

## Dealer's Diary

The trading session was marked with high volatility as the market swung between gains and losses. The BSE Sensex struck the day's high above the psychological 18,000 mark at the onset of the trading session but soon slipped into red as oil prices surged amid air strikes in Libya. The market came off lows later and regained the positive zone in mid-morning trade amid signs of stabilisation at the Fukushima Daichi nuclear power in quake-hit Japan. The market stayed in the green zone for most of the early afternoon trade as index heavyweight RIL turned positive and European markets opened in the positive. However, the key benchmark indices once again turned negative in late trade as rally in crude oil prices stoked inflation worries and finally ended in red. The Sensex and Nifty closed with losses of 0.2% each, while the mid-cap and small-cap indices closed with losses of 0.3% each. Among the front liners, Jindal Steel, M&M, Sterlite Inds, HDFC and Tata Steel gained 1–2%, while Hindalco Inds, Hero Honda, Maruti Suzuki, Cipla and Wipro lost 2–3%. Among mid caps, Kansai Nerolac, HOEC, Sun Pharma, Akzo India and Monsato India gained 7–9%, while Gujarat Gas, MVL, KGN Inds, SBBJ and Shree Ashtavinayak lost 4–6%.

## Markets Today

The trend deciding level for the day is 17,947/5,374 levels. If NIFTY trades above this level during the first half-an-hour of trade then we may witness a further rally up to 18,103–18,367/5,404–5,443 levels. However, if NIFTY trades below 17,947/5,374 levels for the first half-an-hour of trade then it may correct up to 17,684–17,528/5,334–5,305 levels.

Indices	S2	S1	R1	R2
SENSEX	17,528	17,684	18,103	18,367
NIFTY	5,305	5,334	5,404	5,443

## News Analysis

- Mylan sues USFDA to block Ranbaxy's sale of Lipitor
- Sadbhav Engineering bags orders worth ₹869cr
- MPL bags road project worth ₹1,500cr

Refer detailed news analysis on the following page

### Net Inflows (March 18, 2011)

₹ cr	Purch	Sales	Net	MTD	YTD
FII	2,086	2,541	(455)	1,439	(8,746)
MFs	313	333	(20)	542	2,844

### FII Derivatives (March 21, 2011)

₹ cr	Purch	Sales	Net	Open Interest
Index Futures	1,763	1,860	(97)	12,016
Stock Futures	1,532	1,558	(26)	27,328

### Gainers / Losers

Gainers			Losers		
Company	Price (₹)	chg (%)	Company	Price (₹)	chg (%)
Hindustan Oil	179	9.3	Ranbaxy Lab	436	(7.0)
Anant Raj Inds	81	5.5	Power Finance	222	(3.7)
Opto Circuits	273	4.2	Aban Offshore	561	(3.6)
Areva T&D	237	3.5	Central Bank	137	(3.5)
Videocon Inds	187	3.4	Tata Comm	210	(3.4)

Domestic Indices	Chg (%)	(Pts)	(Close)
BSE Sensex	-0.2%	(39.8)	17,839
Nifty	-0.2%	(9.0)	5,365
MID CAP	-0.3%	(17.4)	6,492
SMALL CAP	-0.3%	(22.4)	7,775
BSE HC	0.2%	8.7	5,795
BSE PSU	-0.2%	(14.5)	8,473
BANKEX	0.0%	5.3	12,190
AUTO	-0.3%	(23.1)	8,462
METAL	0.0%	(0.4)	15,275
OIL & GAS	-0.1%	(12.7)	9,676
BSE IT	-0.7%	(44.1)	5,956
Global Indices	Chg (%)	(Pts)	(Close)
Dow Jones	1.5%	178.0	12,037
NASDAQ	1.8%	48.4	2,692
FTSE	1.2%	68.0	5,786
Nikkei	2.7%	244.1	9,207
Hang Seng	1.7%	385.0	22,685
Straits Times	1.6%	47.7	2,984
Shanghai Com	0.1%	2.3	2,909

Indian ADRs	Chg (%)	(Pts)	(Close)
Infosys	1.0%	0.7	\$65.2
Wipro	4.1%	0.5	\$13.6
ICICI Bank	-1.2%	(0.5)	\$44.2
HDFC Bank	-1.2%	(1.8)	\$153.6

Advances / Declines	BSE	NSE
Advances	1,173	515
Declines	1,688	885
Unchanged	113	50

### Volumes (₹ cr)

BSE	3,062
NSE	8,291

## Mylan sues USFDA to block Ranbaxy's sale of Lipitor

Mylan has sued the USFDA to block Ranbaxy's exclusive rights to sell generic version of Pfizer's cholesterol pill *Lipitor* (US sales of US \$7.27bn for the 12 months period ending September 30, 2010 – IMS Health).

Ranbaxy had reached an agreement with Pfizer in 2008 to sell copies of *Lipitor* beginning November 2011 and is entitled to a 180-day marketing exclusivity as a reward for being the first to challenge the *Lipitor* patent. According to Mylan, the other generic-drug makers should be allowed to enter the market as soon as the patent expires. In its complaint, Mylan stated that Ranbaxy is not eligible for the marketing exclusivity because of 'false and unreliable data' from its manufacturing site in Paonta Sahib, India, where *Lipitor* copies would be produced and, thereby, wants the court to force the FDA to say publicly that Ranbaxy's application 'is tainted by Ranbaxy's misconduct' and that, therefore, the application must be denied and the 180-day reward be announced void.

Currently, *Lipitor* contributes around ₹67/share to our target price of ₹588. Even in the worst-case scenario, assuming there is no contribution from *Lipitor*, it would be ₹521/share. Thus, given the correction in the stock price and the valuation of around 2.5x and 2.0x EV/sales (excl. FTF) for CY2011E and CY2012E, respectively, we believe the stock currently discounts most of the negatives. Hence, **we maintain Buy on the stock with a target price of ₹588.**

## Sadbhav Engineering bags orders worth ₹869cr

Sadbhav Engineering (SEL) has bagged two irrigation orders worth ₹869cr from The Executive Engineer, Narmada Development Division, Mandleshwar, Madhya Pradesh. The projects are worth ₹349cr and ₹519cr and are in a JV with GKC Projects, with SEL's share at 60% and 40%, respectively. This is a positive development for the company and its order backlog now stands at ~₹8,150cr (4.6x FY2011E revenue).

At current levels, the stock is trading at valuations of 11.9x FY2012E earnings and 2.0x FY2012E P/BV on a standalone basis, which we believe is attractive considering its huge BOT portfolio, well-funded balance sheet and robust order backlog. Our target P/E multiple for its construction business (expected to post earnings CAGR of 51.6% over FY2010–12E) is 12x and we have valued its BOT arm on DCF basis. **We maintain a Buy rating on the stock with an SOTP-based target price of ₹173/share.**

## MPL bags road project worth ₹1,500cr

Madhucon Projects Ltd. (MPL) has bagged an annuity project worth ₹1,500cr from National Highway Authority of India for four-laning of Ranchi-Rargaon-Jamshedpur section of NH-33, Jharkhand. The project is awarded under the National Highway Development Programme-III on DBFOT basis, with semi-annual annuity of ₹133.2cr. The concession period is 15 years, including a construction period of 30 months. This is the same order in which MPL was disqualified and later the Delhi High Court had intervened. With this order, MPL's outstanding order book stands at ~₹5,600cr (3.3x FY2011E revenue), thus enhancing revenue visibility. This is positive for MPL, as the company will be able to book EPC revenue in the coming quarters (FY2013 onwards), thus boosting its overall revenue.

The key triggers to watch out for MPL should be the pick-up in execution in the development business and building of an attractive asset portfolio before it plans to raise money via an IPO, which would fructify somewhere in FY2012 only and will be based on the market conditions prevailing then. Hence, we believe until then the stock would be a sector performer and real value would be created only on unlocking at the subsidiary level. **We maintain our Buy view on the stock with an SOTP target price of ₹171.** Our SOTP target price is arrived by assigning P/E of 10x on FY2012E earnings (₹89.9/share), valuing the BOT projects on NPV basis (₹52.0/share) and other investments in Madhucon Infra and the real estate venture on BV basis (₹25.2/share and ₹3.9/share, respectively).

## Economic and Political News

- Imports of sensitive items in April–December up 8%
- Media and entertainment industry to touch US \$28bn by 2015: FICCI-KPMG
- Gap between FDI and FII seen at US \$14bn in FY2011
- ₹700cr fine imposed on telcos for violation of laws

## Corporate News

- Essar prepays ₹4,230cr raised through NCDs
- Hind Copper to invest ₹3,677cr to quadruple capacity
- Monnet Ispat acquires coal mine in Indonesia for ₹108cr

Source: Economic Times, Business Standard, Business Line, Financial Express, Mint

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