

**In volatile markets, investors should have an active attitude towards investing and should be ready to try out new stocks and strategies. Keep a look out for longer-term trends specific to India and be ready to change your mind and switch stocks when necessary. To help you do that, we at Religare give you a quick rundown of the stock popular in the week just ended. Use the information to make your trading and investment decision and rebalance your portfolio if necessary.**

For Technical Analysis of stock, we have used 3 terms i.e. RSI which stands for Relative Strength Index, MACD which stands for Moving Average Convergence Divergence, DMA which stands for Daily Moving Average. (We have considered these 3 terms as they are used by most of the people who have even some basic understanding of technical analysis.)

**Note:** ## If RSI is above 50, the stock is considered in a short term buy and if RSI is below 50 the stock is in a short term sell.

If MACD is above zero the stock is considered in strong hands and if it is below zero the stock is considered in weak hands.

If stock is above its 200 DMA it means that the stock is in an intermediate uptrend else in an intermediate downtrend.

\*All prices have been adjusted for bonus & split if any.

\*All data is of closing of Friday the **14<sup>th</sup> Jan, 2011**

## 1. RELIANCE POWER

CMP (Rs.): 146.95	EPS (Rs.): 1.14	52 Week High : 192.80
Mcap (Rs. Cr.): 41669	Book Value(Rs.):51.60	52 Week Low : 133.00

### Fundamental View :

- The company is planning to take its renewable energy capacity to 1,000 MW in next two-three years. Reliance Power has plans to set up 600 MW solar energy (concentrated solar power – CSP and solar photovoltaic plants – SPV) based power capacity in Rajasthan and 400 MW wind power plants in Gujarat and Karnataka. The company proposes to fund these projects from its internal resources.
- The \$5 billion EXIM Bank deal taken with loans for \$12 billion tied up with Chinese banks take care of a huge chunk of the debt funding for the company's upcoming power projects. While the company intends to execute 8,000 MW of gas-based and 900 MW alternative energy projects with funding from EXIM bank, funding from Chinese banks take care of \$10 billion equipment order for 30,000 MW.

**Outlook:** The new agreement with the banks could lower interest costs (by 300-350bps) for the company in future.



**Technical View:**

In the daily charts the stock is below its 25 DMA which is at 154.06. The 14 day RSI is 36.75, MACD on daily charts is -2.25. The stock is below its 200 DMA which is at 158.35.

**Recommendations:**

The stock trades at 8-month low levels and shows short-term downtrend. The reversal in trend may happen only after the stock consolidates more at current levels and tries to break out above 163 levels.

**2. RELIANCE INDUSTRIES**

CMP (Rs.): 1001.50	EPS (Rs.): 48.59	52 Week High : 1149.70
MCap (Rs. Cr.): 332280	Book Value(Rs.):392.22	52 Week Low : 915.00

**Fundamental View :**

- In NELP-IX blocks, Reliance has shown interest in The Kerala-Konkan basin off the western coast. The natural gas production from Reliance Industries Ltd's East Coast block has dropped by about 15 per cent to about 45-46 mmscmd from 53-54 mmscmd.
- However, its core petroleum refining and petrochemicals businesses have come under pressure due to cyclical downturn and little help came from its diversification efforts.
- The company has now decided to invest in shale gas in the US, broadband wireless and power industries domestically while recently picking up a stake in East India Hotels.

**Outlook:** While the new businesses won't contribute much in the short run, the company may appear inexpensive at these levels.

**Technical View:**

In the daily charts the stock is below its 25 DMA which is at 1041.50. The 14 day RSI is 37.47, MACD on daily charts is -5.16. The stock is below its 200 DMA which is at 1032.72.

**Recommendations:**

The stock has fallen more than 6% this week pressurizing broader indices as well and it has broken down below its important moving averages too. On weekly graphs there is minor support near 980-986 levels which may be tested before starting any up move.

**3. SUZLON ENERGY LTD.**

CMP (Rs.): 52.35	EPS (Rs.): 0.00	52 Week High : 95.40
MCap (Rs. Cr.): 9384	Book Value(Rs.):39.21	52 Week Low : 43.00

**Fundamental View :**

- Suzlon Energy has signed an agreement with Hindustan Zinc, a Vedanta Group company to set up, operate and maintain 150 MW of wind power projects in Karnataka, Maharashtra, Rajasthan and Tamil Nadu. The project entails a total



investment of approximately Rs. 865 crore.

- REpower Systems AG (WKN 617703) in which Suzlon Energy is a majority shareholder with over 90% holding has concluded a contract for the delivery of 25 wind turbines with EverPower Wind Holdings, Inc with an option to purchase an additional 85 units.

**Outlook:** Although the demand from the Indian and other emerging markets is growing, the subdued outlook for large markets like the US and Europe will remain an overhang on the company's consolidated performance in the next few quarters. Growth in emerging markets will be insufficient to propel the overall dwindling growth, led by subdued developed markets.

**Technical View:**

In the daily charts the stock is above its 25 DMA which is at 51.92. The 14 day RSI is 50.93, MACD on daily charts is 0.11. The stock is below its 200 DMA which is at 58.71.

**Recommendations:**

This week the stock has shown better strength as compared to broader markets as it has risen nearly 2.5% in the last 5 sessions. Short term moving averages are converging near 52-55 levels and once this region is crossed there can be good recovery in the stock towards 59 levels which is its 200DMA as well.

#### 4. SATYAM COMPUTERS

CMP (Rs): 65.85	EPS (Rs.): 0.00	52 Week High : 120.90
MCap (Rs. Cr.): 7988	Book Value(Rs.): 19.52	52 Week Low : 59.00

**Fundamental View :**

- Satyam posted bleak results in September 2010. EBIT margins came in just 2.5% in Q2FY11 & have significantly deteriorated over FY10 margin of 4.4%.
- The company reported Q2 ending headcount of 28,068 of which about 2500 are in BPO. Utilization stood at 71% while attrition for quarter stood at 25%. The company has 217 active customers as per new classification earnings.
- The company has a current debt of Rs342mn & a cash balance of Rs 25.3bn against Rs21.8bn at the end of Q2FY10, implying a cash generation of Rs3.5bn.

**Outlook:** The company is in process of reversing its initial losses after January 2009 hit.

**Technical View:**

In the daily charts the stock is below its 25 DMA which is at 68.09. The 14 day RSI is 43.11, MACD on daily charts is 0.00. The stock is below its 200 DMA which is at 83.20.

**Recommendations:**

The stock has fallen 6% this week giving way to broader market decline and 64-65 levels are immediate support. Below these levels it may retest the 52-week lows around 59 levels.



## 5. UNITECH

CMP (Rs.):57.45	EPS (Rs.):2.20	52 Week High : 101.00
MCap (Rs. Cr.): 15305	Book Value(Rs.): 33.26	52 Week Low : 46.15

### Fundamental View :

- The company had a peak debt of Rs 10,900 crore in December 2008, has reduced liabilities to about Rs 6000 crore. Net debt levels have declined to about Rs 5200 crore.
- Unitech expects high-end residential properties to account for a quarter of sales in the next couple of years.

**Outlook:** The company is able to reduce its debt and its financial performance is improving.

### Technical View:

In the daily charts the stock is below its 25 DMA which is at 60.70. The 14 day RSI is 36.16, MACD on daily charts is -2.40. The stock is below its 200 DMA which is at 76.58.

### Recommendations:

The stock has been in downtrend for the last 4 months and has underperformed broader market along with other Real estate stocks. It still trades below short as well as long term moving averages and it has to cross above 62 on sustained basis for showing short-term upside.

## 6. RELIANCE COMMUNICATION

CMP (Rs.): 138.50	EPS (Rs.): 2.18	52 Week High : 207.80
MCap (Rs. Cr.): 28586	Book Value(Rs.): 244.66	52 Week Low : 119.50

### Fundamental View :

- RCom is sitting on a debt pile (net) of Rs.33,500 crore, five times its June quarter annualized EBIDTA. Of this, a big part is repayable in next one year. As of June, of the Rs.38,200 crore of gross debt, 44% (Rs.16,600 crore) is due within the next year.
- An estimated operating cash flow for the next two financial years in the region of Rs.11,000 crore is comforting, 3G-related capital expenditure (among others) would mean that raising additional capital to fund expansion would become necessary. The company, however, says its capex on the rollout of 3G services will be minimal.
- Its Indian wireless business continues to report declining average revenue per minute (ARPU) and minutes of usage (MoU) despite growing customer base. Also, a high-debt burden restricts its ability to seek more financing to grow inorganically.

**Outlook:** RCom has not been able to give a convincing future growth path to investors. However, it will benefit from implementation of the mobile number portability regime. It is also one of only three companies to get licences in 13 of the 3G circles. While these are positives, the major upside for the stock will happen once the deleveraging plan goes through.

**Technical View:**

In the daily charts the stock is below its 25 DMA which is at 138.96. The 14 day RSI is 47.98, MACD on daily charts is -0.59. The stock is below its 200 DMA which is at 165.38.

**Recommendations:**

After forming all-time low of 119.50 in Dec-2010, the stock has rallied towards 150 levels but it still trades below short as well as long term moving averages. For a reversal of trend to upward it has to consolidate at current levels holding on to the lows made.

**7. NHPC**

CMP (Rs.): 26.95	EPS (Rs.): 1.61	52 Week High : 35.90
MCap (Rs. Cr.): 33335	Book Value(Rs.): 18.92	52 Week Low : 26.55

**Fundamental View :**

- The company commissioned one of its projects recently, which would further add to the bottomline in the coming quarters.
- It has 10 projects with 4,500 mw of capacity under various stages of construction to be completed by the end of the financial year 2013. About 1,200 mw of this is expected to go on steam in the next four quarters. These projects would double the power generation capacity of the company.
- The increase in revenue and profit would be even higher since the new regulation provides higher returns on equity and higher efficiency parameters for new plants.

**Outlook:** Even though the stock has failed to attract investors' attention in the past one year, the medium term prospects of the company are good. In the longer run, the company is expected to behave like other global utility companies, offering steady cash flows and attractive dividends. The near-term movement of the stock price may remain subdued.

**Technical View:**

In the daily charts the stock is below its 25 DMA which is at 27.90. The 14 day RSI is 35.79, MACD on daily charts is -0.33. The stock is below its 200 DMA which is at 30.37.

**Recommendations:**

The stock has been unable to cross above 50 DMA on closing basis. The stock has to hold on to 26.55 as it has been 52 week low and some more consolidation could only change the trend of the stock from down to up. There can be more downside in case the stock forms fresh lows below 26.50.



## 8. JAIPRAKASH ASSOCIATE

CMP (Rs.):93.40	EPS (Rs.): 7.89	52 Week High : 167.80
MCap (Rs. Cr.): 20403	Book Value(Rs.): 38.61	52 Week Low : 92.70

### Fundamental View :

- Jaiprakash Associates Ltd is a diversified infrastructural industrial conglomerate in India. The company is the leader in Engineering and Construction of Hydropower projects in India. They are the only integrated solution provider for Hydropower projects in the country with a track record of strong project implementation in different capacities. The company is in the business of heavy civil engineering construction, expressways, cement, and real estate and hospitality.
- JPA's capacity expansion in last 12 months led to 59% YoY rise in cement volumes in Q2FY11.

**Outlook:** The company has huge expansion plans for FY11-12; this will help in improving the financial performance of the company.

### Technical View:

In the daily charts the stock is below its 25 DMA which is at 103.01. The 14 day RSI is 30.72, MACD on daily charts is -3.77. The stock is below its 200 DMA which is at 121.22.

### Recommendations:

The stock has tested fresh 52-week low at 92.70 this week after breaking down below support at 98. It still is a weak stock and further downside towards 88-90 levels is possible. For reversal in trend from down to up the stock has to consolidate more at current levels and form some bottoming pattern.

## 9. ISPAT INDUSTRIES

CMP (Rs.):24.15	EPS (Rs.): 0.00	52 Week High : 26.20
MCap (Rs. Cr.): 3133	Book Value(Rs.): -2.52	52 Week Low : 15.25

### Fundamental View :

- JSW has acquired 41% stake in ISPAT for Rs21.5bn. Ispat is currently operating at utilisation levels of 80% and generates EBIDTA/ton of USD70. The company needs to revamp its operations to increase the profitability.
- Ispat Industries Ltd proposes to push the projects whose implementation has been delayed by the recent meltdown. The projects include coke oven plant at a cost of Rs 1,100 crore, power plant at Rs 490 crore and mining projects at Rs 120 crore. Except the mining project, the two others will be implemented in partnership with others. The company said that 110 MW (55 MWx2) plant would be commissioned by the middle of next year while the coke oven plant by the middle of 2012.
- Ispat Industries is aiming to raise output to 4.2 million tonnes per annum from 3.3 million tonnes per annum.



**Outlook:** Rising debt is a major concern.

**Technical View:**

In the daily charts the stock is above its 25 DMA which is at 22.65. The 14 day RSI is 59.10, MACD on daily charts is 0.77. The stock is above its 200 DMA which is at 20.38.

**Recommendations:**

The stock has risen more than 3% this week and it trades very close to major resistance of 26.50. Once breakout above this level happens there can be more upside to this stock but until that only sideways trading inside 25-22 levels is expected.

## 10. POWER GRID CORPORATION

CMP (Rs.): 97.60	EPS (Rs.): 4.60	52 Week High : 121.45
MCap (Rs. Cr.): 44723	Book Value(Rs.): 43.95	52 Week Low : 91.80

**Fundamental View :**

- The company is investing Rs 5,540 crore on five projects across the country. These include an investment of Rs 2,743 crore to set up a transmission system in the first phase of a generation project in Orissa with a commissioning schedule of 36 months from the date of investment approval. The firm will also invest Rs 1,719 crore for setting up pooling stations for private power generation projects in Chhattisgarh.
- As transmission utility the company charges the customers a transmission charge for recovery of annual fixed cost consisting of components – return on equity, interest on outstanding debt, depreciation, operation and maintenance expenditure and interest on working capital.

**Outlook:** PGCIL is a principal electric power transmission company owning and operating more than 95% of the country's inter-state and inter-regional electric power transmission systems. The company is investing heavily on its projects and looking to the increasing opportunity in the sector we expect that the momentum likely to continue.

**Technical View:**

In the daily charts the stock is below its 25 DMA which is at 97.46. The 14 day RSI is 47.75, MACD on daily charts is -0.32. The stock is below its 200 DMA which is at 102.35.

**Recommendations:**

The stock has failed to move above 100 levels for the last seven weeks and it has good support in 92 – 94 zones. After FPO the stock has underperformed the market and the sideways range may continue as long as breakout above 103 is not seen.





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