



September 14, 2009

Dealer's Diary

The benchmark indices edged higher with marginal gains, as the markets reversed their losses after hitting a fresh day's low in late trade. The market extended its gains for the sixth straight day, on positive global stocks and sound IIP data. India's industrial output data for the month of July 2009 showed a growth of 6.8%, compared with 6.9% growth in the same month last year. The late surge in the market was supported by a buying in Banking and IT stocks. The Sensex and the Nifty gained 0.3% and 0.2%, respectively. However, the BSE Mid- and Small-Cap indices underperformed the broader markets and lost 0.1% and 0.4%, respectively. Among the front liners, Hindalco, ICICI Bank, SBI, L&T and Wipro gained between 1-6%, while Sterlite Industries, DLF, HUL, Tata Motors, and ACC lost between 2-3%. In the Midcap segment, Spice Telecom, Nirma, BF Utilities, Kirloskar Brothers and Essar Shipping gained between 5-14%, while Amtek Auto, GMDC, JM Financial, Puravankara Projects and Renuka Sugars lost between 2-5%.

Markets Today

The trend deciding level for the day is 4826 / 16244. NIFTY trades above this level during the first half-an-hour of trade then we may witness a further rally up to 4860 – 4890 / 16358 – 16452. However, if NIFTY trades below 4826 / 16244 for the first half-an-hour of trade then it may correct up to 4795 - 4761 / 16150 – 16037.

Indices	S2	S1	R1	R2
NIFTY	4,761	4,795	4,860	4,890
SENSEX	16,037	16,150	16,358	16,452

News Analysis

- **IPO Note: Pipavav Shipyard**
- **Punj bags orders worth Rs550cr**
- **BHEL bags order worth Rs1,300cr**
- **Dr Reddy's launches Starlix clone**

Refer detailed News Analysis on the following page

Net Inflows (Sept 10, 2009)

Rs cr	Purch	Sales	Net	MTD	YTD
FII	2,999	2,424	575	2,172	42,630
MFs	710	951	(241)	21	4,704

FII Derivatives (Sept 10, 2009)

Rs cr	Purch	Sales	Net	Open Interest
Index Futures	1,475	980	495	14,784
Stock Futures	1,212	1,003	209	21,676

Gainers / Losers

Gainers			Losers		
Company	Price (Rs)	% chg	Company	Price (Rs)	% chg
MMTC	33,948	18.5	Amtek Auto	184	-6.3
Godrej Industries	199	11.8	HPCL	390	-5.2
Bosch	4,256	6.7	Sintex Industries	229	-4.6
Vijaya Bank	45	6.6	REC	196	-3.9
Allahabad Bank	106	6.1	IOCL	617	-3.9

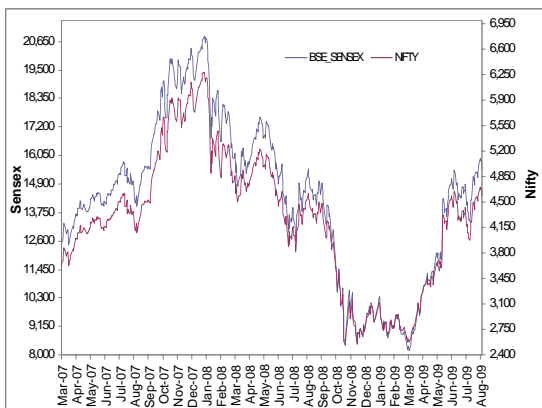
Domestic Indices	Chg (%)	(Pt)	(Close)
BSE Sensex	▲ 0.3%	47.4	16,264
Nifty	▲ 0.2%	10.2	4,830
Mid Cap	▼ -0.1%	(7.9)	5,922
Small Cap	▼ -0.4%	(26.9)	7,101
BSE HC	▼ -0.3%	(10.4)	3,932
BSE PSU	▲ 1.5%	128.0	8,575
BANKEX	▲ 1.5%	128.8	8,911
AUTO	▼ -0.6%	(36.6)	6,030
METAL	▼ -0.4%	(51.7)	13,459
OIL & GAS	▼ -0.7%	(73.0)	10,235
BSE IT	▲ 1.1%	48.0	4,369

Global Indices	Chg (%)	(Pt)	(Close)
Dow Jones	▲ 0.8%	80.3	9,627
NASDAQ	▲ 1.1%	23.6	2,084
FTSE	▲ 0.7%	34.7	5,022
Nikkei	▼ -0.7%	(69.3)	10,187
Hang Seng	▲ 0.4%	91.9	21,161
Straits Times	▼ 0.0%	(1.0)	2,681
Shanghai Com	▲ 2.2%	64.9	2,990

Indian ADRs	Chg (%)	(Pt)	(Close)
Infosys	▼ -0.9%	(0.4)	\$46.8
Wipro	▲ 0.5%	0.1	\$20.2
Satyam	▼ -2.1%	(0.1)	\$6.5
ICICI Bank	▲ 1.6%	0.6	\$34.8
HDFC Bank	▲ 0.4%	0.4	\$104.0

Advances / Declines	BSE	NSE
Advances	1,045	408
Declines	1,761	826
Unchanged	73	34

Volumes (Rs cr)	BSE	NSE
BSE	5,710	
NSE		17,120



IPO Note: Pipavav Shipyard

Pipavav Shipyard, co-promoted by SKIL and Punj Lloyd, is the largest shipyard in India, with the capacity to handle vessels up to 400,000DWT. It is strategically located near major sea lanes of the Persian Gulf and Asia, with two distinct units, Block making and a Dry Dock. The company plans to have a diversified product mix, with a major focus on the Defence and Naval Sectors.

Pipavav is making its initial public offer (IPO) of 8.5cr shares, in the price band of Rs55-60 a share. The issue proceeds would be utilised for the construction of facilities for shipbuilding, ship repair and offshore structures, and to meet working capital requirements.

Outlook and Valuation: The Indian Shipbuilding industry is well-poised to register a robust growth, aided by the following factors: 1) an expected surge in sea-borne trade, 2) the availability of cheap labour in India, and 3) strong capex lined up in the Offshore and Defence Sectors. Moreover, India's share in shipbuilding is set to increase from 1.0% to 15% by 2020 (Source: i-maritime Consultancy Pvt. Ltd), which, coupled with the likely extension of the government subsidy (on new orders beyond August 2007), will help shipbuilders in sustaining Profitable growth, going ahead.

Notwithstanding such good Industry growth prospects, we believe that the Pipavav IPO is priced at a premium v/s its peers. Consider this, the Global leader, Hyundai Heavy Industries, is trading at 1.5x CY2010E P/BV while as per our estimates, even at the lower price band, Pipavav would trade at 1.8x FY2011E P/BV, which is expensive. The IPO is also expensive compared to its domestic peers, ABG and Bharati Shipyard, which have a diversified Order Book with strong Revenue and Operating visibility over the next two-three years and higher Return Ratios. Thus, considering that the IPO is at premium valuations, we recommend an Avoid.

Punj bags orders worth Rs550cr

We believe that Punj is set to become a player of reckoning in the domestic and global infrastructure spaces, due to its diverse operations. The company's diverse operations have, to a large extent, not only insulated it from any potential slowdown, but also helped it gain experience in niche areas. We are optimistic about the company's future growth prospects and estimate it to cross the US \$5bn mark on the top-line front in the future. Punj has secured an order of approximately Rs550cr from Mangalore Refinery and Petrochemicals Ltd for the engineering, procurement and construction of Coke Drum Structure Package of Delayed Coker Unit for Phase III Refinery Project.

At Rs258, the stock is trading at 12.6x FY2011E EPS and 2.0x FY2011E P/BV. We have valued Punj's construction business at 15x P/E its FY2011E EPS, at a marginal premium to other mid-size construction companies like IVRCL Infra and Nagarjuna Construction, as we believe that Punj deserves a premium over these mid-size companies, owing to its scale of operations and its diversified presence; however, we have assigned a mere 10% premium, to be on a conservative basis, since Punj has a history of litigations and its Top-line growth is expected to be subdued in the near future. We continue to value Punj's investments in Pipavav Shipyard at 1x equity, contributing Rs11 per share to our Target Price. Based on the current market price and our Target Price, we do not expect the FCCB to get converted. Therefore, we have assumed a liability of Rs317cr in FY2011. Our SOTP Target Price is Rs310 (earlier Rs289), based on FY2011E numbers, translating into a potential upside of 19.9% from the current levels. **We maintain a Buy on the stock.**

BHEL bags Rs1,300cr order for 1*500MW Plant

Bharat Heavy Electricals Limited (BHEL) has secured an order for a Boiler Turbine Generator (BTG) package, for the upcoming Vallur Thermal Power Project at Ennore in Tamil Nadu, involving one unit of 500MW. Valued at around Rs1,300cr, the order has been placed with BHEL by NTPC-Tamil Nadu Energy Company Limited (NTECL), a joint venture company of NTPC and the Tamil Nadu Electricity Board (TNEB). **We maintain our Neutral view on the stock.**

Dr Reddy's launches Starlix clone

Dr Reddy's (DRL) has received the US FDA approval to market the generic version of Novartis' Starlix (Nateglinide), for the treatment of Type-2 diabetes and has launched the product in the market. Starlix has annual sales in the range of US \$120-130mn. DRL is one of the 4-5 drug makers to first file the Para IV application for the Starlix generic. We believe that the approval of the product is positive, as the Starlix generic presents yet another limited-competition opportunity for the company and could add US \$9-10mn to the top-line and US \$5-6mn to the bottom-line. **We recommend a Neutral view on the stock.**

Economic and Political News

- July IIP rises 6.8%
- RBI to unveil draft norms for allowing repo in corporate bonds
- Credit growth falls further to 14.1%
- FII inflows reach US \$10bn this fiscal
- Govt. may extend STPI sops for three years from 2011: Raja

Corporate News

- Tata Motors to raise Rs2,000cr via GDRs
- SAIL likely to ban three Chinese firms
- Biocon joins hands with U.S company, Amylin for diabetes drug
- Cairn India to pay tax for Rajasthan oil fields
- Ackruti city raises Rs302cr
- HDIL admits to Rs350cr unreported income

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