## Market continues to decline

The Indian stock market continued to witness a decline for the third straight week, with the Sensex and the Nifty losing 1.6% of their value each. However, the market ended the week on a positive note, with strong gains on the last day of trade. Food inflation abated a bit during the week, falling to 13.1% compared to 17.1% in the earlier week. IIP numbers for December 2010 came in at a weak 1.6%, mainly because of a high base effect. BSE mid-cap and small-cap indices significantly underperformed compared to large-cap indices during the week, falling 3.8% and 6.3%, respectively. On the sectoral front, the BSE Metal index was the biggest loser, losing 5.6% of its value during the week; followed by the BSE Realty index, which was down by 4.5%. BSE Bankex ended the week flat.

## Metals stocks witness correction

The BSE Metal index fell by 5.6% during the week on the back of a broad decline in overall markets and lower-than-expected profitability for 3QFY2011. Furthermore, sentiment for steel stocks was dampened, as Arcelor Mittal reported EPS of US $(0.51) compared to consensus estimate of US $0.18 for 4QCY2010. Tata Steel fell by 6.3%, as the market started expecting poor results from its European operations. On February 8, 2011, the Ministry of Environment & Forest granted forest clearance for leases of Chiria mines to SAIL, which has iron ore deposits of ~1.8bn tonnes. As a result, the stock rose by over 3% on February 9, 2011. Among the non-ferrous pack, Sterlite (down 4.7%), Hindalco (down 10.9%), Hindustan Zinc (down 3.0%) and Nalco (down 6.5%) continued to slide on the back of poor market sentiment. **Tata Steel, SAIL, JSW Steel and Sterlite remain our top picks.**

## Inside This Weekly

**Mahindra & Mahindra (M&M) - 3QFY2011Result Update:** M&M reported strong results, which were in line with our expectations. The performance was led by top-line growth owing to a robust jump in volumes, increased average net realisation and marginal improvement in margins. **We broadly maintain our earnings estimates. Owing to the recent correction in the stock price, we recommend Buy with an SOTP Target Price of ₹794.**

**Aurobindo Pharma (APL) - 3QFY2011 Result Update:** For 3QFY2011, APL posted higher-than-expected results. The only disappointment was on the operating margin front. Top-line growth was mainly led by above-expectation growth in the formulations segment. Net profit (adj. for extraordinary items and forex gains) grew by 10% yoy. We have revised our estimates upwards and recommend Buy on the stock, **with a revised Target Price of ₹1,415.**

**MOIL - 3QFY2011 Result Update:** MOIL reported 1.9% yoy growth in net sales to ₹253cr, mainly due to higher revenue from the mining segment. Net profit grew by 2.9% yoy to ₹125cr . **We recommend Accumulate on the stock with a Target Price of ₹426.**

### FII activity

| As on | Cash (Equity) | Futures | (₹ cr) Net Activity |
|---|---|---|---|
| Feb 04 | 224 | (98) | 127 |
| Feb 07 | 1 | 447 | 448 |
| Feb 08 | (532) | (277) | (809) |
| Feb 09 | (285) | 1,149 | 864 |
| Feb 10 | (846) | (885) | (1,730) |
| **Net** | **(1,437)** | **337** | **(1,100)** |

### Mutual Fund activity (Equity)

| As on | Purchases | Sales | (₹ cr) Net Activity |
|---|---|---|---|
| Feb 03 | 570 | 592 | (21) |
| Feb 04 | 452 | 472 | (20) |
| Feb 07 | 558 | 574 | (16) |
| Feb 08 | 585 | 789 | (204) |
| Feb 09 | 677 | 600 | 77 |
| **Net** | **2,842** | **3,026** | **(183)** |

### Global Indices

| Indices | Feb. 04, 11 | Feb. 11, 11 | Weekly (% chg) | YTD (% chg) |
|---|---|---|---|---|
| BSE 30 | 18,008 | 17,729 | (1.6) | (13.6) |
| NSE | 5396 | 5310 | (1.6) | (13.4) |
| Nasdaq | 2,769 | 2,809 | 1.4 | 5.9 |
| DOW | 12,092 | 12,273 | 1.5 | 6.0 |
| Nikkei | 10,544 | 10,606 | 0.6 | 3.7 |
| HangSeng | 23,909 | 22,829 | (4.5) | (0.9) |
| Straits Times | 3,211 | 3,077 | (4.2) | (3.5) |
| Shanghai Composite | 2,799 | 2,827 | 1.0 | 0.7 |
| KLSE Composite | 1,532 | 1,495 | (2.4) | (1.6) |
| Jakarta Composite | 3,496 | 3,392 | (3.0) | (8.4) |
| KOSPI Composite | 2,072 | 1,977 | (4.6) | (3.6) |

### Sectoral Watch

| Indices | Feb. 04, 11 | Feb. 11, 11 | Weekly (% chg) | YTD (% chg) |
|---|---|---|---|---|
| BANKEX | 11,841 | 11,843 | 0.0 | (11.5) |
| BSE AUTO | 8,571 | 8,491 | (0.9) | (17.0) |
| BSE IT | 6,259 | 6,140 | (1.9) | (10.0) |
| BSE PSU | 8,643 | 8,346 | (3.4) | (11.8) |

# Aurobindo Pharma - Buy

**Price - ₹1,173**
**Target Price - ₹1,415**

## 3QFY2011 Result Update

### Performance Highlights

| Y/E March (₹ cr) | 3QFY11 | 2QFY11 | % chg (qoq) | 3QFY10 | % chg (yoy) |
|---|---|---|---|---|---|
| **Net sales** | **1,072** | **1043** | **2.8** | **825** | **30.0** |
| Other income | 126 | 80 | 56.9 | 101 | 25.4 |
| Operating profit | 199 | 184 | 8.0 | 152 | 31.0 |
| Interest | 11 | 19 | (40.5) | 13 | (9.5) |
| **Net profit** | **189** | **198** | **(4.5)** | **172** | **10.0** |

*Source: Company, Angel Research*

For 3QFY2011, Aurobindo Pharma (APL) posted higher-than-expected results. The only disappointment was on the operating margin front. Top-line growth was mainly led by above-expectation growth in the formulations segment. Net profit (adj. for the extraordinary items and forex gains) grew by 10% yoy. We have revised our estimates upwards and recommend Buy on the stock.

**Revenue up 30%, driven by the US and ARV formulation segments:** APL reported strong 30% growth in net sales to ₹1,072 (₹825cr), led by the better-than-expected growth in the formulations space, which grew by 53.3% yoy to ₹644cr (₹420cr), majorly driven by growth in the US and ARV formulation segments. The US formulation segment grew by healthy 48.4% yoy to ₹328cr (₹221cr). The company filed 15 ANDAs during the quarter, taking its cumulative filings to 200. The ARV formulation segment reported 63.8% yoy growth to ₹175cr (₹107cr). Further, the Europe and RoW formulation segments grew by 36.2% and 72.3% yoy, respectively. As a result, contribution from the formulations segment to net sales increased to 60% in 3QFY2011 from 51% in 3QFY2010. Overall, growth across the segment was led by contribution through the Hyderabad SEZ, which helped APL overcome capacity constraints. The API segment posted growth of 9.2% yoy to ₹455cr (₹417cr), driven by Cephs API that grew by 17.5% yoy.

**Flat OPM for the quarter:** During the quarter, gross margins contracted to 46.7% (50.4%) due to increased material costs. OPM remained flat at 18.6% (18.4%) yoy due to the increase of 20% and 12% in the employee and other expenses to ₹108cr (₹90cr) and ₹194cr (₹173cr), respectively. This was majorly because of the increase in employee strength due to commencement of new facilities.

**Adjusted net profit up 10%:** APL reported adjusted net profit growth of 10% yoy to ₹189cr (₹172cr), driven by revenue growth and higher dossier income. This included forex gain of ₹4.08cr (₹24.81cr) and exceptional item of ₹7.66cr for the quarter. The company recorded other operating income of ₹126cr (₹101cr), up 25.4%, on the back of higher dossier income of ₹120cr (₹91cr) yoy.

### Outlook and valuation

Considering that the commencement of operations at the Hyderabad SEZ and incremental contribution from the Pfizer deal would boost APL's earnings with better growth visibility going forward, we have revised our estimates upwards to factor in the same. We estimate net sales to log an 18.8% CAGR to ₹4,756cr over FY2010-12 on the back of supply agreements and the US and ARV formulation contracts. We expect APL's recurring earnings (excluding other operating income) to post a 33.2% CAGR over FY2010-12 to ₹539cr on the back of sales growth and OPM expansion. **With the revision of estimates, we upgrade the stock to Buy with a revised Target Price of ₹1,415 (₹1,330).**

### Key financials (Consolidated)

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net Sales** | **2,935** | **3,370** | **4,007** | **4,756** |
| *% chg* | *20.8* | *14.8* | *18.9* | *18.7* |
| **Net Profit** | **100** | **563** | **585** | **657** |
| *% chg* | *(58.0)* | *462.6* | *3.9* | *12.3* |
| **EPS (₹)** | **18.6** | **101.1** | **103.7** | **116.4** |
| **Adj EPS** | **56.0** | **81.5** | **101.2** | **116.4** |
| EBITDA Margin (%) | 12.7 | 18.3 | 18.1 | 19.2 |
| P/E (x) | 20.9 | 14.4 | 11.6 | 10.1 |
| RoE (%) | 25.5 | 29.6 | 27.2 | 24.5 |
| RoCE (%) | 7.3 | 12.1 | 12.6 | 15.0 |
| P/BV (x) | 5.1 | 3.6 | 2.8 | 2.2 |
| EV/Sales (x) | 2.9 | 2.6 | 2.2 | 1.8 |
| EV/EBITDA (x) | 22.8 | 14.0 | 11.9 | 9.3 |

*Source: Company, Angel Research; Price as on February 2, 2011*

**Research Analyst - Sarabjit Kour Nangra /Poonam Sanghavi**

# Godawari Power & Ispat - Buy

**Price - ₹165**
**Target Price - ₹247**

## 3QFY2011 Result Update

### Performance Highlights

| Y/E March (₹ cr) | 3QFY11 | 3QFY10 | % chg (yoy) | 2QFY11 | % chg (qoq) |
|---|---|---|---|---|---|
| **Net sales** | **229** | **202** | ***13.2*** | **148** | ***54.6*** |
| EBITDA | 52 | 32 | *65.8* | 30 | *72.7* |
| % margin | 23.0 | 15.7 | *728bp* | 20.6 | *240bp* |
| **Net profit** | **21** | **14** | ***55.6*** | **7** | ***192.1*** |

*Source: Company, Angel Research*

GPIL's net sales increased by 13.2% yoy and 54.6% qoq to ₹229cr in 3QFY2011, while net profit grew by 55.6% yoy and 192.1% qoq to ₹21cr.

**Revenue growth driven by increased pellet sales:** GPIL's 3QFY2011 net sales increased by 13.2% yoy and 54.6% qoq to ₹229cr on account of a) increased pellet sales volumes (18,265 tonnes v/s nil in 3QFY2010 and 3,319 tonnes in 2QFY2011) and b) higher realisations yoy and qoq across product categories. During the quarter, sponge iron realisation increased by 38.0% yoy (up 17.7% qoq) to ₹16,988/tonne, while billet realisation increased by 19.1% yoy (up 2.7% qoq) to ₹25,331/tonne. Average pellet realisation stood at ₹7,292/ tonne, up 35.8% qoq.

### Quarterly sales volume trend

| (tonnes) | 3QFY10 | 2QFY11 | 3QFY11 | yoy % | qoq % |
|---|---|---|---|---|---|
| Sponge iron | 69,064 | 38,460 | 41,194 | *(40.4)* | *7.1* |
| Billets | 14,160 | 14,478 | 31,168 | *120.1* | *115.3* |
| HB wire | 18,273 | 12,866 | 14,952 | *(18.2)* | *16.2* |
| Ferro alloys | 0 | 1,259 | 852 | - | *(32.3)* |
| Power (mn units) | 60 | 18 | 19 | *(68.1)* | *5.7* |
| Pellet | 0 | 3,319 | 18,265 | - | *450.4* |

*Source: Company, Angel Research*

### Quarterly realisation trend

| (₹/tonne) | 3QFY10 | 2QFY11 | 3QFY11 | yoy % | qoq % |
|---|---|---|---|---|---|
| Sponge iron | 12,310 | 14,438 | 16,988 | *38.0* | *17.7* |
| Billets | 21,264 | 24,669 | 25,331 | *19.1* | *2.7* |
| HB wire | 26,547 | 28,956 | 29,441 | *10.9* | *1.7* |
| Ferro alloys | - | 53,366 | 52,289 | - | *(2.0)* |
| Power (mn units) | 5.2 | 2.6 | 2.9 | *(44.6)* | *8.6* |
| Pellet | - | 5,371 | 7,292 | - | *35.8* |

*Source: Company, Angel Research*

**Margins improve on account of higher realisations:** Other expenses as a percentage of net revenue increased to 16.7% in 3QFY2011 from 9.7% in 3QFY2010 on account of higher fuel consumption. Nevertheless, EBITDA margin expanded by 728bp yoy to 23.0% due to higher realisations across product categories (mainly pellets) and lower raw-material cost (which as a percentage of net sales declined to 57.1% in 3QFY2011 from 71.1% in 3QFY2010). As a result, EBITDA grew by 65.8% yoy to ₹52cr and net income grew by 55.6% yoy to ₹21cr.

### Outlook and valuation

GPIL reported strong profitability growth in 3QFY2011. Despite higher prices of key inputs, GPIL remains well poised to sustain strong profitability on account of pellet sales going forward. At the CMP, the stock is trading at 5.1x FY2011E and 2.7x FY2012E EV/EBITDA. On a P/BV basis, it is trading at 0.8x FY2011E and 0.7x FY2012E estimates. **We maintain Buy on GPIL with a revised Target Price of ₹247 (₹302), valuing it at 4x FY2012E EV/EBITDA.**

### Key Financials (Consolidated)

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net sales** | **1,092** | **822** | **948** | **1,381** |
| *% chg* | *34.8* | *(24.7)* | *15.3* | *45.6* |
| **Net profit** | **62** | **57** | **60** | **141** |
| *% chg* | *(37.4)* | *(8.1)* | *4.8* | *134.7* |
| **FDEPS (₹)** | **22.3** | **20.5** | **21.5** | **50.4** |
| OPM (%) | 11.3 | 15.9 | 16.6 | 18.6 |
| P/E (x) | 7.4 | 8.1 | 7.7 | 3.3 |
| P/BV (x) | 1.0 | 0.9 | 0.8 | 0.7 |
| RoE (%) | 14.7 | 11.9 | 11.2 | 22.7 |
| RoCE (%) | 12.6 | 10.5 | 11.0 | 19.9 |
| EV/Sales (x) | 0.7 | 1.1 | 0.9 | 0.5 |
| EV/EBITDA (x) | 6.1 | 7.2 | 5.1 | 2.7 |

*Source: Company, Angel Research; Price as on February 7, 2011*

**Research Analyst - Bhavesh Chauhan/Pooja Jain**

# Finolex Cables - Buy

**Price - ₹44**
**Target Price - ₹82**

## 3QFY2011 Result Update

### Performance Highlights

| (₹ cr) | 3QFY11 | 2QFY110 | % chg qoq | 3QFY10 | % chg yoy |
|---|---|---|---|---|---|
| **Net Sales** | **513** | **491** | ***4.5*** | **422** | ***21.4*** |
| EBITDA | 51 | 42 | 22.5 | 46 | *11.6* |
| EBITDA margin (%) | 9.9 | 8.5 | | 10.8 | |
| **PAT** | **26** | **19** | ***38.4*** | **12** | ***113.1*** |

*Source: Company, Angel Research*

**Sales maintains the strong growth momentum:** The company has been performing well on the top-line front since the past few quarters. In 3QFY2011 too, the company maintained this trend and posted robust yoy growth of 21.4%. Over the past eight quarters, the company's sales have increased from ₹327cr to ₹513cr. Going ahead, we expect the sales growth to remain healthy, as demand from the user industries remains robust. Moreover, the HT cables plant would start contributing meaningfully to sales in the ensuing quarters.

**OPM increases sequentially:** In the past two quarters, the company has seen subdued OPMs. In 3QFY2011 however, OPM expanded sequentially to 9.9% from 8.5%. On a yoy basis, OPM reduced by 87bp from 10.8% in 3QFY2010. Going ahead, we expect OPM to remain in this range, with OPM expectations of 9.2% and 9.8% in FY2011 and FY2012.

**PAT reported at ₹26cr:** PAT has remained in the range of ₹19-26cr since 4QFY2010, when the company had posted a loss of ₹5cr. In 3QFY2011, the company reported a PAT of ₹26cr, vis-à-vis ₹12cr in 3QFY2010. Going ahead, as sales expand, we expect PAT also to increase. PAT growth would also be boosted by declining forex losses.

### Segment-wise performance

The electrical cables segment posted 31.8% yoy growth to ₹343cr (₹260cr), mainly on the back of increase in realisation. However, EBIT margin declined by 106bp yoy and 89bp qoq to 12.3% on account of higher raw material prices. The segment reported EBIT of ₹42cr.

Sales of the communication cables segment registered a 20.7% yoy decline in sales to ₹53cr (₹66cr). EBIT of the segment came in at ₹12cr (₹11cr), implying an EBIT margin of 23.1% (16.7%).

Copper rods segment also recorded a strong sales growth of 20.7% to ₹317cr (₹262cr). EBIT margins came in at a subdued 0.1%, vis-à-vis 2.3% in 3QFY2010. During the quarter, the company did not book some of the credits from its suppliers. Notably, in 2QFY2011, the segment had to absorb a sales tax outgo of ₹4.2cr, owing to which it had suffered a loss of ₹6cr.

Others segment recorded sales of ₹41cr (₹8cr), while it posted a loss of ₹1cr at the EBIT level.

### Outlook and Valuation

We maintain our positive outlook on Finolex Cables, owing to robust demand from its user industries. We have revised our top-line estimates for FY2011 and FY2012 marginally downwards by 1.3% and 1.6% to ₹2,022cr and ₹2,419cr, respectively. However, given lower-than expected depreciation and interest cost and forex losses, PAT estimates for FY2011 and FY2012 have been raised by 4.0% and 0.2% to ₹84cr and ₹139cr, respectively. Going ahead, we expect sales to grow at a CAGR of 22.2% over FY2010-12, while PAT is estimated to post 55.2% CAGR over the same period. At ₹44, the stock is trading at attractive valuations of 4.8x FY2012E EPS and 0.8x FY2012E book value. **We maintain a Buy on the stock, with a Target Price of ₹82.**

### Key Financials

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net Sales** | **1,342** | **1,619** | **2,022** | **2,419** |
| *% chg* | *(3.1)* | *20.7* | *24.9* | *19.6* |
| **Net Profit** | **(35)** | **58** | **84** | **139** |
| *% chg* | *-* | *-* | *45.2* | *66.0* |
| EBITDA (%) | 7.6 | 12.2 | 9.2 | 9.8 |
| **EPS (₹)** | **(2.3)** | **3.8** | **5.5** | **9.1** |
| P/E (x) | - | 11.6 | 8.0 | 4.8 |
| P/BV (x) | 1.1 | 1.0 | 0.9 | 0.8 |
| RoE (%) | - | 9.3 | 12.4 | 18.3 |
| RoCE (%) | 6.8 | 17.1 | 14.6 | 17.9 |
| EV/Sales (x) | 0.5 | 0.4 | 0.3 | 0.3 |
| EV/EBITDA (x) | 6.1 | 3.2 | 3.5 | 2.7 |

*Source: Company, Angel Research; Price as on February 9, 2011*

**Research Analyst - Jai Sharda**

# India Cements - Buy

**Price - ₹90**
**Target Price - ₹136**

## 3QFY2011 Result Update

### Performance Highlights

| Y/E Mar (₹ cr) | 3QFY11 | 2QFY11 | % chg qoq | 3QFY10 | % chg yoy |
|---|---|---|---|---|---|
| **Net Revenue** | **784** | **843** | ***(7.0)*** | **876** | ***(10.6)*** |
| Operating Profit | 129 | 30 | *324.9* | 128 | *0.3* |
| OPM (%) | 16.4 | 3.6 | *1,284bp* | 14.7 | *178bp* |
| **Net Profit** | **21** | **(34)** | **-** | **35** | ***(38.3)*** |

*Source: Company, Angel Research*

For 3QFY2011, India Cements (INC) posted net profit of ₹21cr on a standalone basis from loss of ₹34cr in 2QFY2011, primarily due to higher realisations owing to the pricing discipline adopted by the cement manufacturers in the southern region. However, dispatches declined by a steep ~24% yoy on account of the 2% yoy de-growth in demand in the company's key markets in the southern region. Andhra Pradesh, which is the major cement consumer in the south, reported demand de-growth of 15% due to the continuing political uncertainty in the state.

### Operating performance

During the quarter, INC dispatched 2.04mn tonnes of cement, a decline of 23.6% yoy. However, net cement realisations improved by ~20.3% yoy to ₹2,900/tonne due to the pricing discipline adopted by the players. Freight cost per tonne increased 6.8% yoy ₹702 due to higher diesel costs. Operating profit per tonne of cement stood at ₹585, up 33.2% yoy. Net Profit per tonne stood at ₹74.

### Performance of other divisions

The IPL franchisee, the shipping business and the windmill division posted revenues of ₹11.5cr, ₹21cr and ₹0.9cr, respectively. On the operating front, while the shipping division posted operating profit of ₹2cr, the IPL business reported operating profit of ₹8cr.

**Cement demand scenario in 3QFY2011:** During 3QFY2011, all-India demand grew by a tepid 2% yoy. The southern region fared poorly with de-growth of 2.2% during the quarter. The major cement consuming state of Andhra Pradesh posted 15% de-growth in demand on a yoy basis as against the high 24% growth witnessed in FY2010. Kerala also witnessed de-growth of 2% in cement demand during the quarter. Tamil Nadu and Karnataka however recorded positive growth in demand during the quarter.

**Capacity expansions well on track:** INC's 1.5mtpa green-field plant at Rajasthan, through its subsidiary, Indo Zinc commenced commercial operations during the quarter. The Tamil Nadu captive power plant (CPP) is expected to be operational in 1QFY2012. The company is also in the process of setting up a 50MW CPP in Andhra Pradesh., which would commence operations in 2QFY2013. The company has also completed formalities for obtaining the coal mining rights in Indonesia to meet its coal requirements for power generation and cement manufacturing. The supply of coal from these mines is expected to commence in August 2011. Thus, INC plans to incur total capex of ₹650cr over the next two years.

### Outlook and Valuation

Going ahead, we expect demand to improve in the southern region. However, excess capacity in the region would continue to be an overhang. At the CMP, the stock is trading at EV/tonne of US $65/tonne based on FY2012E capacity, which is at a substantial discount to its peers. **We maintain a Buy on the stock, with a SOTP-based Target Price of ₹136.**

### Key Financials

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net Sales** | **3,427** | **3,771** | **3,494** | **3,982** |
| *% chg* | *12.1* | *10.1* | *(7.3)* | *13.9* |
| *Net Profit* | *432* | *354* | *44* | *95* |
| *% chg* | *(32.2)* | *(18.0)* | *(87.7)* | *118.6* |
| OPM (%) | 29.1 | 21.9 | 11.9 | 13.9 |
| **FDEPS (₹)** | **15.3** | **11.5** | **1.4** | **3.1** |
| P/E(x) | 5.9 | 7.8 | 63.4 | 29.0 |
| P/BV(x) | 0.9 | 0.8 | 0.8 | 0.8 |
| RoE(%) | 14.7 | 9.1 | 1.0 | 2.2 |
| RoCE(%) | 14.1 | 9.6 | 2.3 | 3.6 |
| EV/Sales (x) | 1.3 | 1.3 | 1.4 | 1.2 |
| EV/tonne (US $) | 53 | 62 | 70 | 65 |
| EV/EBITDA | 4.5 | 5.8 | 12.0 | 8.4 |

*Source: Company, Angel Research; Price as on February 10, 2011*

**Research Analyst - Rupesh Sankhe/V Srinivasan**

# Mahindra and Mahindra - Buy

**Price - ₹654**
**Target Price - ₹794**

## 3QFY2011 Result Update

### Performance Highlights

| Y/E March (₹ cr) | 3QFY11 | 3QFY10 | % chg (yoy) | Angel est. | % diff |
|---|---|---|---|---|---|
| **Net sales** | **6,121** | **4,497** | ***36.1*** | **6,047** | ***1.2*** |
| EBITDA | 924 | 670 | *38.0* | 881 | *4.8* |
| EBITDA margin (%) | 15.1 | 14.9 | *20bp* | 14.8 | *29bp* |
| Reported PAT | 735 | 414 | *77.6* | 611 | *20.2* |
| **Adjusted PAT** | **617** | **414** | ***49.2*** | **611** | ***0.9*** |

*Source: Company, Angel Research*

**Top-line performance in line, driven by volume growth:** For 3QFY2011, M&M reported strong 36.1% yoy (12.6% qoq) top-line growth to ₹6,121cr, which was in line with our expectation and aided by a robust 32.5% yoy (11.8% qoq) jump in overall volumes and a 2.3% yoy (2.3% qoq) increase in average net realisation. In the UV segment, M&M sold 56,211 vehicles and retained its dominant position with a market share of 62.2% on the back of Xylo and Bolero, which continued to see good offtake. Tractor volumes also registered strong 33.8% yoy growth in 3QFY2011, aided by the festival season and post harvesting period. M&M's total market share in the tractor segment during 3QFY2011 stood at 43.3% (41.1% in 2QFY2011). Further, a substantial increase in other operating income at ₹47cr (₹18cr in 3QFY2010) supported top-line growth.

**Operating performance marginally ahead of estimates:** M&M's EBITDA margins for 3QFY2011 came in 29bp ahead of our estimates at 15.1%, a jump of 20bp yoy; however, it fell by 138bp qoq. Margin expansion on a yoy basis was supported by lower raw-material cost as a percentage of net sales at 62.7% v/s 64.6% in 3QFY2010. However, raw-material cost for the quarter increased by almost 58bp qoq.

Noticeably, for the quarter, purchase of traded goods as a percentage of sales witnessed a sharp jump of 427bp to 7% v/s 2.7% in 3QFY2010, thus negatively impacting margins. Better product mix, higher CV volumes, improved operating leverage and cost-control initiatives also helped the company to save on staff costs and other expenses. Overall, operating profit registered a 38% yoy increase during 3QFY2011 to ₹924cr (₹670cr).

**Adjusted net profit up 49.2% yoy:** M&M registered adjusted net profit of ₹617cr (₹414cr) during the quarter, which was in line with our expectation, aided by improved operating performance and a 72% yoy increase in other income to ₹41.9cr (₹24.4cr in 3QFY2010). During the quarter, the company registered an extraordinary gain of ₹117cr on the exercise of put options on long-term investments in Owen Cornings India Ltd.

### Outlook and valuation

M&M's volume growth continues to surprise positively, supported by new product launches such as Xylo, GIO and Maxximo. Moreover, the planned new product launches in the PV and CV space are expected to help the company in sustaining its volume momentum going ahead. We broadly maintain our volume estimates and model in CAGR of ~11% and ~9% in UV and tractor volumes, respectively, over FY2010-12E.

At ₹654, M&M is trading at 15.1x FY2011E and 13.8x FY2012E standalone earnings. **Owing to the recent correction in the stock price, we recommend Buy on the stock.** Our SOTP Target Price for M&M works out to ₹794, wherein its core business fetches ₹592/share and the value of its investments works out to ₹202/share. M&M remains one of the preferred picks in our coverage universe.

### Key Financials

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net sales** | **12,927** | **18,350** | **22,373** | **26,050** |
| *% chg* | *14.6* | *41.9* | *21.9* | *16.4* |
| **Adj. net profit** | **786** | **2,029** | **2,514** | **2,766** |
| *% chg* | *(37.6)* | *158.1* | *23.9* | *10.0* |
| EBITDA margin (%) | 6.9 | 14.8 | 14.7 | 14.0 |
| **Adj. EPS (₹)** | **13.5** | **34.9** | **43.2** | **47.5** |
| P/E (x) | 45.4 | 18.2 | 15.1 | 13.8 |
| P/BV (x) | 6.8 | 4.7 | 4.0 | 3.3 |
| RoE (%) | 21.3 | 21.5 | 26.1 | 25.0 |
| RoCE (%) | 7.4 | 23.2 | 23.6 | 22.3 |
| EV/Sales (x) | 2.4 | 1.6 | 1.3 | 1.1 |
| EV/EBITDA (x) | 39.0 | 12.1 | 9.7 | 8.7 |

*Source: Company, Angel Research; Price as on February 10, 2011*

**Research Analyst - Yaresh Kothari**

# MOIL - Accumulate

**Price - ₹408**
**Target Price - ₹426**

## 3QFY2011 Result Update

### Performance Highlights

| Particulars (₹ cr) | 3QFY11 | 3QFY10 | % chg yoy | 2QFY11 | % chg qoq |
|---|---|---|---|---|---|
| **Net sales** | **253** | **249** | ***1.9*** | **284** | ***(10.9)*** |
| EBITDA | 161 | 155 | *4.0* | 197 | *(18.5)* |
| % margin | 63.5 | 62.2 | *128bp* | 69.5 | *(598)bp* |
| **Net profit** | **125** | **121** | ***2.9*** | **148** | ***(15.7)*** |

*Source: Company, Angel Research*

**Flat top-line performance:** For 3QFY2011, MOIL reported 1.9% yoy growth in net sales to ₹253cr, mainly due to higher revenue from the mining segment, which increased by 3.8% yoy to ₹239cr (94% of MOIL's net sales). The company's manganese ore sales volume stood at 239,000 tonnes and average blended realisations stood at ₹10,005/tonne. For 4QFY2011, MOIL has lowered its prices for some grades of manganese ore and expects realisations to remain flat qoq on account of improvement in its product mix.

**Margin expands by 128bp yoy:** While raw-material costs declined, other expenditure increased by 61.8% yoy to ₹48cr (18.8% of net sales in 3QFY2011 compared to 11.8% of net sales in 3QFY2010). Thus, EBITDA grew by 4.0% yoy to ₹161cr, as EBITDA margin improved by 128bp yoy to 63.5%. Depreciation expense during the quarter increased by 15.5% yoy to ₹7cr, while other income declined by 4.5% yoy to ₹34cr. Consequently, net profit grew by 2.9% yoy to ₹125cr in 3QFY2011.

### Key conference call takeaways

- MOIL's sales volumes in 3QFY2011 stood at 239,000 tonnes of manganese ore. The company guided that it will achieve its target of 1.15mn tonnes of manganese ore in FY2011, which indicates that 4QFY2011 production would be ~411,000 tonnes as per our estimates.
- MOIL's stripping ratio in its open cast mine currently stands at 1:9.
- The company targets production of 1.5mn tonnes and 2.0mn-2.5mn tonnes of manganese ore by CY2015 and CY2020, respectively.
- MOIL has slightly lowered its prices for some grades of manganese ore for 4QFY2011. However, the company expects realisations to remain flat qoq on account of improvement in its product mix.
- MOIL aims to spend capex of ₹800cr on mine development, with majority of the capex lined up post FY2012.
- The company's cash balance as on December 31, 2011, stood at ₹1,800cr (₹107/share).

### Outlook and valuation

MOIL accounts for nearly 50% of India's manganese ore production. The company is expanding its production capacity at existing mines to 1.5mn tonnes by CY2015 from 1.1mn tonnes currently. Given the strong profitability levels, high free cash flows, current cash levels of ₹1,800cr (₹107/share), **we recommend Accumulate on the stock with a Target Price of ₹426 (earlier ₹461), valuing it at 5.5x FY2012E EV/EBITDA.**

### Key Financials

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net sales** | **1,293** | **969** | **1,242** | **1,301** |
| *% chg* | *32.3* | *(25.0)* | *28.1* | *4.7* |
| **Net profit** | **690** | **466** | **636** | **671** |
| *% chg* | *49.6* | *(32.5)* | *36.5* | *5.5* |
| **EPS (₹)** | **39.5** | **27.8** | **37.8** | **39.9** |
| OPM (%) | 71.1 | 62.1 | 68.4 | 67.8 |
| P/E (x) | 10.3 | 14.7 | 10.8 | 10.2 |
| P/BV (x) | 5.2 | 4.1 | 3.1 | 2.5 |
| RoE (%) | 65.5 | 31.1 | 32.9 | 27.3 |
| RoCE (%) | 83.6 | 38.1 | 42.4 | 34.4 |
| EV/Sales (x) | 4.4 | 5.5 | 4.0 | 3.5 |
| EV/EBITDA (x) | 6.1 | 8.9 | 5.9 | 5.2 |

*Source: Company, Angel Research; Price as on February 9, 2011*

**Research Analyst - Bhavesh Chauhan/Pooja Jain**

# TajGVK - Buy

**Price - ₹111**
**Target Price - ₹197**

## 3QFY2011 Result Update

### Performance Highlights

| (₹ cr) | 3QFY11 | 3QFY10 | % chg yoy | 2QFY11 | % chg qoq |
|---|---|---|---|---|---|
| **Net sales** | **70.2** | **64.4** | **9.2** | **59.8** | **17.5** |
| Operating profit | 27.8 | 26.1 | 6.7 | 19.3 | 44.3 |
| OPM (%) | 39.6 | 40.5 | | 32.3 | |
| **Net profit** | **12.9** | **12.2** | **5.9** | **7.4** | **73.7** |

*Source: Company, Angel Research*

For 3QFY2011, TajGVK reported top-line growth of 9.2% yoy to ₹70cr (₹64cr), below our estimates of ₹76cr, primarily on account on lower-than-expected occupancy rates (OR) and average room rate (ARR) in Hyderabad hotels. OPM at 39.6% also came in below our estimates of 41.0%. PAT increased by 5.9% yoy to ₹13cr (₹12cr), as against our expectations of ₹15cr. Overall, OR increased to 68%, compared to 64% in 3QFY2010. Going ahead, we expect the company to improve on its key operating parameters.

**OR comes in at 68%:** Overall OR for the quarter came in at 68%, which grew from 64% in 3QFY2010. Hyderabad hotels reported OR of 67%, which was below our expectations. The Chandigarh hotel posted OR of 77%. Chennai hotel posted OR of 65% with ARR of ~₹5,200. Owing to lower-than-expected OR and ARR, OPM also remained 136bp below our estimates.

**Net sales up 9.2%:** The company has been posting a moderate top-line growth rate over the past few quarters. In 3QFY2011, sales grew by 9.2% yoy, which is a remarkable improvement from the sales decline reported by the company till 2QFY2010. However, the top-line increase has not been as robust as earlier expected. Nevertheless, we expect growth to pick up going ahead.

**OPM falls to 39.6%:** The company reported a marginal decline in OPM during the quarter to 39.6% from 40.5% in 3QFY2010. Sequentially, OPM improved by 735bp, mainly due to the seasonality effect. OPM still has not reached its peak and we expect it to expand in the quarters to come.

**PAT increases to ₹12.9cr:** PAT grew to ₹12.9cr during the quarter, backed by improved OR. However, PAT growth was only 5.9% yoy, below our expectations. In the recent quarters, the company has shown modest PAT growth. Going ahead, we expect this growth to be higher, on the back of robust sales growth and higher OPM.

### Outlook and valuation

TajGVK is well poised to ride the expected recovery in the hotel industry. The industry continues to witness a steady recovery, with an improvement in the FTA and the overall economy. The demand-supply trend in the industry is expected to remain favourable over the years to come. TajGVK is planning to add a 189-room hotel in FY2012, increasing its owned rooms to 1,086 from 897 currently. Plans of setting up a Ginger hotel in two years' time are also being considered. We believe this augurs well for the company. However, owing to below-expectation results in 3QFY2011, we have revised our top-line estimates for FY2011 and FY2012 downwards by 4.0% and 4.9% to ₹266cr and ₹316cr, respectively, and PAT estimates by 6.3% and 13.5% to ₹45cr and ₹62cr, respectively. Overall, we expect sales to grow at a 17.8% CAGR over FY2010-12E, while PAT is expected to post a 30.5% CAGR over the same period. At ₹111, the stock is trading at 15.5x and 11.3x its FY2011E and FY2012E PAT, respectively. **We maintain Buy on the stock with a revised Target Price of ₹197 (₹228).**

### Key Financials

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net sales** | **237** | **228** | **266** | **316** |
| *% chg* | *(7.8)* | *(3.9)* | *16.5* | *19.1* |
| **Net profit** | **53** | **36** | **45** | **62** |
| *% chg* | *(24.2)* | *(31.8)* | *23.4* | *37.6* |
| EBITDA (%) | 42.4 | 37.6 | 37.6 | 40.4 |
| **EPS (₹)** | **8.4** | **5.8** | **7.2** | **9.8** |
| P/E (x) | 13.2 | 19.2 | 15.5 | 11.3 |
| P/BV (x) | 2.6 | 2.4 | 2.1 | 1.8 |
| RoE (%) | 19.5 | 12.4 | 13.6 | 16.2 |
| RoCE (%) | 20.9 | 14.4 | 15.2 | 20.5 |
| EV/Sales (x) | 3.5 | 3.7 | 3.2 | 2.6 |
| EV/EBITDA (x) | 8.3 | 9.9 | 8.6 | 6.3 |

*Source: Company, Angel Research; Price as on February 7, 2011*

**Research Analyst - Jai Sharda**

# Short-term bottom in place - Bounce in offing

## Sensex (17729) / Nifty (5310)

In our previous Weekly report, we had mentioned that any weekly close below 17820 / 5350 levels could lead the indices to test lower levels of 17374 - 17157 / 5200 - 5150 in the coming weeks. The week traded with a negative bias. Indices made a fresh low of 17296 / 5178, close to the mentioned target levels and rebounded sharply from the oversold zone. The Sensex and Nifty ended with net loss of 1.6% vis-à-vis the previous week.

### Pattern Formation

- On the **Daily chart**, prices are trading in a downward sloping channel and have tested the lower trendline of the channel. This suggests a probable up move towards the upper trendline of the channel.

- On the **Weekly chart**, we are observing that prices have rebounded from a time and price retracement zone, considering a number of Fibonacci retracement levels.

### Future Outlook

The coming week is likely to trade with a positive bias. On the daily chart, prices have rebounded from the lower trendline of the channel, which also coincides with the time-price retracement of the entire down move. At present, we are of the opinion that a short-term bottom is in place and there is high probability that indices may test 18076 - 18318 / 5416 - 5489 levels in the next couple of trading sessions. On the downside, the 17374 - 17157 / 5200 - 5150 zone may act as a support for the indices.

**Exhibit 1: Sensex Weekly chart**


*Source: Falcon*

# Weekly Pivot Levels For Nifty 50 Stocks

| SCRIPS | R2 | R1 | PIVOT | S1 | S2 |
|---|---|---|---|---|---|
| SENSEX | 18,620 | 18,174 | 17,735 | 17,289 | 16,850 |
| NIFTY | 5,572 | 5,441 | 5,309 | 5,178 | 5,047 |
| BANK NIFTY | 10,817 | 10,632 | 10,325 | 10,140 | 9,833 |
| A.C.C. | 1,037 | 1,006 | 964 | 933 | 891 |
| ABB LTD. | 763 | 703 | 649 | 589 | 535 |
| AMBUJACEM | 127 | 122 | 117 | 111 | 106 |
| AXISBANK | 1,297 | 1,259 | 1,205 | 1,167 | 1,112 |
| BHARAT PETRO | 650 | 616 | 582 | 548 | 514 |
| BHARTIARTL | 357 | 338 | 325 | 307 | 294 |
| BHEL | 2,308 | 2,172 | 2,085 | 1,949 | 1,862 |
| CAIRN | 345 | 336 | 321 | 311 | 296 |
| CIPLA | 336 | 324 | 310 | 298 | 284 |
| DLF | 263 | 255 | 242 | 234 | 220 |
| GAIL | 476 | 461 | 444 | 429 | 412 |
| HCL TECHNOLO | 505 | 487 | 469 | 452 | 434 |
| HDFC BANK | 2,112 | 2,086 | 2,034 | 2,007 | 1,955 |
| HERO HONDA | 1,678 | 1,574 | 1,495 | 1,390 | 1,311 |
| HINDALCO | 255 | 233 | 217 | 195 | 180 |
| HINDUNILVR | 282 | 276 | 272 | 265 | 262 |
| HOUS DEV FIN | 654 | 639 | 611 | 595 | 567 |
| ICICI BANK | 1,051 | 1,026 | 983 | 958 | 915 |
| IDEA | 78 | 71 | 64 | 57 | 50 |
| IDFC | 153 | 144 | 130 | 121 | 107 |
| INFOSYS TECH | 3,213 | 3,127 | 3,074 | 2,988 | 2,934 |
| ITC | 162 | 158 | 156 | 152 | 149 |
| JINDL STL&PO | 671 | 644 | 624 | 597 | 577 |
| JPASSOCIAT | 97 | 89 | 80 | 72 | 63 |
| KOTAK BANK | 414 | 396 | 365 | 347 | 315 |
| LT | 1,658 | 1,607 | 1,534 | 1,483 | 1,410 |
| MAH & MAH | 718 | 692 | 655 | 629 | 592 |
| MARUTI | 1,232 | 1,207 | 1,176 | 1,151 | 1,120 |
| NTPC | 188 | 183 | 176 | 171 | 164 |
| ONGC CORP. | 322 | 299 | 282 | 260 | 243 |
| PNB | 1,128 | 1,081 | 1,026 | 979 | 923 |
| POWERGRID | 101 | 99 | 97 | 94 | 92 |
| RANBAXY LAB. | 557 | 530 | 505 | 478 | 453 |
| RCOM | 130 | 114 | 102 | 85 | 73 |
| REL.CAPITAL | 555 | 492 | 440 | 377 | 325 |
| RELIANCE | 965 | 937 | 911 | 884 | 858 |
| RELINFRA | 798 | 707 | 600 | 509 | 402 |
| RPOWER | 142 | 128 | 117 | 104 | 93 |
| SIEMENS | 862 | 853 | 847 | 838 | 832 |
| STATE BANK | 2,797 | 2,695 | 2,586 | 2,483 | 2,374 |
| STEEL AUTHOR | 171 | 166 | 159 | 153 | 146 |
| STER | 181 | 171 | 162 | 151 | 142 |
| SUN PHARMA. | 444 | 431 | 412 | 399 | 380 |
| SUZLON | 56 | 51 | 47 | 42 | 38 |
| TATA POWER | 1,278 | 1,239 | 1,198 | 1,158 | 1,117 |
| TATAMOTORS | 1,239 | 1,191 | 1,122 | 1,073 | 1,004 |
| TATASTEEL | 676 | 636 | 605 | 565 | 535 |
| TCS | 1,224 | 1,157 | 1,106 | 1,039 | 989 |
| UNITECH LTD | 51 | 43 | 38 | 29 | 24 |
| WIPRO | 456 | 438 | 423 | 405 | 389 |

**Technical Research Team**

# Decrease in IV suggests low downside risk

Nifty spot has closed at **5310** this week, against a close of **5396** last week. The Put-Call Ratio has decreased from **1.11** to **1.02** levels and the annualized Cost of Carry (CoC) is positive **3.94**%. The Open Interest of Nifty Futures increased by **9.88**%.

## Put-Call Ratio Analysis

The Nifty PCR OI decreased from 1.11 to 1.02 levels. Huge build up was observed in the 5200 to 5400 call options in the week gone by. Although the 5000 to 5300 put options added considerable open interest, buildup in call options was higher. Among put options, the 5100 strike has the highest open interest and the level may act as a strong support for the market. On the other hand, though the 5400 call option has the highest open interest, most of the call options from 5300 to 5700 have almost same open interest. Thus, the 5400 level should not be considered as a strong resistance.

## Open Interest Analysis

Total open interest of the market is ₹1,45,929cr against ₹1,35,388cr last week and the stock futures open interest decreased from ₹32,638cr to ₹32,358cr. In the past few trading sessions, continuous long formations were observed in DLF. Cash base delivery has also increased. Positional traders can form long positions in it. Few liquid stocks where open interest increased significantly are COREPROTEC, ADANIENT, TITAN, RECLTD and DLF. Stocks where open interest decreased significantly are INDIAINFO, WELCORP, RELINFRA, FORTIS and ASHOKLEY.

## Futures Annual Volatility Analysis

Historical volatility of Nifty has decreased from 25.86% to 24.86%. IV of at-the-money options decreased from 21.50% to 19.70%. Over the week, few liquid counters where HV has increased significantly are LITL, GMRINFRA, RELINFRA, PTC and ABAN. Stocks where HV has decreased significantly are SIEMENS, ZEEL, PATNI, AMBUJACEM and ADANIENT.

## Cost-of-Carry Analysis

The Nifty February futures closed at a premium of 7.45 points against a discount of 8.75 points last week and the March futures closed at a premium of 23.85 points. Few liquid stocks where Cost-of-Carry turned from negative to positive are GSPL, PUNJLLOYD, BHARTIARTL, UNITECH and POWERGRID. Stocks where Cost-of-Carry turned from positive to negative are COREPROTEC, HDFC, BANKBARODA, NHPC, and PRAJIND.

## *Derivative Strategy*

**Scrip : NIFTY** **CMP : 5310.00/-** **Lot Size : 50** **Expiry Date (F&O) :** 24th Feb, 2011

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

| Buy/Sell | Qty | Scrip | Strike Price | Series | Option Type | Rate (₹) |
|---|---|---|---|---|---|---|
| Buy | 50 | NIFTY | 5300 | Feb | Call | 85.00 |
| Sell | 50 | NIFTY | 5400 | Feb | Call | 44.00 |
| Sell | 50 | NIFTY | 5500 | Feb | Call | 21.00 |

**LBEP: 5320.00/-**

**HBEP: 5580.00/-**

**Max. Risk: Unlimited**
If NIFTY continues to trade above HBEP

**Max. Profit: ₹4000.00/-**
If Nifty closes on or between 5400 and 5500 on expiry.

**NOTE:** Profit can be booked before expiry if Nifty moves in the desired range and time value decays.

**Expected Payoff**

| Closing Price | Expected Profit/Loss |
|---|---|
| 5200.00 | (₹20.00) |
| 5300.00 | (₹20.00) |
| 5400.00 | ₹80.00 |
| 5500.00 | ₹80.00 |
| 5600.00 | (₹20.00) |
| 5700.00 | (₹120.00) |

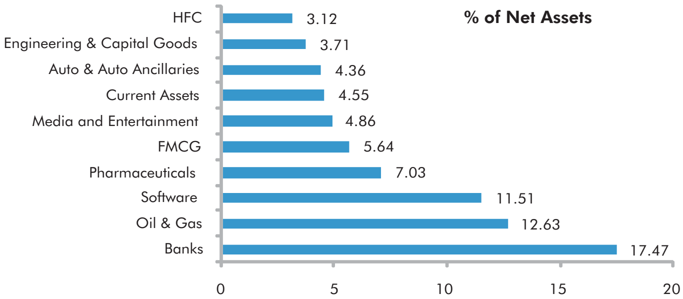
# Fidelity Equity Fund - Growth

## Scheme Objective

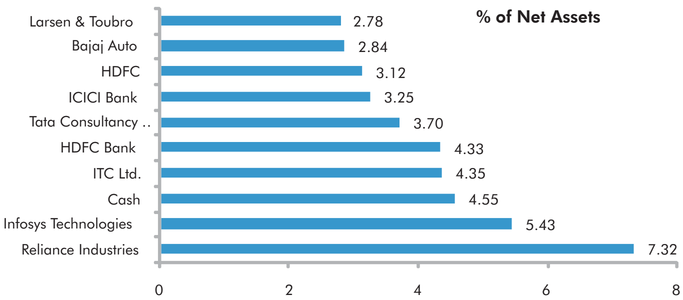
The investment objective of the scheme is to generate long-term capital growth from a diversified portfolio of predominantly equity and equity-related securities.

| Fund at a Glance | |
|---|---|
| **Face Value** | ₹10 |
| **NAV (11-Feb-11)** | ₹32.65 |
| **52-Week High (09-Nov-10)** | ₹39.32 |
| **52-Week Low (15-Feb-10)** | ₹28.56 |
| **Fund Category** | Equity - Large Cap |
| **Type** | Open Ended |
| **Entry Load** | NIL |
| **Exit Load** | 1% for redemption within 1 year |
| **Minimum Inv.** | ₹5000 |
| **Inception Date** | 16th May 2005 |
| **AUM (31-Dec-10)** | ₹3282.60 crores |
| **Benchmark Index** | BSE 200 |
| **Fund Manger** | Mr. Sandeep Kothari / Mr. Anirudh Gopalakrishnan |

## Top 10 Sectors as on 31st December 2010




## Top 10 Holdings as on 31st December 2010




## Portfolio Attributes (31-Dec-10)

| | |
|---|---|
| Large Cap (%) | 78.68 |
| Mid Cap (%) | 13.31 |
| Small Cap (%) | 1.74 |
| **Equity (%)** | **95.45** |
| **Cash & Equivalent (%)** | **4.55** |

## Key Ratios

| | |
|---|---|
| **Expense Ratio (%)** | 1.85 |
| **Standard Deviation** | 0.42 |
| **Beta** | 0.93 |
| **Sharpe** | 0.34 |
| **Jensen** | 4.08 |

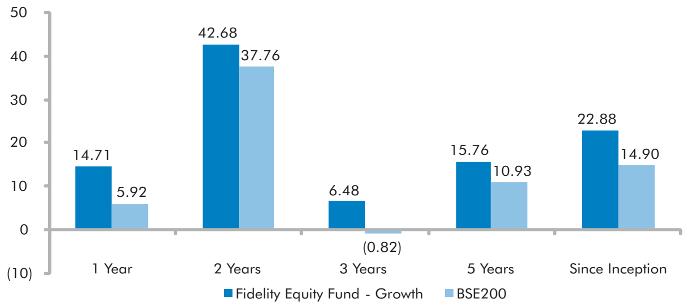
*Note: Ratios are for 3 Year Period, Yearly Rolling on daily frequency on CAGR Basis as on 11th February, 2011*

## Investment Analysis (as on 11th February, 2011)

| Years | Total Amount Invested | SIP Present Value | Lump sum Present Value |
|---|---|---|---|
| 1 year | 12,000 | 11,456 | 13,024 |
| 3 years | 36,000 | 48,121 | 47,798 |
| 5 years | 60,000 | 85,835 | 1,17,516 |

*Note: SIP Investment of ₹. 1000 per month*

## Performance Analysis (% Returns)




*Note: Returns are as on 11th February, 2011 on CAGR basis*

## Fund Style


## Returns (%) in various market cycles

| Date | Fidelity Equity Fund-Growth | BSE 200 |
|---|---|---|
| **Up Phase** | | |
| 17/10/2009 - 05/11/2010 | 36.05 | 23.76 |
| 09/03/2009 - 17/10/2009 | 104.43 | 123.13 |
| 27/10/2008 - 04/11/2008 | 17.17 | 23.49 |
| 24/07/2007 - 16/10/2007 | 12.94 | 20.79 |
| **Down Phase** | | |
| 04/11/2008 - 09/03/2009 | (17.63) | (22.74) |
| 18/03/2008 - 27/10/2008 | (35.69) | (44.92) |
| 16/10/2007 - 18/03/2008 | (21.10) | (21.34) |

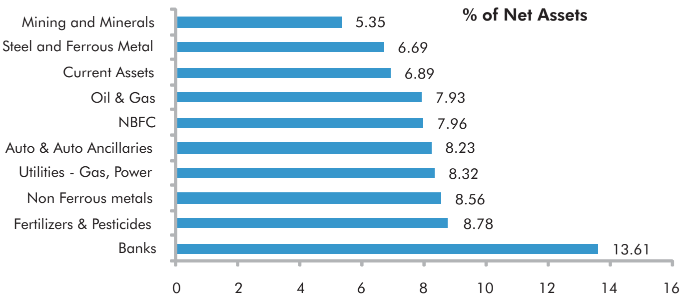
# Templeton India Growth Fund - Growth

## Scheme Objective

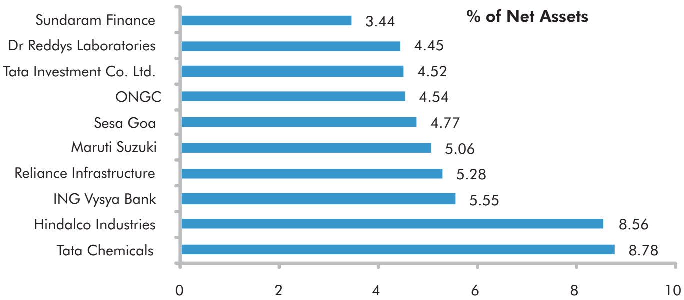
The scheme aims to invest primarily in the equity market with the objective to provide long term capital appreciation to the investors.

| Fund at a Glance | |
|---|---|
| **Face Value** | ₹10 |
| NAV (11-Feb-11) | ₹110.16 |
| 52-Week High (10-Nov-10) | ₹136.96 |
| 52-Week Low (15-Feb-10) | ₹102.07 |
| Fund Category | Equity - Large Cap |
| Type | Open Ended |
| Entry Load | NIL |
| Exit Load | 1% for redemption within 1 year |
| Minimum Inv. | ₹5000 |
| Inception Date | 10th September, 1996 |
| AUM (31-Jan-11) | ₹804 crores |
| Benchmark Index | BSE Sensex |
| Fund Manger | Mr. J Mark Mobius |

## Top 10 Sectors as on 31st January, 2011




## Top 10 Holdings as on 31st January, 2011




## Portfolio Attributes (31-Dec-10)

| | |
|---|---|
| Large Cap (%) | 53.32 |
| Mid Cap (%) | 39.79 |
| **Equity (%)** | **93.11** |
| **Cash & Equivalent (%)** | **6.89** |

## Key Ratios

| | |
|---|---|
| Expense Ratio (%) | 2.10 |
| Standard Deviation | 0.47 |
| Beta | 1.18 |
| Sharpe | 0.41 |
| Jensen | 10.19 |

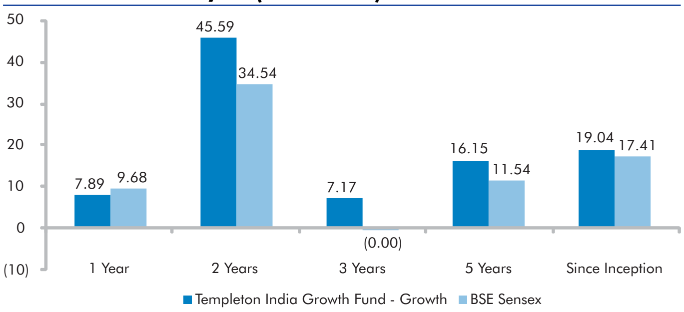
*Note: Ratios are for 3 Year Period, Yearly Rolling on daily frequency on CAGR Basis as on 11th February, 2011*

## Investment Analysis (as on 11th February, 2011)

| Years | Total Amount Invested | SIP Present Value | Lump sum Present Value |
|---|---|---|---|
| 1 year | 12,000 | 11,085 | 12,109 |
| 3 years | 36,000 | 47,062 | 45,871 |
| 5 years | 60,000 | 86,477 | 1,19,330 |

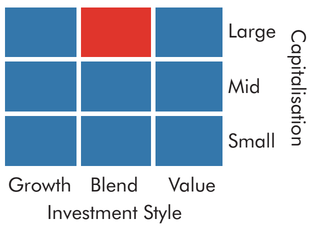
*Note: SIP Investment of ₹. 1000 per month*

## Performance Analysis (% Returns)




*Note: Returns are as on 11th February, 2011 on CAGR basis*

## Fund Style




## Returns (%) in various market cycles

| Date | Templeton India Growth Fund -Growth | BSE Sensex |
|---|---|---|
| **Up Phase** | | |
| 17/10/2009 - 05/11/2010 | 87.40 | 89.54 |
| 09/03/2009 - 17/10/2009 | 14.32 | 22.30 |
| 27/10/2008 - 04/11/2008 | 17.73 | 24.93 |
| 16/07/2008 - 11/08/2008 | 15.70 | 23.28 |
| **Down Phase** | | |
| 06/01/2009 - 09/03/2009 | (18.34) | (21.05) |
| 04/11/2008 - 20/11/2008 | (15.16) | (20.51) |
| 11/08/2008 - 27/10/2008 | (42.78) | (45.11) |
| 12/02/2008 - 16/07/2008 | (15.88) | (24.28) |

# Currencies Weekly Performance Snapshot

Global financial markets witnessed turbulence as mixed factors were providing direction. We have rising geo-political concerns on one hand which has led to sharp downside in emerging market stocks and on the other hand there is positive economic data from the US which has led investors move to riskier assets like equities in the advanced economies. This shift to equities in the advanced economies however does not mean that concerns over economic recovery have eased. In his latest comments, the US Federal Reserve Chairman Ben Bernanke said that risks pertaining to the downside in US economic growth remain as it is backed by stimulus measures. Additionally, concerns with regard to the job market also remain as Bernanke added that it may take several years before situation in the job market improves.

**Exhibit 1: Currencies Performance**

| Currency | 11th Feb | 4th Feb | Chg | %Chg |
|---|---|---|---|---|
| DX | 78.565 | 78.157 | 0.41 | 0.5 |
| Euro | 1.3546 | 1.3585 | (0.00) | (0.3) |
| INR | 45.6 | 45.56 | 0.04 | 0.1 |
| JPY | 83.43 | 82.17 | 1.26 | 1.5 |
| GBP | 1.6004 | 1.6099 | (0.00) | (0.6) |

*Source: Reuters*

In the Asian economies, a major concern which is currently playing the catalyst to downside in the equities segment is the rising inflationary pressures. Stocks in these countries have witnessed sharp downside as rising input costs coupled with borrowing costs are expected to dent the profitability of these companies. Central bankers in the Asian economies are tackling the problem of inflation by way of tightening monetary policy. Rising interest rates currently pose a threat of slowdown in economic growth. China's central bank raised interest rates in the last week in order to deal with the problem of rising inflation. Monetary policy tightening has been the aim of People's Bank of China and its latest move has been highly unexpected as it came on the final day of China's Lunar New Year. Benchmark one-year deposit rates were raised by 25 bps to 3 percent and one-year lending rates were also raised by 25 bps to 6.06 percent, both of which were effective from 9th February, 2011. This news came in as a negative factor as rising interest rates pose threat to growth in the world's fastest growing economy.

The US Dollar Index (DX) appreciated around 0.5 percent in the last week, to close at 78.56 on Friday. The dollar came under pressure in the initial part of the week but appreciated sharply mainly on the back of favorable economic US data and unrest in Egypt. US initial unemployment claims declined by 36,000, more-than-expected forecast to 383,000, lowest since July 2008 in the week ending 4th February. Consumer credit in the US increased for a third consecutive month in the last month of 2010. Data released by the Federal Reserve stated that consumer borrowing in the US increased $6.1 billion in December 2010, from revised 2.0 billion in November 2010. Markets were expecting a slight increase in consumer spending totaling around $2.2 billion.

On the domestic front, Spot Rupee traded on a flat note last week, to close at 45.60 on Friday. The INR came under pressure during the week mainly on the back of sharp fall in the domestic equities. Nifty and Sensex both declined more than 1.5 percent in the last week. India's food price index increased 13.07 percent y-o-y in the w/e January 29th as against 17.05 percent in the earlier week. The fuel price index also increased 11.61 percent y-o-y in the same week.

**Exhibit 2: Indian Rupee Weekly Price Chart**

*Source: Telequote*

**Outlook:** In this week, key events to watch out from the global markets are the testimony of US Federal Reserve Chairman Ben Bernanke and trade balance data from China. The US dollar is expected to weaken on the back of easing unrest in Egypt. Inflationary concerns continue to affect the investor sentiments in the domestic markets. With the developed economies showing some signs of recovery, funds seem to be diverted in those markets. On the back of this, we expect the Indian Rupee to depreciate this week if domestic equities continue to witness downside pressure.

**Exhibit 3: Technical Levels**

| Currency | Support | Resistance |
|---|---|---|
| USD/INR(Feb'11) | 45.37/45.15 | 46.20/46.50 |
| Euro/INR(Feb'11) | 61.55/61.00 | 62.50/63.00 |
| GBP/INR(Feb'11) | 73.30/72.73 | 73.75/74.34 |
| JPY/INR(Feb'11) | 54.45/54.00 | 55.50/56.20 |

*Source: Telequote*

**Research Analyst (Commodity) - Reena Walia Nair/Naser Parkar**

# Commodities Update

### Exhibit 1: Commodities Weekly Performance

| | 12th Feb. 2011 | 5th Feb. 2011 | % Change |
|---|---|---|---|
| **Non Agri- Commodities (MCX)** | | | |
| **Top Gainers** | | | |
| Silver | 45292 | 44020 | 2.9 |
| Gold | 20353 | 20054 | 1.5 |
| Nickel | 1292.1 | 1289.7 | 0.2 |
| **Top Losers** | | | |
| Natural Gas | 180.2 | 197.6 | (8.8) |
| Crude Oil | 3910 | 4090 | (4.4) |
| Aluminium | 113.90 | 115.70 | (1.6) |
| **Agri Commodities (NCDEX)** | | | |
| **Top Gainers** | | | |
| Kapas | 1242 | 1030 | 20.60 |
| Castorseed | 5680 | 4988 | 13.87 |
| Jeera | 16439 | 15231 | 7.93 |
| **Top Losers** | | | |
| Turmeric | 9342 | 9816 | (4.83) |
| Guarseed | 2902 | 2986 | (2.81) |

**International Perspective:**Commodity prices delivered a mixed performance last week, with base metals and energy ending in the red, while bullion prices rising. The US Dollar Index (DX) appreciated around 0.5 percent last week, to close at 78.56 on Friday. US initial unemployment claims declined by 36,000, more-than-expected forecast to 383,000, lowest since July 2008 in the week ending 4th February. On the domestic front, Spot Rupee traded on a flat note last week, to close at 45.60 on Friday. The INR came under pressure mainly on the back of sharp fall in the domestic equities. Nifty and Sensex both declined more than 1.5 percent in the last week.

On a weekly basis, the base metals pack declined sharply with aluminium and zinc falling the most by 1 percent on the LME respectively. Dollar strength, geopolitical concerns in Egypt and worries over monetary policy tightening in China added downside pressure. Crude oil prices came under pressure last week and declined almost 4 percent as dollar strength pressurized oil prices. Natural Gas was the worst performer of the last week, as prices declined almost 9.5 percent on the Nymex and around 9 percent on the MCX. As the peak period of winter's gas-heating season may be coming to an end which led prices to trade lower.

The move by the People's Bank of China (PBOC) to raise benchmark deposit and lending rates has increased gold's demand as an inflation hedge. Moreover, Egyptian concerns that escalated in the middle of the week, made gold to look attractive from a safe-haven perspective for the investors. But sharp rise in the yellow metal prices were capped due to strength in the US dollar last week. **Spot Gold** prices gained around 0.5 percent w-o-w, and touched a high of $1368.16/oz on Friday.

**Agri Perspective: Kapas** continued to add to the gains for the seventh consecutive week surging 20.60% as the domestic supplies are not sufficient to cater to the export demand. Firmness in the international markets owing to lower global stocks and rising demand, particularly from China, has also seen supporting Kapas prices. **Castor seed** futures are also trading at historical high levels and gained 13.87% during the last week owing to better demand from the overseas buyers amidst lower supplies in the domestic market. Spices pack witnessed mixed sentiments with Jeera and Pepper gaining 7.93% and 7.99% respectively, whereas, Turmeric and Cardamom plunged 4.83% and 1.25% respectively, Jeera futures gained mainly on the forecast of rains in Rajasthan which might cause damage to the standing crop thereby impacting the yield. Turmeric lead the losers list during the last weak due to rising arrival pressure amidst weak demand. Guar seed, which was among the major gainers since last 6 consecutive weeks, plummeted in the last week as the demand fell marginally at the prevailing high prices.

### Exhibit 2: Major Economic Data Releases this week

| Date | Country | Indicator | Forecast | Previous |
|---|---|---|---|---|
| Feb 15 | US | Core Retail Sales m/m | 0.6% | 0.5% |
| | US | TIC Long-Term Purchases | 91.3B | 85.1B |
| Feb 16 | US | Building Permits | 0.57M | 0.63M |
| | US | PPI m/m | 0.9% | 1.1% |
| Feb 17 | US | FOMC Meeting Minutes | - | - |
| | US | Core CPI m/m | 0.2% | 0.1% |
| | US | Unemployment Claims | 401K | 383K |
| | US | Philly Fed Manufacturing Index | 20.8 | 19.3 |
| Feb 18 | US | Fed Chairman Bernanke Speaks | - | - |

**Outlook:** For this week, we expect base metals to witness a bounce back as easing concerns in Egypt will help ease market sentiments. Weaker dollar will also support a rise in prices. Oil prices are expected to come under pressure as easing concerns in Egypt will reduce supply concerns. Gold and silver prices are expected to trade on a range bound note, taking mixed cues from global markets.

Among Agri commodities, despite bumper crop, Guar prices may again recover in the current week due to rising oilfield demand. Sugar prices which had declined by more than 10% MTD may recover in the coming week on expectations the Indian government might allow exports under OGL very soon. Turmeric prices may witness selling pressure owing to improved arrivals and lacklustre demand at the domestic market. Jeera may gain further in the coming week owing to forecast of rains in Rajasthan.

**Research Analyst (Commodity) - Nalini Rao/ Pallavi Munankar**

# Jeera

## Weather disruptions may strengthen Jeera prices

Jeera which traded bearish in the last week of January surged in this month owing to bad weather in the major growing area particularly Gujarat and Rajasthan. Global production of jeera stands around 1.80- 2.00 lakh tonnes wherein India contributes a vital share of 75 percent. Other major producers of jeera are Syria and Turkey contributing 14% and 7% respectively.

In India, the commodity is largely sown in the western part of India. Gujarat and Rajasthan are the two major producers of jeera in India with Gujarat contributing around 60 percent of the total output. Jeera is sown in the month of October and harvested in February. According to the deputy director of state farm department Gujarat, jeera acreage as on Jan. 10 stood at 244,600 hectares, marginally higher than 242,700 hectares last year.

This year, around 50 percent of the jeera sowing commenced in last week of December and continued till mid of January on account of unseasonal rains in the month of November and early part of December. Thus, harvesting which usually commences by the end of January was delayed and is expected in the first week of March.

Production of jeera in India in 2010-11 is expected to be around 1.38 lakh tonnes the previous year according to the market sources. But, occurrence of frost and forecast of rains in Rajasthan in the coming week may revise down the production estimates both in the Gujarat and Rajasthan.

### Price movement

| | | | | % change | | | |
|---|---|---|---|---|---|---|---|
| | Unit | Last | Prev day | WTD | MTD | YTD | 2YTD |
| Jeera Spot- NCDEX(Unjha) | Rs/qtl | 15355 | 1.17 | 4.1 | 7.38 | 28.4 | 36.31 |
| Jeera- NCDEX Feb'11 Futures | Rs/qtl | 16439 | 3.1 | 10.6 | 16.95 | 44.3 | 44.42 |

*Source: Reuters*

Jeera February futures hit contract highs of Rs.16,245/qtl during the last week tracking bullish fundamentals.


*Source: Telequote*

## Price Outlook

Jeera prices **in the short term** (till February), is expected to strengthen due to forecast of rains in Rajasthan in the coming days. Further, there are lower carryover stocks of around 22,000 tonnes with the domestic stockists till fresh arrivals expected in the month of March.

Also, in the international markets particularly Syria and Turkey, the fresh crop arrivals are slated to commence from April. These countries are currently reported to have low carry over stock and are awaiting arrivals from the new crop. Production of jeera in Syria and Turkey was around 20000 tonnes and 15000 tonnes respectively in 2010. Any demand from the overseas buyers may also support prices to strengthen.

**In medium to long term** (March onwards), Jeera prices will depend on the demand from the overseas and domestic buyers and fresh arrivals in the domestic mandis.

Thus, we expect Jeera March futures to trade in the range of 16150- 17300.

**Sr. Research Analyst (Commodity) - Nalini Roa**

# Commodity Technical Report

### MCX APRIL GOLD

Last week, Gold prices opened the week at Rs.20,206 per 10 grams, initially moved higher but found support at 20116 levels. Later prices moved sharply higher and made a high of 20498 levels and Gold prices finally closed the week at Rs.20,340 up by Rs.70 as compared with previous week's close of Rs.20,270.

**Trend : DOWN (MCX GOLD Weekly Chart)**


*Source: Telequote*

**Key Levels For Week :**

**S1 - 20,140** **R1 - 20,520**

**S2 - 19,940** **R2 - 20,700**

**Recommended Strategy: Sell MCX Gold April in the range of 20420-20450 levels with strict stop-loss above 20725 Targeting 19950 initially and then 19700.**

### MCX March Silver

Last week, Silver prices opened the week at Rs.44,498 per kg initially moved lower but found support at 44317 levels. Later prices rallied sharply higher and made a high of 46144 levels and silver finally ended the week at 45480 with a huge gain of Rs.964 as compared with previous week's close of Rs.44,516.

**Trend : SIDEWAYS (MCX SILVER Weekly Chart)**


*Source: Telequote*

**Key Levels For Week :**

**S1 - 44,520** **R1 - 46,340**

**S2 - 43,510** **R2 - 47,150**

**Recommended Strategy: Neutral**

### MCX February Copper

Last week, Copper prices opened the week at Rs.464.80 initially made a high of 466.20 and then fell sharply lower, but found good support at 451.60 levels. Later prices recovered towards 459.85 levels and copper prices finally closed the week at Rs.458.95 with a loss of Rs.5.55 as compared with previous week's close of Rs.464.50.

**Trend : SIDEWAYS (MCX COPPER Weekly Chart)**


*Source: Telequote*

**Key Levels For Week :**

**S1 - 451.50** **R1 - 466**

**S2 - 444.20** **R2 - 474**

**Recommended Strategy: Neutral**

### MCX February Crude

Last week, crude prices opened the week on its high at Rs.4085 levels and then fell sharply lower throughout the week towards 2896 levels and crude finally ended the week at Rs.3905 with a huge loss of Rs.183 as compared with previous week's close of Rs.4088.

**Trend : DOWN (MCX CRUDEOIL Weekly Chart)**


*Source: Telequote*

**Key Levels For Week :**

**S1 - 3840** **R1 - 3960**

**S2 - 3770** **R2 - 4030**

**Recommended Strategy: Sell MCX Crude Feb in the range of 3965-3985 with strict stop-loss above 4065 Targeting initially 3840 and then 3775.**

**Sr. Research Analyst (Commodity) - Samson Pasam**

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