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Technical View: Cash Market

Nifty’s range bound scenario in 4750-4350 levels is still continuing with bridging support at 4550 levels. Until Nifty shows strength above 4750 levels, Intermediate rally till 5200-5300 cannot begin and range bound scenario in 4750-4350 may continue.

For trading during the coming trading sessions, trend deciding level is 4750. If Nifty shows strength above 4750 level then we may see a rally to 4850/4950/5025. If Nifty doesn’t sustain above 4750 levels then decline to 4650/4550/4400-4350 may be seen.

Recommendation for Monday- Intra Day Trading

Scrip (LTP)	Action	At Price	For Target of	Stop Loss	Duration
BHUSHANSTEEL (1127.25)	Buy	Above 1133	1160	1115	1 day
PETRONET(76.30)	Buy	Above 76	80	74	1 day

Technical View: NIFTY Future

The **4570 base created during the week** is going to provide a good support to Market in the coming trading sessions. Even if it manages to go below 4570, there is another good support zone around 4510. So, Buy trades should be preferred as long as 4510-4570 zone is respected. Trading strategy in this scenario should be as follows:

On a medium term basis: There is 70% probability of Market not closing below 4570 zone, and we expect Market to garner gains if this support is respected. Even if Market goes below 4570, it has another support zone of 4500-4510 ahead. So Buy positions should be preferred in 4640-4650 zone for targets around 4950 with stoploss of Nifty futures maintaining below 4500. Below 4500 Buy positions should not be preferred.

Short term traders: Buy trades can be taken in NIFTY Futures around 4650 zone for a target of 4850 with a stop loss of maintaining below 4570

For day-trading purposes on Monday, Buy trades should be taken in NIFTY FUTURES around 4650 for a target of 4730 with a stop loss of Futures maintaining below 4610. Intraday Sell trades will be appropriate only after NIFTY Futures maintain below 4590.

Fundamental Call

- **Prakash Industries Ltd.** - Buy
- **Emco.** - Buy

Market Roundup

- The Nifty witnessed subdued trading due to global cues especially China, the highest growth economy in the world on concerns of a slowdown in lending growth. The Nifty surged sharply on Friday but could not recover the ground lost earlier this week.
- India's economy GDP grew 6.1% in the June quarter from a year earlier. Last quarter the GDP growth was at 5.8%. According to Planning Commission the GDP is expected to be 8% in 2010-11. This reverses the declining GDP growth trend noticed in last few quarters.
- According to IMD, India during the week from 27th August, 09 to 2nd September, 09 as a whole received rainfall which is 4% more than the normal.
- India's export fell 28.4% in July from a year earlier to \$13.6 billion after sliding 27.7 percent in June. In June the export was \$12.8 billion. Imports too, dipped by 37.1 per cent to \$19.62 billion in July, though in June it was \$19 billion. Trade deficit for July was at \$5.99 billion.
- Inflation rose -0.21% for the week ending 22nd August, 09 compared to previous week inflation at -0.95%.
- The foreign exchange reserves for the week ending 28th August, 09 stood at US\$ 276.32 bn, up by \$4.4 bn.
- The government has exempted a number of goods like food grains, fertilizers and farm inputs from paying service tax for transportation through railways and waterways.
- Auto companies reported a healthy growth in sales in August 2009. Maruti Suzuki's total vehicle sales rose 41.6% to 84,808 units in August 2009 over August 2008. Hero Honda's sales rose 36% in August 2009 over August 2008. Mahindra & Mahindra's (M&M) total vehicle sales rose 15% to 22,063 units in August 2009 over August 2008. Tata Motors' vehicle sales rose 14.23% to 49810 units in August 2009 over August 2008. TVS Motor reported a 10.95% jump in sales to 126,842 units in August 2009 over August 2008.
- Indian Steel Majors have hiked the price of their products by 5%.
- Lead, the base metal surged to the highest in almost 16 months in London Metal Exchange as China vowed to shut polluting smelters after thousands of children were poisoned.
- The unemployment rate in US in August rose to 9.7 percent from 9.4 percent in July.
- Finance Ministers of the world's 20 most powerful countries in are meeting on the weekend to discuss reforms to tackle black money and money laundering. The G-20 Finance Ministers are scheduled to discuss a report from the Organisation for Economic Co-Operation and Development (OECD) on tax transparency.
- Australia's GDP in April to June quarter rose 0.6% on y-o-y basis. Previous quarter it was 0.4%.
- The data to watch this week is IIP numbers scheduled to come on 11th September, 09. The global cues will continue to have an effect on the market. Outcome of G-20 is also needed to be looked into it. US Market is closed on Monday due to Labour Day. The response to Oil India initial public offer (IPO) will be watched closely. OPEC meeting is scheduled for 9th September.

Market Indices

SECTORAL INDICES				
INDICES	28-Aug-09	4-Sep-09	Change (%)	Difference
BSE				
Sensex	15922.34	15689.12	-1.46	-233.22
Bankex	8403.71	8345.34	-0.69	-58.37
IT Index	4268.93	4272.54	0.08	3.61
Metal Index	12659.27	12496.06	-1.29	-163.21
FMCG Index	2586.77	2589.17	0.09	2.4
Cap. Goods Index	13331.37	12989.09	-2.57	-342.28
Consumer Durables Index	3299.01	3289.82	-0.28	-9.19
Healthcare Index	3932.85	3860.39	-1.84	-72.46
PSU Index	8382.12	8310.21	-0.86	-71.91
Mid-Cap Index	5863.70	5833.22	-0.52	-30.48
NSE				
S&P CNX Nifty	4732.35	4680.40	-1.10	-51.95
Bank Nifty	7482.40	7444.15	-0.51	-38.25
CNX IT Index	4721.15	4704.65	-0.35	-16.50
S&P CNX 500	3864.40	3837.80	-0.69	-26.60

GLOBAL INDICES				
INDICES	28-Aug-09	4-Sep-09	Change (%)	Difference
US Market				
NASDAQ	2028.77	2018.78	-0.49	-9.99
Dow Jones	9544.20	9441.27	-1.08	-102.93
S & P 500	1028.93	1016.40	-1.22	-12.53
European Market				
FTSE 100	4908.90	4851.70	-1.17	-57.2
CAC 40	3693.14	3598.76	-2.56	-94.38
Asian Market*				
Nikkei	10534.14	10187.11	-3.29	-347.03
Strait Times	2642.80	2622.69	-0.76	-20.11
Hang seng	20098.62	20318.62	1.09	220.00
Shanghai Comp.	2860.69	2861.61	0.03	0.92

Institutional Activity (Equity)

INSTITUTIONAL ACTIVITY (Equity)

(Rs. In Cr)			
Day Wise	Purchase	Sale	Net
FII Activity			
Friday	2574.30	1481.50	65.50
Monday	2673.90	2760.10	-86.20
Tuesday	2596.80	2899.30	-302.50
Wednesday	2596.80	2899.30	-302.50
Thursday	1912.20	1853.30	58.90
Friday (provisional)	1912.07	2311.99	-399.92
Total	14,266.07	14,205.49	-966.72
MF Activity			
Friday	971.00	905.50	65.50
Monday	686.80	774.20	-87.40
Tuesday	965.60	872.10	93.50
Wednesday	702.30	954.20	-251.90
Thursday (provisional)	742.50	715.90	26.60
Friday (provisional)	986.90	992.25	-5.35
Total	5055.10	5214.15	-159.05

Weekly Sectoral Roundup

Out performer	Under performer	Neutral
AUTO (+4.54%)	CAPITALGOODS (-2.5%)	METAL (-1.29%)
REALTY (+0.20%)	HEALTHCARE (-1.84%)	
FMCG (+0.09%)	OIL&GAS (-1.64%)	
IT (+0.08%)		
BANK (-0.69%)		

Weekly Top Gainers

Name	close	Pclose	%change
BHARAT PETRO	558.90	493.50	13.25
HIND.PETROL	387.10	341.90	13.22
DABUR INDIA	137.65	124.7	10.38
RCOM	292.05	265.65	9.94
MPHASIS	613.70	561.75	9.25

Weekly Top Losers

Name	close	Pclose	%change
SATYAM COMP	23.75	177.20	-86.6
LITL	110.10	166.8	-33.99
NAGAR.CONST.	59.10	84.60	-30.14
INDIAINFO	48.05	67.90	-29.23
ICSA	102.25	143.20	-28.6

Outlook for the Week

Nifty opened the week on a negative note at 4730.85 levels and showed selling pressure during first four trading days of the week and Nifty made low of 4576. However, On Friday, Some recovery was seen from support near 4550 levels, but Nifty closed in red at 4680.40 levels with 1.08% loss. Volumes have been higher than previous week. After showing good strength and closing above 4700 levels on previous week, Nifty could not continue further strength above crucial resistance at 4750 levels and indecision was seen. Bears tried to take control from resistance at 4750 levels but Bulls also showed come back from

support at 4550 levels. **Nifty's range bound scenario in 4750-4350 levels is still continuing with bridging support at 4550 levels. Until Nifty shows strength above 4750 levels, Intermediate rally till 5200-5300 cannot begin and range bound scenario in 4750-4350 may continue.**

For trading during the coming trading sessions, trend deciding level is 4750. If Nifty shows strength above 4750 level then we may see a rally to 4850/4950/5025. If Nifty doesn't sustain above 4750 levels then decline to 4650/4550/4400-4350 may be seen.

NIFTY Futures View

In our previous Weekly Market analysis we had mentioned that : ".....Once Market maintains and has a daily close above 4750, there can be an accelerated upmove going ahead. On the other hand, not enough of strength beyond 4750 can first take the Market back into the sideways zone of 4350-4700.....medium term investors should continue to hold small long positions as long as 4580-4640 zone is respected.....". **whereas in our Daily presentation on Thursday it was presented that** ".....Unless there is an eternal event, we expect Market to continue to move in small range for some trading sessions; and Market direction will be clearer thereafter with bigger moves.... Buy trades will be appropriate on Nifty Futures maintaining above 4670.....". Market opened with a gap down on Monday, and had a sharp downmove on Tuesday. However, thereafter it created a base around 4570 zone for the next three trading sessions. Finally, on Friday it made a strong upmove in afternoon; recovering most of the early week losses. The 4570 base created during the

week is going to provide a good support to Market in the coming trading sessions. Even if it manages to go below 4570, there is another good support zone around 4510. So, Buy trades should be preferred as long as 4510-4570 zone is respected. Trading strategy in this scenario should be as follows:

Trading strategy for Medium term investors: As mentioned above 4570 support zone created during the recent week is going to provide a good support going ahead. There is 70% probability to Market not closing below this zone, and we expect Market to garner gains if this support is respected. Even if Market goes below 4570, it has another support zone of 4500-4510 ahead. So Buy positions should be preferred in 4640-4650 zone for targets around 4950 with stoploss of Nifty futures maintaining below 4500. Below 4500 Buy positions should not be preferred on a Medium term basis.

Trading strategy for Short term investors/Traders:
 Price action of Friday put the odds in favour of Buy trades as long as 4570-4500 zone is supported. Buy trades can be taken in NIFTY Futures around 4650 zone for a target of 4850 with a stop loss of maintaining below 4570.

For day-trading purposes on Monday, Buy trades should be taken in NIFTY FUTURES around 4650 for a target of 4730 with a stop loss of Futures maintaining below 4610. Intraday Sell trades will be appropriate only after NIFTY Futures maintain below 4590.

Nifty Trend Watch

Date	Nifty	Cash	Future
4-09-09	Close Today	4680.40	4695.65(Prem 15.15)
Week Beginning 7-09-2009	R2	5025	5025
	R1	4850/4950	4850/4950
	Weekly Trend Deciding	4750	4750
	S1	4650/4550	4650/4550
	S2	4400-4350	4400-4350

Nifty Weekly



Investment Ideas

Prakash Industries Ltd.
(High Risk-High Return)

Buy

CMP Rs. 148.15
Date: 28th August 2009

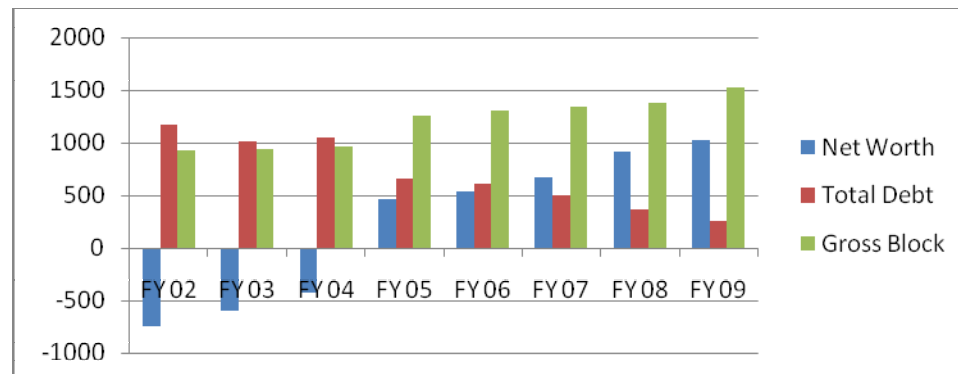
Company Background

Prakash industries Ltd, was started in the year 1980 by Mr. B.D.Agarwal, Founder Chairman, has the integrated Steel plant consisting of Sponge iron, Steel melting and Power generation capacities backed with captive coal and iron ore mines. The company is the first Sponge Iron Manufacturer in India to set up a power plant utilizing the waste haste.

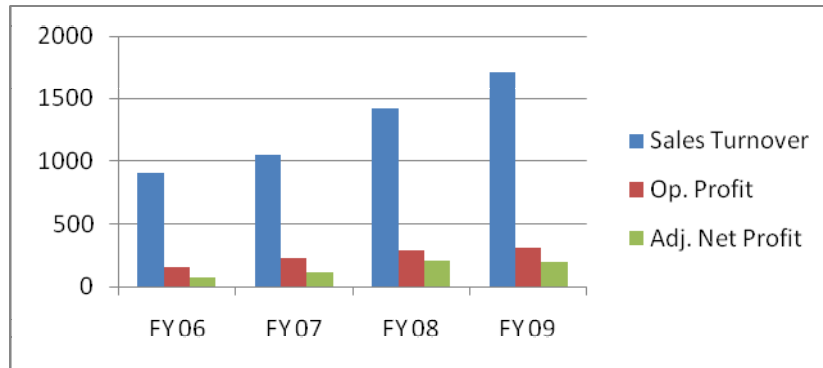
Investment Rationale

- **On Recovery Path-** The company is on the recovery path. The company was incurring losses, had negative net worth and very high debt. The company is now on the growth path, has restructured its debt, and the company has debt to equity ratio of 0.3 in FY 09.

The changes in Balance Sheet from FY 02-FY 09 is as follows:



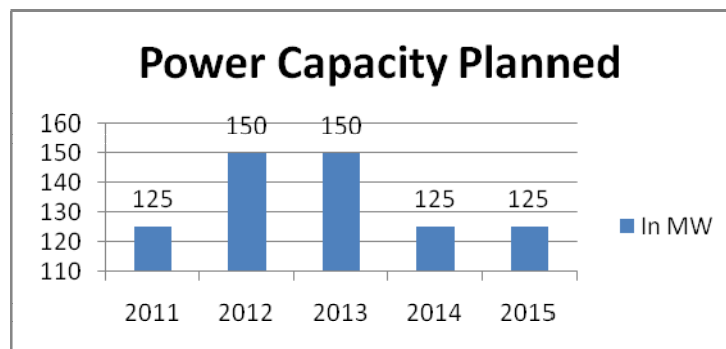
The changes in Profit and Loss from FY 06-FY 09 is as follows:



- **Dividend-** We expect that the company will start paying dividend from FY 10.
- **Expansions-** The company is expending the capacity and various expansion planned by the company are:
 - The Expansion in Steel segment are:

Product	Existing Capacity	Future Expansion		
		Capacity	Investment	Timeline
Sponge Iron	0.4 Mn Tonne	0.8 Mn Tonne	Rs. 530 Cr	0.2 Mn Tonne by 2010
				0.4 Mn Tonne by 2012
				0.2 Mn Tonne by 2013
Steel	0.55	0.45	Rs. 100 Cr	0.15 Mn Tonne by 2010
				0.3 Mn Tonne by 2011

- The company is undergoing major expansion in power to increase the capacity from the present 100 MW to 775 MW to 2015. The company will be seeing its future power at Rs.3/-



- **Captive Iron Ore and Coal Mines-** The company has the captive Iron Ore and Coal Mines, the two key raw materials for steel and Power. The company is investing Rs.150 Cr in mine development. The Coal Mine at Chhattisgarh which is operational from July, 2006 has reserve of 50 Mn tons. Currently the company is extracting 1 Mn tons from this mine. The Iron Ore Mine in Chattisgarh of expected reserve of 75 Mn tons is expected to start the operation by December 2009. The Iron Ore Mine in Orissa of expected reserve of 10 Mn tons is expected to start the operation by March 2010. The Coal Mine in Madanpur, Chattisgarh of expected reserve of 50 Mn tons is expected to start the operation by December 2009. The company has also been allotted coal mine at Fatehpur, Chattisgarh with the reserve of 46 Mn tons.
- **QIP/FCCB Issue –** The Company is looking to raise Rs.500 Cr through QIP/FCCB issue to fund their expansions. The Issue is expected to come in few months.

Latest Quarter

In Rs Cr	Q1FY10	Q1FY09	Var (y-o-y)	Q4FY09	Var (Q- o-Q)
Net Sales	365	392	-7.0%	321	13.6%
Other Income	0	2	-78.6%	7	-95.3%
Total Income	365	394	-7.2%	329	11.1%
Total Expenditure	286	306	-6.7%	244	17.1%
PBIDT	79	86	-7.9%	77	2.3%
PBITDAM (%)	21.7%	21.9%		24.0%	
PAT	59	67	-12.4%	52	13.0%
Extra Ordinary Item	0	0		0	
APAT	59	67	-12.4%	52	13.0%
Equity	115.47	115.47		115.47	
Face Value (Rs.)	10	10		10	
EPS (Rs.)	5.1	5.8		4.5	
CMP (Rs.)	147.35	147.35		147.35	
PE (annualised) (x)	7.3	6.4		8.2	

- The company has registered the fall in net sales of 7% in the 1Q FY 10 on y-o-y basis. This is due fall in realization by 32.6%.
- The operating margin excluding other income of the company in 1Q FY 10 was 21.7%
- The company has registered the profit of Rs.59 cr, down by 21.7% on y-o-y basis. The net profit has increased by 13% on Q-o-Q basis.

Risks and Concerns

- **Financing of the Project-** The company has planned huge expansions in Chhattisgarh and Orissa. The arrangement of the finance will be the critical issue further for the company.
- **Price are volatile –** The raw material and the steel prices are volatile. Any steep rise and fall will affect the margins and the profitability of the company.
- **QIP/FCCB Issue-** If the issue fails, it would then affect the expansion plans.
- **Dividend-** Currently the company is not paying dividend to the investors.
- **Debt to Equity Ratio-** The company has Debt to Equity ratio of 0.3 in FY 09. Going forward the ratio is expected increase to 0.46.

Valuation and Recommendation

The company is on a recovery path and is yet to pay a dividend. Captive Power plants and own coal and iron ore mines will provide stability to the operations of the company. The company is expanding its capacity and has to raise funds to undertake expansion. We expect that the company should return to dividend list by FY 10 and that would lead to improved valuation of the company.

The company is expected to have an EPS of Rs.19.73 and Rs.24.13 for FY 10 and FY 11 and share is trading at 1 year and 2 year forward PE of 7.5 and 6.1. The High Risk Investors can buy the stock at CMP of Rs.148.15. Target is Rs.200 for medium term.

Financial Projection

In Rs Cr	Q1FY10	Q1FY09	Var (y-o-y)	Q4FY09	Var (Q-o-Q)	FY 09	FY 10 E	Var
Net Sales	365	392	-7.0%	321	13.6%	1527	1600	4.8%
Other Income	0	2	-78.6%	7	-95.3%	8	15	97.4%
Total Income	365	394	-7.2%	329	11.1%	1534	1615	5.3%
Total Expenditure	286	306	-6.7%	244	17.1%	1226	1263	3.0%
PBIDT	79	86	-7.9%	77	2.3%	301	337	12.1%
PBITDAM (%)	21.7%	21.9%		24.0%		19.7%	21.1%	
PAT	59	67	-12.4%	52	13.0%	204	228	
Extra Ordinary Item	0	0		0		7	0	
APAT	59	67	-12.4%	52	13.0%	197	228	15.7%
Equity	115.47	115.47		115.47		115.47	115.47	
Face Value (Rs.)	10	10		10		10	10	
EPS (Rs.)	5.1	5.8		4.5		17.1	19.7	
CMP (Rs.)	148.15	148.15		148.15		148.15	148.15	
PE (annualised) (x)	7.3	6.4		8.2		8.7	7.5	

EMCO.
(Medium Risk-Medium Return)

Buy

CMP Rs. 90 (FV 2)
Date: 5th September 2009

Company background

Jalgaon based EMCO was started in 1964 to manufacture small distribution transformers. It is focused primarily in the T&D segment of Power sector. It is among the largest manufacturer of Transformers in India and a leading player in Electronic Energy Meters and Turnkey Electrical Substation & Transmission Line upto 765 kv. The company has acquired interests in Coal mines and has plans to enter power generation.

It has the following Business Segments:

Transformers Division

This is the flagship division of EMCO. It contributes the most to the topline contributing 68% of the turnover (Q1 FY10). The division manufactures a wide range of transformers used in the power industry in India. Manufacturing wide range of Transformers in India (5kVA – 315 MVA/400kV)

Largest Transformer commissioned by EMCO is 315 MVA, 400 kV. It is leading Player in 132 kV, 220 kV & 400kV market segments. EMCO specializes in application Transformers like Furnace, Rectifier and Locomotive. Its transformers are exported to more than 30 countries around the world.

Major types of transformers manufactured by EMCO find various applications as:

Transformers	Range	Voltage	Application
Power Transformers	Upto 315 MVA	Upto 400 KVA	Generator, Interconnecting systems Station Auxillary, Unit Auxillary
Macro Distribution Transformers	Upto 315 MVA	Upto 400 KVA	Industries, Substation & Distribution
Furnace Transformers	Upto 63 MVA	Upto 33 KV	Induction DC Furnace
Rectifier Transformers	Upto 160 KA DC	Upto 33 KV	Heavy Industries
Locomotive Transformers	Upto 7500 KVA	25 KV	Railways
Trackside Transformers	Upto 22 MVA	220 KV	Railways
Micro Distribution Transformers	10 KVA to 500 KVA	Upto 33 KV	Supplying Power at Households/Consumers

Project Division

The Project Division of the company has two SBUs (Strategic Business Units), contributing 28% of the turnover in Q1 FY10. It can be divided into:

1. Substation SBU
2. Transmission Line SBU

1. Substation SBU

This SBU focuses on turnkey projects in the T&D area, mainly catering to high voltage and extra high voltage substations up to 400 KV and strengthening the sub transmission and distribution network. The Substation SBU has currently executed a number of projects up to 400 KV across India.

2. Transmission Line SBU

EMCO offers a wider portfolio of products and solutions for transmission and Distribution of Power under a single roof to various customers. It includes constructing EHV (Extra High Voltage) Power Transmission Lines up to 765 kV on a total turnkey basis.

In FY 2009 it bagged a Rs. 550 crores from Power Grid (PGCIL) for 765 KV Transmission line.

Meter Division

This division manufactures single phase and high-end electronic energy meters and provides energy and revenue management solutions to customers in the distribution business. It was the 1st company in India to introduce Automated Meter Reading (AMR). In-house expertise from Design to Product Realization. The product range includes Single Phase, Three Phase, Trivector meters along with AMR solutions.

The Division has added Revenue management solutions to its portfolio which will help the power distribution company in improving the cash flow due to reduction of commercial losses and better collection efficiency.

Wind Energy Power Division

Emco has invested in a renewable energy generation project by setting up the wind farms. The Company has set up WTGs at Sangli and Sinnar in Maharashtra and the total installed capacity as on date stands at 10.5 MW (7 WTGs each of 1.5 MW each). The energy generated from these WTGs is being sold to MSEDCL through a long term PPA route

Its capacities stand as:

Products	Location	Total Installed Capacity
Transformers	Thane (2) & Jalgaon (2)	20000 MVA
Electronic Energy Meters	Dadra, Silvassa	1300000 Units
Towers & Structural	Vadodara	45000 MT
Wind Power Generation	Sangli & Sinnar	10.5 MW

New initiatives

Global Venture

Emco has recently entered into a US \$ 10 mn JV with a South African Company Edison Power Ltd for the manufacturing of Transformers with an annual capacity of 2000 MVA to manufacture transformers up to 20 MVA/88 KV class. Besides, JV also looks forward to acquisitions in same business.

New Technology

Emco has tied up with J Power, a Japanese company, which offers solutions for increasing the carrying capacity of a transmission line without putting in bigger transmission towers. Emco has already completed a Rs 130 mn pilot project in Ahmadabad for Torrent Power. More business can be expected in time to come.

Coal Mining

Emco Ltd, through its subsidiary Emco Overseas Limited has recently entered the Coal mining business by acquiring 37.50% stake in PT Rabban, Singapore which in turn has an exclusive coal off take arrangement with PT Bina, an Indonesian coal mining Company. The Coal mine spread over 5000 hectare has total coal reserves of 105 mn tonnes of which 75 mn tonnes are measured and the rest 30 mn tonnes is inferred. Emco has invested \$148 million for the above mentioned stake. Emco has commenced extraction and has already dispatched three barges of 8000 tonnes each and has generated realization in the range of US \$ 22/tonne and approximate mining cost of US \$ 12/tonne. The

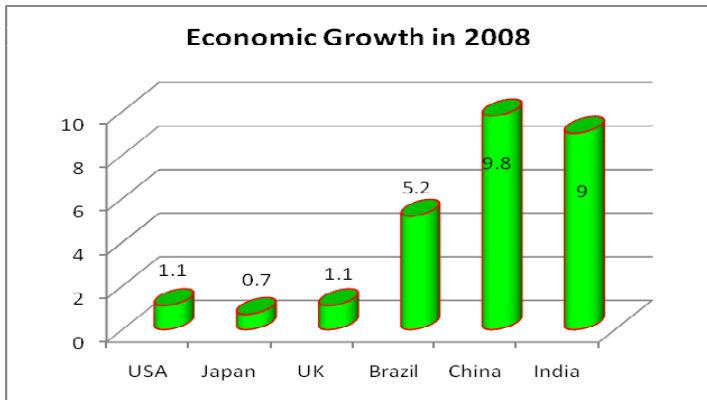
Company expects the coal mining activity to contribute in a huge way from FY11 and expects the full fledged commercial operations by the end of FY2010.

Thermal Power Generation

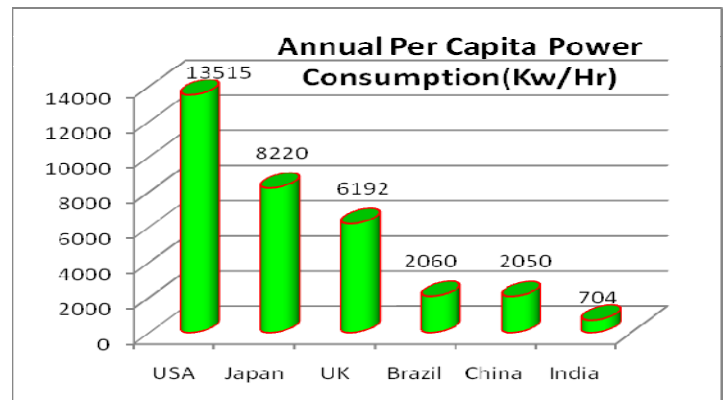
Emco plans to foray in to thermal power generation. The company planned to initially set up a 300 MW thermal power plant in two phases, in Warora, District Chandrapur, Maharashtra with the total estimated cost of Rs 12.4 bn. through its 100% subsidiary Emco Energy Ltd. However, this company is recently being sold to GMR Energy for an undisclosed amount, details will be known only with Q2 FY 10 results in late October. It has another subsidiary Emco Power Ltd remains for setting up generation capacities.

Investment Rational

- Indian economy is growing at brisk pace, which is resulting in widening power deficit in the country. Government is boosting the power generation capacity but supply is continuously falling short of demand. The situation is unlikely to improve even in next 8-10 years.
- The country has high growth but the lowest per capita power consumption among top 10 world economies:

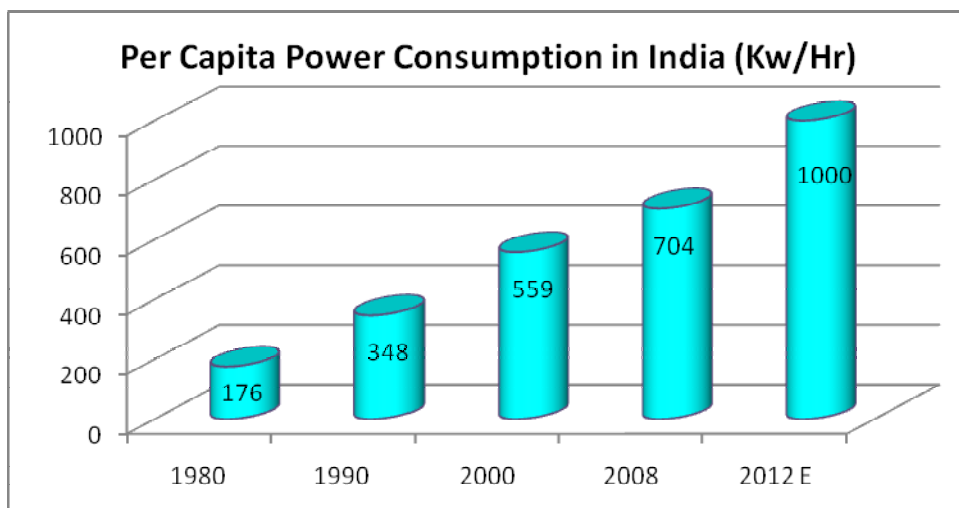


Source: CIA World Fact Sheet



Source: IEA, Key World Energy Statistics 2008

- There is constant rise in Per Capita Power consumption in India:



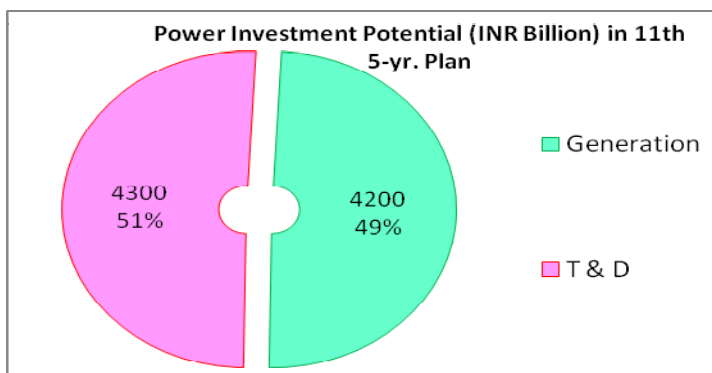
Source: Hydro Power Policy, MoP, 2008 and Monthly Review of the Power Sector, (Executive Summary), CEA, May 2009

- Indian Power Demand-Supply situation stands as:

	Peak		Deficit		Energy		Energy Gap	
	Requirement	Avialability	MW	%	Required (MU)	Avialable (MU)	Million Units	%
North	32223	28075	-4148	-12.9	38704	35535	-3169	-8.2
West	35992	30273	-5719	-15.9	44696	39254	-5442	-12.2
South	29216	26369	-2847	-9.7	36146	33626	-2520	-7.0
East	12913	11610	-1303	-10.1	14816	14036	-780	-5.3
North East	1569	1342	-227	-14.5	1450	1248	-202	-13.9
All India	111913	97669	-14244	-12.7	135812	123699	-12113	-8.9

Source: CEA, “Power Scenario at a Glance”, May 2009

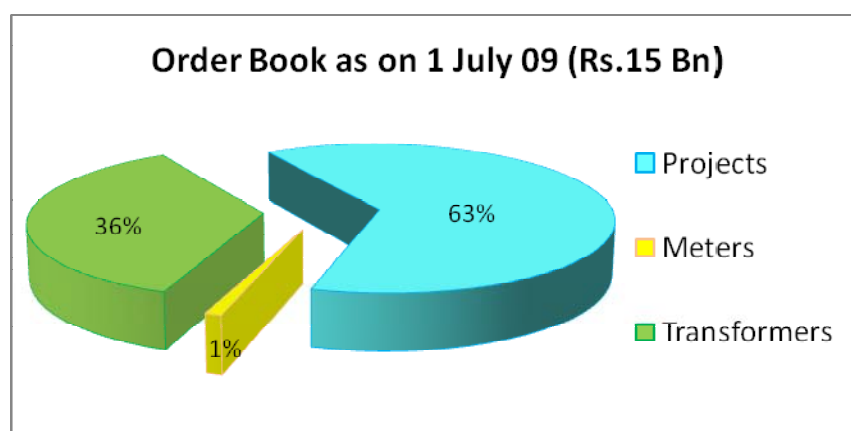
- According to the 17th Electric Power Survey, India’s peak demand will reach approximately 152,746 MW with an energy requirement of approximately 968 billion units by fiscal year 2012. By the fiscal year 2017, peak demand is expected to reach 218,209 MW with an energy requirement of 1,392 billion units.
- Presently, the country has about 1.5 Lakh MW of capacity, with an expected addition of about 70000 MW addition coming by 2012, terminal year of 11th 5-year plan.
- Total Investment in Indian Power sector (including generation, transmission and distribution) is estimated to be Rs 8500 Billion (US\$ 170 Billion). (Source: Report of the Working Group on Power for Eleventh Plan



- For every 1MW of new capacity that comes up 7MVA transformers are used across generation, transmission and distribution segments; this implies a demand of 490,000 MVA of transformers unfolding during 11th 5-year plan.
- Besides, there is high T&D loss in India, which is as high as 28% in some pockets according to industry sources. There is scope for efficient T&D products to control the slippage.
- Indian Transformer Industry stands at Rs 90 bn as on FY08 (Source: IEEMA). The transformer industry today is in a position to manufacture transformers covering the entire requirement of the country including higher system voltage of 800KV. The transformer industry is broadly divided into distribution transformers, power transformers & other types of special transformers for rectifiers, traction, furnace etc.
- The transmission system in India operates at several voltage levels, namely:
 - Extra high voltage: High voltage direct current (HVDC), 765 kV, 400 kV, 220 kV and 132 kV
 - High tension: 66kV, 33 kV, 11kV

➤ Low tension: 6.6 kV, 3.3 kV, 1.1 kV, 220 V.

- Average life of a transformer is about 30 years, there is replacement/maintenance demand for transformers installed in 1980s.
- EMCO makes transformers of various ranges and voltages. Besides, company is a major player in electronic meters.
- It gets repeated orders from customers like Tata Power, Power Grid, State Electricity Boards etc.
- It is also setting up sub-stations, transmission systems etc. Meters and Transformers are sold at short duration orders, Projects have execution period of upto 2 years.
- Its has strong order book of over Rs.1500 Crore, (Rs.454 Crore worth of orders secured during Q1 FY10) which is about 1.5 times its consolidated FY2009 sales.



Source: Company Analyst Presentation, July 2009

- Q1 FY10 was not very good for the industry, but EMCO is able to win Rs.135 Crore and its order book increased from Rs.1322 Crore in Q1 FY09 to Rs.1505 Crore in Q1 FY 10, which is heartening. We expect good order inflows to the industry from H2 FY10 onwards.
- Although it has sold off 1 Power venture, it has other similar ventures planned, with interests in Coal mines, it has easy access to key raw material.
- Besides, returns from Coal are expected from FY 2011 as mines operations come in full swing.
- Company gets about 15% Sales from global markets, with South African JV (EMCO 51% & Edison Power 49%) it can strengthen its position, especially in African market where there is good potential.
- Sale to GMR can bring down Debt burden and interest Costs of the company.
- Company's performance in FY 2009 was impacted by rising Debt and interest Cost due to sharp slow down was seen in H2 FY 2009. Interest costs should reduce in FY 2010.

Financial Highlights

Rs. Crore	Q1 FY09	Q1 FY10	% Y-o-Y	Q4 FY09	% Q-o-Q	FY09	FY10E	% Chnge
Net Sales	183	193	5.5	374	-48.4	996	1145	15.0
Other Income	0	0		0		1	1	0.0
Total Sales	183	193	5.5	374	-48.4	997	1146	15.0
Raw Material	137	144	5.1	283	-49.1	739	872	17.9
Employee	10	10	0.0	10	0.0	42	47	11.9
Other Expenses	13	14	7.7	25	-44.0	79	75	-5.1

Total Expenses	160	168	5.0	318	-47.2	860	994	15.5
PBDIT	23	25	8.7	56	-55.4	137	153	11.5
Interest	6	9	50.0	14	-35.7	42	35	-16.7
Depreciation	4	4	0.0	5	-20.0	16	17	6.3
PBT	13	12	-7.7	37	-67.6	79	101	27.5
Tax	3	4	33.3	13	-69.2	27	33	23.1
Net Profit	10	8	-20.0	24	-66.7	52	68	29.8
Equity (FV 2)	11.8	11.8	0.0	11.8	0.0	11.8	11.8	0.00
EPS Rs.	1.69	1.36	-20.0	4.07	-66.7	8.81	11.44	29.81
CMP Rs.	90	90		90		90	90	
PE (X)	53.10	66.38		22.13		10.21	7.87	
PBDIT (%)	12.57	12.95		14.97		13.76	13.34	
NPM (%)	5.46	4.15		6.42		5.22	5.89	

Note: There is cyclicity in performance, Q4 accounting for nearly 35% of the annual Sales. Quarterly Results are standalone, Annual results are consolidated. Sale to GMR is not taken into account, as EMCO has not yet furnished details.

EMCO vs Peerset

Rs. Crore (FY 09)	EMCO	Indo Tec	TRIL	Voltamp
Total Income	997	211	441	667
PBDIT	137	65	79	174
Net Profit	52	40	41	115
Q1 FY10 Sales	193	16	85	111
Q1 FY10 PBDIT	25	2	15	23
Q1 FY10 Net Profit	8	0.5	9	15
Equity	11.8	10.6	12.9	10.2
Face Value (Rs.)	2	10	10	10
FY 09 EPS (Rs.)	8.81	37.74	31.78	112.75
CMP Rs./Share	90	300	353	812
PE (X)	10.21	7.95	11.11	7.20
FY 09 PBDIT (%)	13.74	30.81	17.91	26.09
FY 09 NPM (%)	5.22	18.96	9.30	17.24
Div. Rs./Share	1.4	12.4	4	12.5
Market Cap	531	318	455.37	828.24
M Cap/Sales	0.53	1.51	1.03	1.24

Note: Currently IndoTec & Voltamp are quoting at a low PE due to Sharp drop in Sales (72% and 39% Respectively) and Profits (97% and 36% respectively) in Q1 FY10.

Risks

- Company is venturing into new businesses of Mining and Power generation, where it has no prior experience.
- There may be substantial funds required in the new ventures, company has not laid down visible funding plans.
- Power ancillary sector depends on the growth of Power generation, transmission and distribution activities. Any slow down in installation of new capacities have adverse impact.
- Volatile Metal prices and management ability to hedge influence profitability.
- Company is increasing focus on “Projects Business” where it gets projects after competitive bidding, the margins may be impacted if orders are won after very aggressive bidding.
- It has margins lesser than peers.

Valuation & Recommendation

EMCO is a leading player in Indian Transformer and Power ancillary segment. Company is expanding to other geographies, besides foraying into Coal business. It is likely to show an EPS of Rs.11.5 in FY10. At CMP Rs.90, it trades at 7.8 forward PE on FY10 estimates. Investors may BUY at CMP Rs.90, for a target of Rs.115 i.e. 10 PE of FY 10 estimates.

Derivatives Statistics

SYMBOL	PCR			September. 2009 OPEN INTEREST		
	PREV.WEEK	CURR. WEEK	%CHG	PREV. WEEK	CURR. WEEK	%CHG
ALL INDEX	0.877	0.8982	2.42	25503394	28891972	13.29
ALL STOCK	0.1582	0.1121	-29.10	1131356080	1203562916	6.38
NIFTY	0.877	0.8982	2.42	24660494	28040872	13.71
RELIANCE	0.1571	0.0909	-42.10	5391000	6688200	24.06
TATASTEEL	0.237	0.132	-44.30	14287564	16510040	15.56
SUZLON	0.0979	0.0727	-25.70	58914000	61068000	3.66
UNITECH	0.1161	0.162	39.53	63850500	65304000	2.28
IFCI	0.0821	0.065	-20.80	77066400	83126120	7.86
RCOM	0.1159	0.1566	35.12	13951700	13202700	-5.37
DLF	0.1791	0.2348	31.10	14911200	15656000	4.99
ICICIBANK	0.3715	0.1963	-47.20	8412250	9803500	16.54
RNRL	0.0622	0.0328	-47.30	26616168	27553080	3.52
SBIN	0.1774	0.1602	-9.70	2449920	2574924	5.10
RELCAPITAL	0.1129	0.0599	-46.90	5242344	5284296	0.80
BHARTIARTL	0.1544	0.1677	8.61	11346000	14118000	24.43
INFOSYSTCH	0.3659	0.3072	-16.00	3144600	3713000	18.08
TATAMOTORS	0.2328	0.1358	-41.70	10168550	11842200	16.46
IDBI	0.0297	0.0378	27.27	10963200	11263200	2.74
ONGC	0.6773	0.0549	-91.90	2617650	2943225	12.44
NTPC	0.108	0.1367	26.57	12697750	13177125	3.78
HINDALCO	0.2034	0.0978	-51.90	13055298	14821334	13.53
ISPATIND	0.1074	0.0298	-72.30	53273550	63943200	20.03
HINDUNILVR	0.1453	0.1886	29.80	9357000	8719000	-6.82
ESSAROIL	0.0127	0.0111	-12.60	14224488	14378396	1.08
IDFC	0.0641	0.0157	-75.50	14950600	14691000	-1.74
LT	0.2659	0.1611	-39.40	4614600	4795800	3.93
TCS	0.1751	0.1720	-1.77	6858000	7288000	6.27
ITC	0.2288	0.1733	-24.30	8140500	9515250	16.89
JPASSOCIAT	0.0765	0.0383	-49.90	14013000	12924000	-7.77
HDIL	0.1262	0.0327	-74.10	6676524	7818948	17.11
STER	0.1552	0.2136	37.63	5302866	6004104	13.22
CAIRN	0.1081	0.0994	-8.05	10808750	11527500	6.65
SAIL	0.2045	0.108	-47.20	7153650	7096950	-0.79

Nifty Stock Level (Cash)

SCRIPS	LTP	R1	R2	S1	S2	trend
ACC	792.75	822.00	852.00	764.00	735.00	Downtrend
AMBUJA CEM	100.00	102.00	105.00	97.00	94.00	Uptrend
BHARTIARTL	405.00	429.00	453.00	390.00	374.00	Uptrend
BHEL	2212.05	2307.00	2403.00	2146.00	2080.00	Downtrend
BPCL	558.90	596.00	633.00	501.00	442.00	Uptrend
DRREDDY	772.80	807.00	843.00	741.00	710.00	Downtrend
GAIL	356.70	369.00	382.00	338.00	319.00	Uptrend
HEROHONDA	1610.90	1660.00	1709.00	1521.00	1430.00	Uptrend
HINDUNILEVER	273.05	282.00	291.00	260.00	246.00	Uptrend
INFOSYSTCH	2201.05	2239.00	2277.00	2142.00	2082.00	Uptrend
ITC	233.25	239.00	245.00	226.00	218.00	Uptrend
M&M	867.45	913.00	960.00	814.00	761.00	Uptrend
MARUTI	1546.60	1614.00	1682.00	1436.00	1325.00	Uptrend
ONGC	1178.20	1209.00	1240.00	1141.00	1103.00	Uptrend
RCOM	292.05	306.00	321.00	268.00	244.00	Uptrend
REL	1143.85	1175.00	1207.00	1110.00	1076.00	Downtrend
RELIANCE	1981.15	2056.00	2132.00	1914.00	1847.00	Downtrend
RNRL	86.05	89.00	93.00	83.00	80.00	Uptrend
RPOWER	161.95	166.00	170.00	158.00	153.00	Uptrend
RELCAPITAL	904.7	932.00	960.00	863.00	821.00	Uptrend
SBIN	1762.45	1791.00	1820.00	1724.00	1685.00	Downtrend
SIEMENS	504.45	527.00	550.00	483.00	461.00	Uptrend
TATAMOTORS	508.30	534.00	560.00	479.00	449.00	Uptrend
TATASTEEL	430.25	443.00	457.00	412.00	394.00	Uptrend
TCS	531.90	545.00	558.00	519.00	505.00	Uptrend
TATACOMM	495.65	515.00	535.00	479.00	462.00	Downtrend
UNITECH	106.85	113.00	119.00	99.00	90.00	Uptrend
WIPRO	552.30	564.00	576.00	542.00	531.00	Downtrend

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