.

Nymex Crude Oil Weekly Price Chart

Source: Telequote

Fear of growth in oil demand grips markets

Markets are currently facing a hazy scenario. On one hand, positive economic data from the US is boosting sentiments. But on the other hand, US crude oil inventory data is negative and has failed to give a clear indication of growth in the world's largest economy. Ongoing concerns in the Euro Zone coupled with concerns of monetary policy tightening in China will continue to weaken risk appetite. Even if buying support comes in at lower levels, the overall trend in crude oil remains down. Europe's debt crisis could hurt global economic growth and slow energy demand. We also expect a slowdown in energy demand from China as the country may go on for further monetary policy tightening.

Factors affecting crude oil prices:

- The grim economic scenario in the Euro Zone has led to concern over consumption of energy.
- Combination of news from China and the EU debt crisis has created a scenario that markets have been dreading.
- Chinese growth may slow as Chinese officials may have to raise capital and lending requirements further to stem price inflation as the Chinese economy is overheating.
- Stronger DX on the back of worries in the EU.
- Greater downside risk on the back of EU sovereign debt crisis and decrease in EU GDP.
- Risk aversion in the markets is expected to stay on the back of forthcoming EU policy and structural decisions, success or failure of austerity drive in southern Europe, and further downgrades of debt ratings.
- We expect the Euro to weaken on the back of these issues. Loss of risk appetite coupled with apprehension about a government induced slowdown in the Chinese economy could further keep a check on oil prices in the short-term.

Fundamental Outlook

Risk aversion in the financial markets is expected to remain. Even if we witness short period of optimism, it is doubtful that it will last long as long term effects of the European debt crisis on the global economy are expected to be negative. Crude oil is currently battling with rising inventories in the US on one hand and grim economic situation in the Euro Zone on the other hand. On the back of these issues, oil prices are expected to trade with a negative bias in the coming week. Even if the weekly opening happens in the positive territory, we expect risk aversion to re-emerge and lead to lower demand for higher-yielding and riskier investment assets in times of financial uncertainty.

Technical Outlook

For the coming week, we expect crude oil prices to trade with a downside bias. Following are the key levels for the coming week:

	S1	S2	R1	R2
Nymex Crude July ($)	67.60	64.50	74.60	78.60
MCX Crude June (Rs)	3,230	3,100	3,450	3,550

Sr. Technical Analyst (Commodities) - Reena Walia Nair

Commodity Technical Report

MCX June Gold

Last week, Gold prices opened the week at (Rs.18195 /10 grams), initially moved sharply higher but found strong resistance at Rs.18424 levels. Later prices fell sharply lower throughout the week, and made a low of Rs.17916. Gold finally ended the week with loss of Rs.205 to close at Rs.17990 as compared with previous week's close of Rs.18164.

Trend : Down

MCX GOLD Weekly Chart

Source: *Telequote*

Key Levels For Week :

S1 - 17790 S2 - 17600 R1 - 18200 R2 - 18430

Recommendation: Sell MCX Gold June Between 18200-18220 with strict Stop-loss above 18450 for a Target of 17850 and then 17750

MCX July Silver

Last week, Silver prices opened the week at (Rs.29750/kg), initially moved higher and as expected found good resistance at Rs.29996. Later prices fell sharply throughout the week breaking key supports , and made a low of Rs.28212. Silver finally ended the week with a huge loss of Rs.1251 to close at Rs.28407 as compared with previous week's close of Rs.29658.

Trend : Down

MCX SILVER Weekly Chart

Source: *Telequote*

Key Levels For Week :

S1 - 27700 S2 - 27050 R1 - 28900 R2 - 29550

MCX June Copper

Last week, Copper prices opened the week at (Rs.312/kg), initially fell lower but found strong support at Rs.296.05 levels. Later prices recovered sharply and made a high of Rs.322.55 .Copper finally ended the week with a gain of Rs 9.15 to close at Rs.321.95 as compared with previous week's close of Rs.312.80.

Trend : Sideways

MCX COPPER Weekly Chart

Source: *Telequote*

Key Levels For Week :

S1 - 308 S2 - 290 R1 - 331 R2 - 340

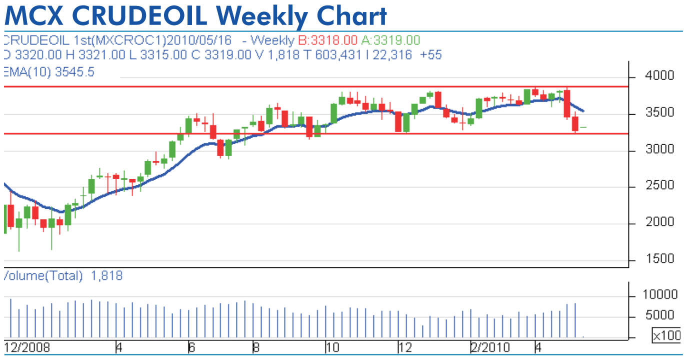
Recommendation: Sell MCX Copper June Between 330-332 With Strict Stop- loss above 342 for a Target of 314 and then 310.

MCX June Crude

Last week, Crude prices opened the week at (Rs.3411/barrel), initially moved higher but found strong resistance at Rs.3467 level. Later prices fell sharply throughout the week breaking key supports and made a low of Rs.3268. Crude finally ended the week with huge loss of Rs.121 to close at Rs.3319 as compared with previous close of Rs.3440.

Trend : Down

MCX CRUDEOIL Weekly Chart



Source: *Telequote*

Key Levels For Week :

S1 - 3230 S2 - 3100 R1 - 3450 R2 - 3550

Sr. Technical Analyst (Commodities) - Abhishek Chauhan

Disclaimer

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Angel Securities Limited, its affiliates, directors, its proprietary trading and investment businesses may, from time to time, make investment decisions that are inconsistent with or contradictory to the recommendations expressed herein. The views contained in this document are those of the analyst, and the company may or may not subscribe to all the views expressed within.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, and is for general guidance only. Angel Securities Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Securities Limited endeavours to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Angel Securities Limited and its affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.

Neither Angel Securities Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Note: Please refer to the important `Stock Holding Disclosure' report on the Angel website (Research Section).

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

Address: Acme Plaza, 'A' Wing, 3rd Floor, M.V. Road, Opp. Sangam Cinema, Andheri (E), Mumbai - 400 059.
Tel : (022) 3952 4568 / 4040 3800

Research Team

Fundamental:

Sarabjit Kour Nangra	VP-Research, Pharmaceutical	sarabjit@angeltrade.com
Vaibhav Agrawal	VP-Research, Banking	vaibhav.agrawal@angeltrade.com
Vaishali Jajoo	Automobile	vaishali.jajoo@angeltrade.com
Shailesh Kanani	Infrastructure, Real Estate	shailesh.kanani@angeltrade.com
Anand Shah	FMCG , Media	anand.shah@angeltrade.com
Deepak Pareek	Oil & Gas	deepak.pareek@angeltrade.com
Puneet Bambha	Capital Goods, Engineering	puneet.bambha@angeltrade.com
Sushant Dalmia	Pharmaceutical	sushant.dalmia@angeltrade.com
Rupesh Sankhe	Cement, Power	rupeshd.sankhe@angeltrade.com
Param Desai	Real Estate, Logistics, Shipping	paramv.desai@angeltrade.com
Sageraj Bariya	Fertiliser, Mid-cap	sageraj.bariya@angeltrade.com
Viraj Nadkarni	Retail, Hotels, Mid-cap	virajm.nadkarni@angeltrade.com
Paresh Jain	Metals & Mining	pareshn.jain@angeltrade.com
Amit Rane	Banking	amitn.rane@angeltrade.com
Rahul Jain	IT, Telecom	rahul.j@angeltrade.com
Jai Sharda	Mid-cap	jai.sharda@angeltrade.com
Sharan Lillaney	Mid-cap	sharanb.lillaney@angeltrade.com
Amit Vora	Research Associate (Oil & Gas)	amit.vora@angeltrade.com
V Srinivasan	Research Associate (Cement, Power)	v.srinivasan@angeltrade.com
Aniruddha Mate	Research Associate (Infra, Real Estate)	aniruddha.mate@angeltrade.com
Mihir Salot	Research Associate (Logistics, Shipping)	mihirr.salot@angeltrade.com
Chitrangda Kapur	Research Associate (FMCG, Media)	chitrangdar.kapur@angeltrade.com
Vibha Salvi	Research Associate (IT, Telecom)	vibhas.salvi@angeltrade.com
Pooja Jain	Research Associate (Metals & Mining)	pooja.j@angeltrade.com

Technicals:

Shardul Kulkarni	Sr. Technical Analyst	shardul.kulkarni@angeltrade.com
Mileen Vasudeo	Technical Analyst	vasudeo.kamalakant@angeltrade.com

Derivatives:

Siddarth Bhamre	Head - Derivatives	siddarth.bhamre@angeltrade.com
Jaya Agarwal	Derivative Analyst	jaya.agarwal@angeltrade.com
Sandeep Patil	Jr. Derivative Analyst	patil.sandeep@angeltrade.com

Institutional Sales Team:

Mayuresh Joshi	VP - Institutional Sales	mayuresh.joshi@angeltrade.com
Abhimanyu Sofat	AVP - Institutional Sales	abhimanyu.sofat@angeltrade.com
Nitesh Jalan	Sr. Manager	niteshk.jalan@angeltrade.com
Pranav Modi	Sr. Manager	pranavs.modi@angeltrade.com
Sandeep Jangir	Sr. Manager	sandeepp.jangir@angeltrade.com
Ganesh Iyer	Sr. Manager	ganeshb.Iyer@angeltrade.com
Jay Harsora	Sr. Dealer	jayr.harsora@angeltrade.com
Meenakshi Chavan	Dealer	meenakshis.chavan@angeltrade.com
Gaurang Tisani	Dealer	gaurangp.tisani@angeltrade.com

Production Team:

Bharathi Shetty	Research Editor	bharathi.shetty@angeltrade.com
Dharmil Adhyaru	Assistant Research Editor	dharmil.adhyaru@angeltrade.com
Bharat Patil	Production	bharat.patil@angeltrade.com
Dilip Patel	Production	dilipm.patel@angeltrade.com