Bonanza
make money. not mistakes.

Monthly Bulletin

Vol 4 Issue 10 1st October 09

Index

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ECONOMY UPDATE

India's External Debt

The external debt stock of India stood at USD 229.9bn, 22% of GDP, at the end FY09 according to a report released by Government. The increase of USD 5.3bn over FY09 is much lower than the increase of USD 53.2bn recorded in FY 08. There was sharp reduction in ECB's and outflow on account of short-term credit and deposits with banking system. The Sovereign external debt however reduced to USD 54.9bn from USD56.9bn from a year ago. Forex reserves were 109% of the external debt as at the end of FY09.

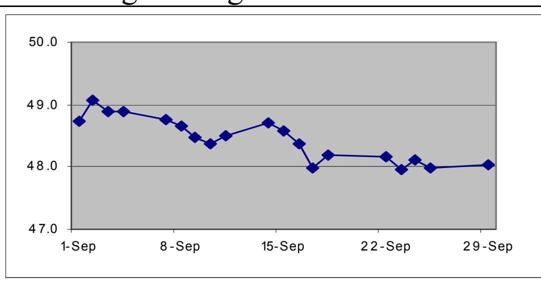
A new venture to attract FDI

Central Govt has decided to promote a non profit company styled as Invest India, jointly with FICCI and State Govts. It will assist the Govt in its efforts towards projecting India as an attractive investment destination for foreign investors and help the foreign investors in identifying and realizing investment opportunities in India.

Forex Reserves – rise

India's Forex reserves have risen by USD 8.81 bn in four -week period ending Sep 18, 2009. The country's forex reserves as on Sep 18, 2009 stood at USD 280.77 bn.

INR strengthens against USD



INR strengthened against USD through out the month mainly on account of weakening of USD. INR gained against GBP also but lost against Euro and Yen.

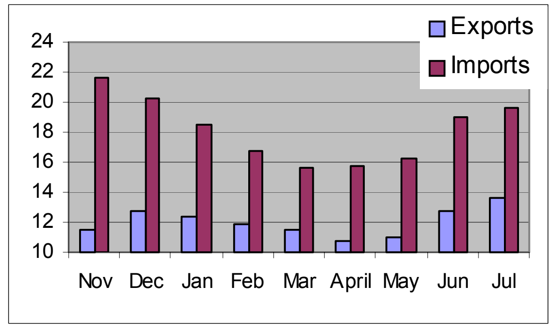
FII's aggressive buying

The net buying by FII's exceeded USD12bn in CY09. In September the net purchases were USD3.8 bn.

Gold moves up on weak USD

Gold moved up on weakening of USD to a high of USD 1020.90/oz on Sep 17 after touching a low of 950.50/oz on Sep1. Crude softened to a low of USD 65.05/ barrel on Sep 25 from a high of USD 73.16 Sep17 on build up of inventory.

Exports & Imports expand



The exports have been rising consistently since April 09. Imports have also been rising continuously since then. In Jul 09, the exports have grown to USD 13.6bn as compared to USD 10.7bn in Apr 09. Imports during the same period have expanded from USD15.7bn to USD 19.6bn. However, YoY exports are down by 28.4% while imports are down by 37.1%. The trade deficit for the month of Jul 09 is USD 6.0bn.

IIP grows at 6.8% in July

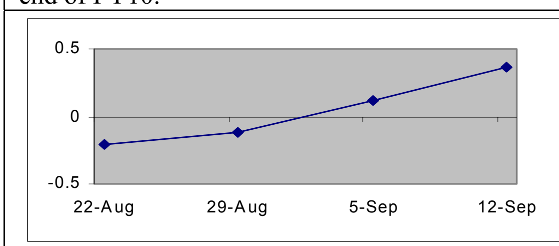
In Jul 09, Index of Industrial Production expanded by 6.8% YoY and stood at 289.7. In Jul 09 the Mining sector led the growth at 9.9% YoY. The manufacturing and electricity rose by 6.8% YoY and by 4.2% YoY respectively. In spite of poor crude oil numbers Core sector recorded a growth of 7.1% in Aug 09 with. Cement and Coal recording double digit growth.

Advance tax collections rise

Advance tax collections from corporate for Q2FY10 due by Sep15 have crossed Rs 440bn compared to Rs 384bn a year earlier. The excise collections for the month of August are higher at Rs 89.8bn up by 22.7% MoM but lower by 8.8% YoY.

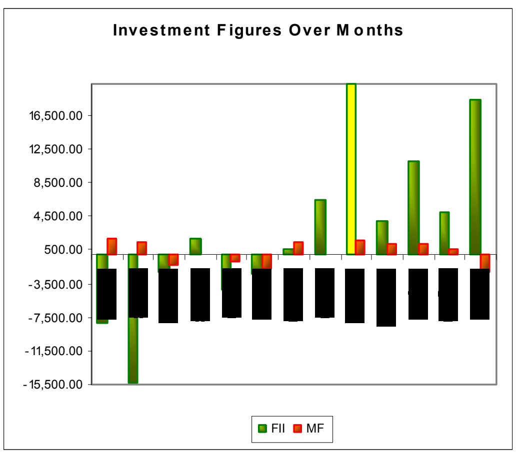
Inflation moves to positive territory.

Inflation moved to the positive territory after remaining in the negative territory for 13 weeks. This has essentially on account of base effect. The inflation is being forecast to touch 5% mark by the end of FY10.



MARKET ACTIVITY

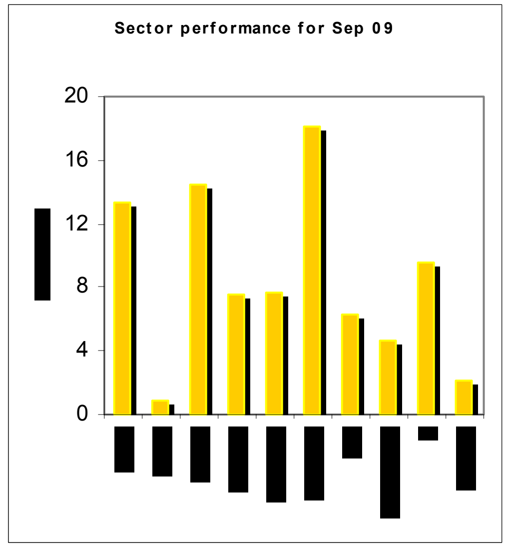
The month of Sep 2009 was a bullish month with Nifty breaking above crucial resistance level of 4745 after consolidating for almost last 4 months. Buying was seen throughout the month, across all major sectors, with many mid-cap stocks making their 52-week high in this month. Nifty made low of 4576.60 and high of 5087.60 in the month of Sep'09. Global markets also supported the uptrend. Technically, Nifty continues to show strength in near-to-medium term as it is trading well above 50-Daily Moving Average of 4680 level and 200- DMA level of 3735. Nifty closed on a positive note at 5083.95 with 421.85 points gain from the last month. Volumes were higher than the previous month, indicating strong participation from investors at current levels.



During the month ended Sep'09, FIIs have been net buyers of about Rs 18344.30 Cr in comparison to net buyers of 4902.70 Cr in previous month. Mutual Funds have been net sellers of Rs 2241 Cr in month ended Sept'09 i.e. FIIs has been net buyers for consecutive 7 months and for the first time after 6 months ,Mutual funds showed some profit booking near Nifty's 5000 level.

As per the sector performance, buying interest was seen across all major sectors as both Nifty and Sensex closed with 9.05% and 9.32% gains respectively in month ended Sept'09.

Banking sector outperformed the month ended Sept'09 and sector was (up by 18.11%), followed by Metal (up by 14.49%), Auto (up by 13.37%), IT (up by 9.55%), Oil & Gas (up by 7.71%), Midcaps (up by 7.5%), PSU (up by 6.28%), Capital Goods (up by 4.61%) and Realty (up by 2.18%) were the major gainers. FMCG stocks closed on a flat note with 0.87% gains.



Future Outlook:

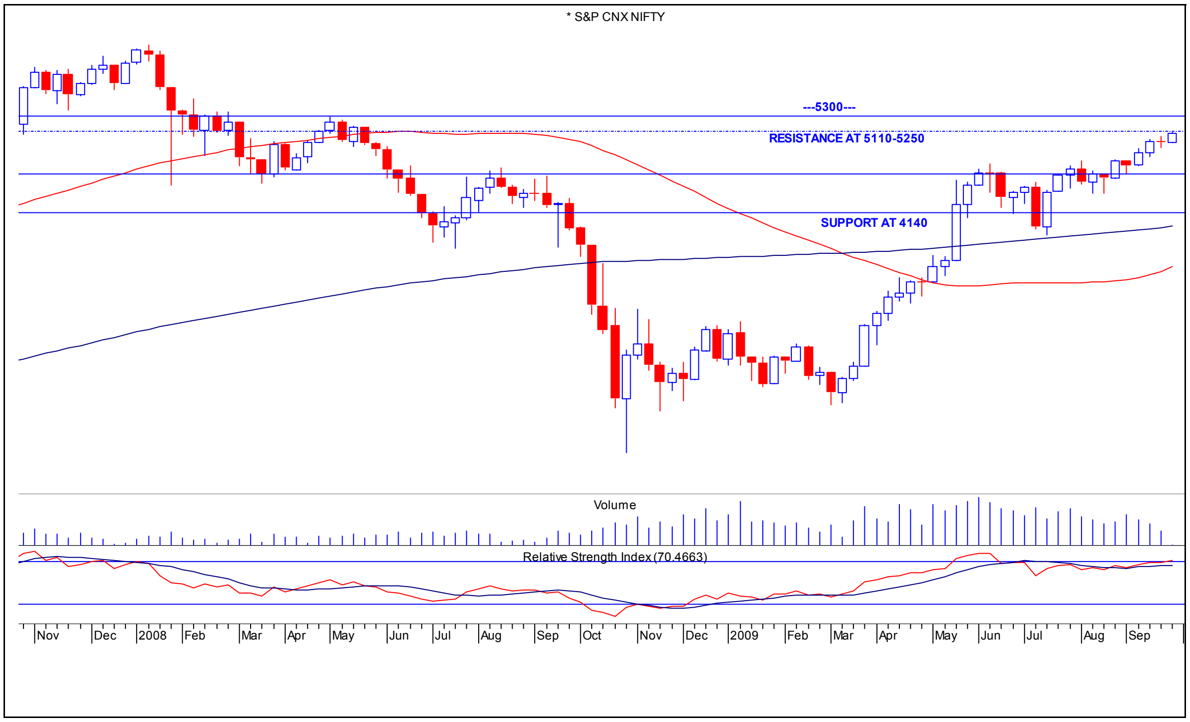
In the month of Sep 09, the market continued the uptrend of the last months and made a strong breakout above 4750 level. In our last report, we had mentioned that 4750 will be decisive level. Higher tops and higher bottoms are being formed indicating upward trend. Consolidation was seen at every correction and Nifty got good support at 4780-4580 level.

Nifty is now near its medium term resistance level i.e. 5110-5250. Hence, in the coming months, the market may show some profit booking, and move in broad range of 4600-4900.

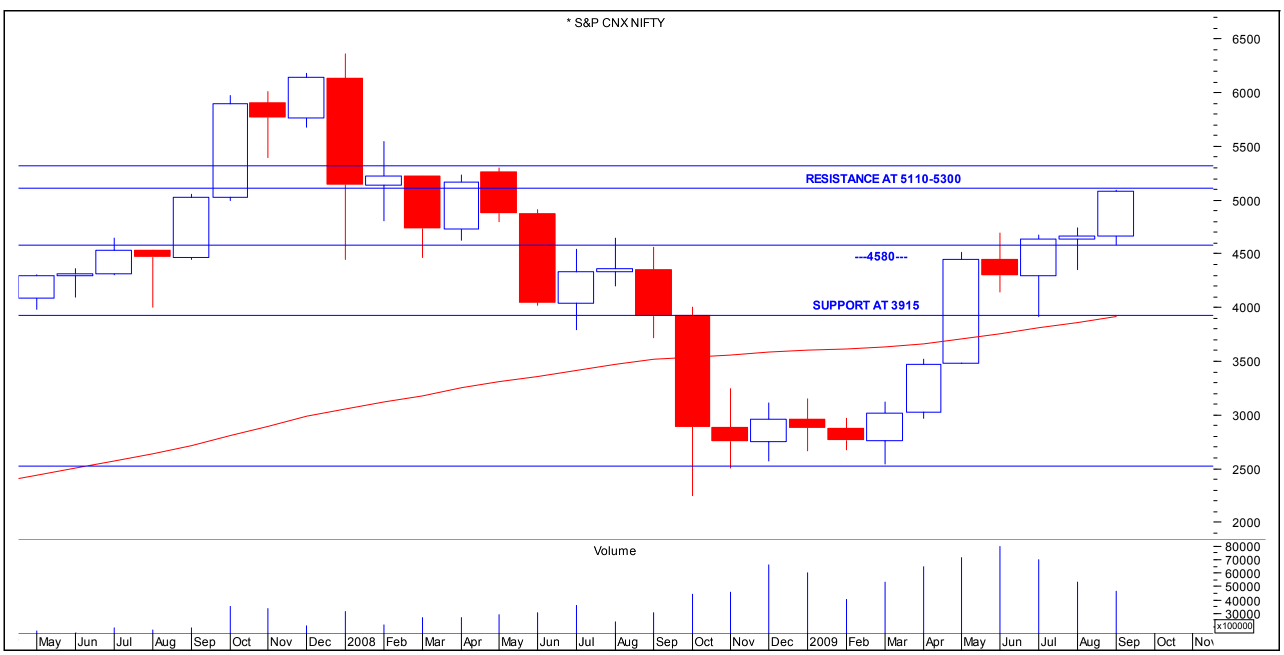
However, for short term, 5110 level is a decisive level. If Nifty makes a fresh breakout above 5110 level, then further rally is likely upto 5170-5250 level. And if Nifty goes below 4580 level, good support is at 4350-4140 levels.

For the month of Oct 2009, if Nifty sustains above 5110 level, then likely target on the upsides is 5250-5300-5370. On the downside, support levels are 4900-4780-4580.

WEEKLY CHART



MONTHLY CHART



Technical Levels

Resistance levels: 5250-5300-5370

Support levels: 4900-4780-4580

Sector Update-Retail

Sector Overview

Retailing is one of the pillars of the Indian Economy and accounts for nearly 12% of GDP. Retail Industry is expected to grow to 22% of GDP by 2011. The sector is divided into organized and unorganized retail.

- Organized retailing refers to trading activities undertaken by licensed retailers. These include the cooperate-backed hypermarket and retail-chains and also the privately owned large retail businesses.
- Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, handcart and pavement vendors etc.

Popular Formats

• Hypermarts.
• Large supermarkets, typically (3,500 - 5,000 sq. ft)
• Mini supermarkets, typically (1,000 - 2,000 sq. ft)
• Convenience store, typically (750 - 1,000 sq. ft)
• Discount/shopping list grocer
• Traditional retailers trying to reinvent by introducing self-service formats as well as value-added services such as credit, free home delivery etc.

The Indian retail sector can be broadly classified into:

a) **FOOD RETAILERS**

There are large number and variety of retailers in the food-retailing sector. Traditional types of retailers, who operate small single-outlet businesses mainly using family labour, dominate this sector .In comparison, super markets account for a small proportion of food sales in India.

b) **HEALTH & BEAUTY PRODUCTS**

With growth in income levels, Indians have started spending more on health and beauty products. Here also small, single-outlet retailers dominate the market. However in recent years, a few retail chains specializing in these products have come into the market.

c) **CLOTHING & FOOTWEAR**

Numerous clothing and footwear shops in shopping centers and markets operate all over India. Traditional outlets stock a limited range of cheap and popular items; in contrast, modern clothing and footwear stores have modern products and attractive displays to lure customers.

d) **HOME FURNITURE & HOUSEHOLD GOODS**

Despite the large size of this market, very few large and modern retailers have established specialized stores for these products

e) **DURABLE GOODS**

The Indian durable goods sector has seen the entry of a large number of foreign companies during the post liberalization period. A greater variety of consumer electronic items and household appliances became available to the Indian customer. Intense competition among companies to sell their brands provided a strong impetus to the growth for retailers doing business in this sector.

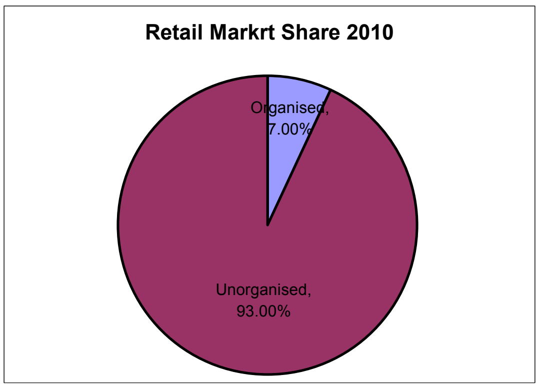
f) **LEISURE & PERSONAL GOODS**

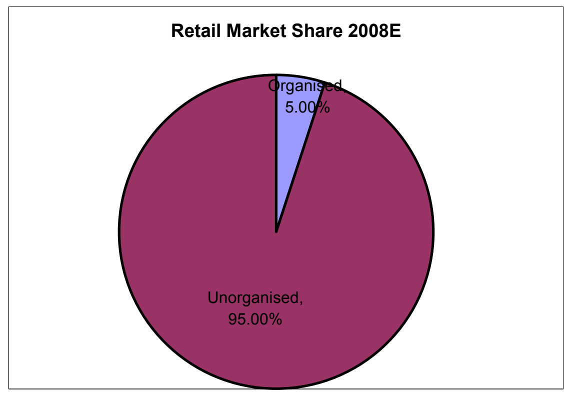
Increasing household incomes due to better economic opportunities have encouraged consumer expenditure on leisure and personal goods in the country. There are specialized retailers for each category of products (books, music products, etc.) in this sector.

Growth

The Retail Business in India is currently at the point of inflection. Rapid change with investments to the tune of US $ 20 billion is being planned by several Indian and multinational companies in the next few years. Indian retail is considered to be the fifth largest in the world; it is currently valued at about US $ 350 billion. Retail Industry is expected to clock USD 480 Bn by 2015.Organised retail is expected to garner about 14-18 percent of the total retail market (US $ 65-75 billion) by 2015. Apart from placing it among top 10 markets in world, it will also create 1.6 million jobs.

The enormous growth of the retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace and by 2010, 300 malls are estimated to be operational in the country.
With over 1,000 hypermarkets and 3,000 supermarkets projected to come up by 2011, India will still need additional retail space of 65 Million m² as compared to today. Current projections on construction point to a supply of just 19 Million m², leaving a gap of 46 Million m² that needs to be filled, involving a capex of \$15-18 billion.
The total retail industry size for CY2008 was US\$324 Bn (Converted at 1USD= Rs 48) and the organized sector contributed US \$16 bn to it, a little fewer than 5% of the total revenues. As per estimates made by ASSOCHAM, growth in retail is expected to be at a rate of 8-10% in next few years. By 2011, retails contribution to national GDP in totality is likely to be 22%. Organized sector is estimated to contribute US\$ 27 Bn to the retail segment by 2010 & would be 7% of total revenue.



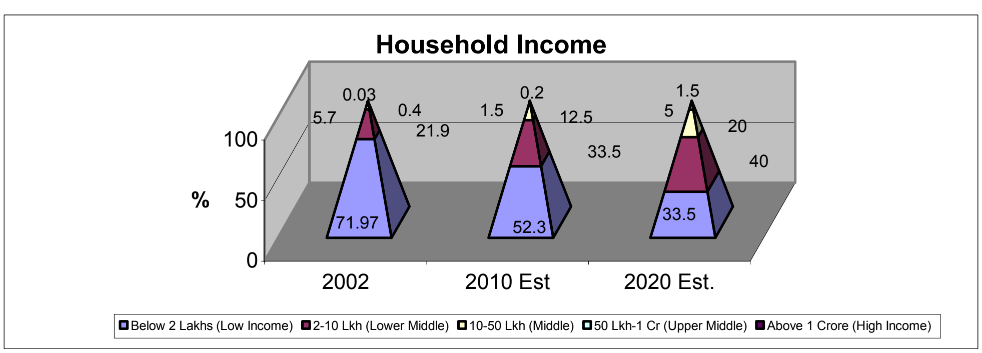


Factors driving the sector

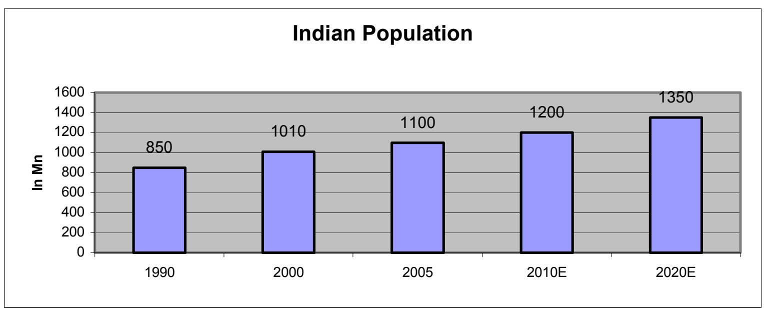
- **Disposable income on the rise: -** As the Indian growth continues, the disposable income in the Indian household is going up and so is the spending power. Increase in Disposable income has out stripped rise in prices of goods. With more disposable Income available rise in sales for Retail sector can be expected. Consumer class with access to organized retail segment is expected to rise. House holds with earnings above Rs 2Lkh PA are expected to be at 48% in 2010.

Percentage of households in a particular income bracket

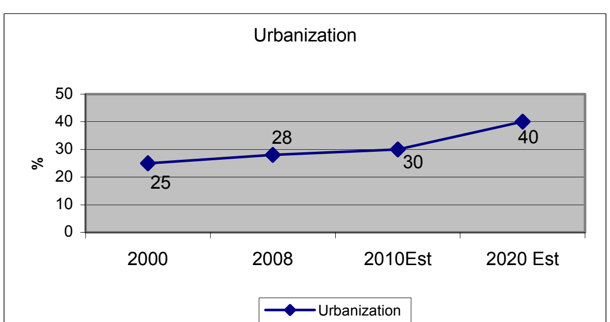
Annual Earning	2002	2010 Est	2020 Est.
Below 2 Lakhs (Low Income)	71.97	52.3	33.5
2-10 Lkh (Lower Middle)	21.9	33.5	40
10-50 Lkh (Middle)	5.7	12.5	20
50 Lkh-1 Cr (Upper Middle)	0.4	1.5	5
Above 1 Crore (High Income)	0.03	0.2	1.5

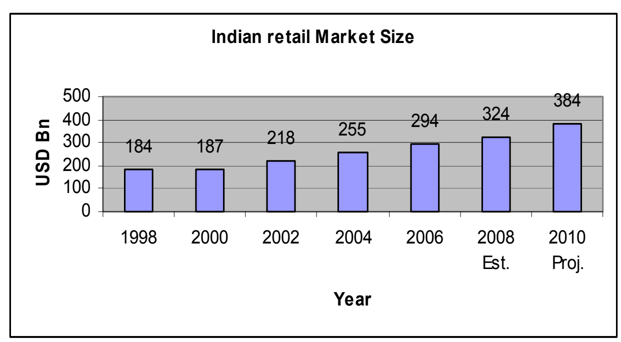


- **Plastic money :-** With many banks, including PSUs, offering a bouquet of services, the usage of debit cards and credit card has become popular and is on the rise. The CAGR for debit card usage is 140% and for credit card is 48% over the last five years. The current credit card holders are at 25 Mn (i.e 2.5 Crore) and rising. Rise in plastic money would fuel further growth in retail sector as money lying in bank accounts become accessible.
- **Entry of MNCs:-**Entry of many MNC retail companies has given credence to the underdeveloped organized retail sector in India. With India on the map of many of these MNC retail companies, Retail sector is all set to take off in the coming years. The world's largest retailer by sales, Wal-Mart Stores Inc, and Sunil Mittal's Bharti Enterprises have entered into a joint venture agreement and they are planning to open 10 to 15 cash-and-carry facilities over seven years. The first of the stores, which will sell groceries, consumer appliances and fruits and vegetables to retailers and small businesses opened in north India. Carrefour, the world's second largest retailer by sales, is planning to setup two business entities in the country one for its cash-and-carry business and the other a master franchisee which will lend its banner, technical services and know how to an Indian company for direct-to-consumer retail. The world's fifth largest retailer by sales, Costco Wholesale Corp (Costco) known for its warehouse club model is also interested in coming to India and is waiting in the wings. Opposition to the retailers' plans has argued that livelihoods of small scale and rural vendors would be threatened. However, studies have found that only a limited number of small vendors will be affected and that the benefits of market expansion far outweigh the impact of the new stores.
- **Growth in population**:-The number of house holds is rising. This presence the largest potential market in the world



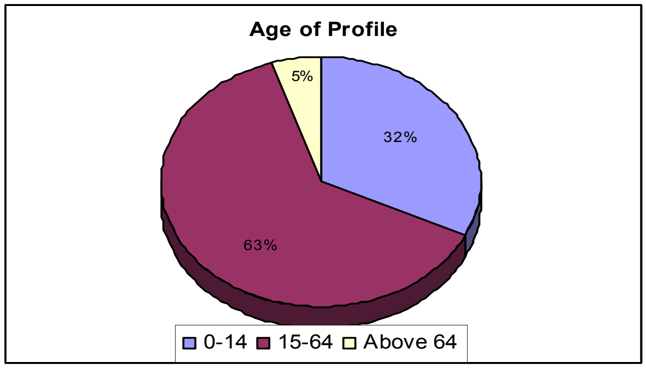
➢ **Growth of urban population: -** Urbanization is on the rise. In 2001 the urban population was 27.7 % of the total population living in 2000 cities across the country. By 2015 the urban population is expected to be 34% of the total population. With growth in urban population, retail sector has a robust future. There is constant urbanization taking place, coupled with higher number of nuclear families. Also number of persons residing alone is also on the rise. Average number of persons per family is falling. This would result in increase sales for retail Industry as more nuclear families would require more material purchases.





➢ **Rural India to come to the party as well**: - Around 70% of the total households in India (210 million) reside in the rural areas. The next phase of growth is expected to come from rural markets, with rural India accounting for almost half of the domestic retail market. The total number of rural households is expected to rise from 135 million in 2001-02 to 165 million in 2011-12. Rural India is set to witness an economic boom, with per capita income having grown by 50 per cent over the last 10 years, mainly on account of rising commodity prices and improved productivity.

- **Age group 25-60 constitutes 58 % of the population: -** Work participation rate for the country is at 45% (2001) and 58% of the country's population is between the age of 25-60. With 64% of population in the age group of 15-60, the prospects for retail sector looks robust.



- **Growing Working women population :-** The propensity to spend in the case of working women is higher by 1.3 times as compared by housewives. According to the census report, the population of working women increased to 26 percent in 2001 as compared to 22 percent in 1991. Also, this emerging trend has given rise to families that have two earning members, instead of one, that would boost the spending power of an average household.

- **Bent towards branded products: -** With many international retail chains setting up shop in India has resulted in widening the basket of branded products available in India, brand recognition is seeping through various strata of Indian Society. Improvement in technology has resulted in better communication and media awareness. These advancements have helped in educating people about various brands and with lesser restrictions on imports; people have access to all these brands.
- **Branding of Goods that were considered difficult to brand**: - Earlier commodities such as Sugar and rice were difficult to brand, but in the past few years organized retail has given new impetus to branding that has resulted in such commodities now being branded. Retail companies such as have launched their branded perishable items in their respective stores.

Risk and Concerns

- **Economic Downturn**: - Economic down turn had resulted in many companies pruning their headcount, revising strategies and delaying plans to tie up with foreign partners. Many companies were forced to shelve their expansion plans while some others were forced to, out rightly, shut down. Many foreign partners have also pulled out of their partnership in the recent downturn. In case the downturn, which has been projected to end in the near term, continues then expansion plans for the sector can be shelved or rollouts truncated.
- **Less Conversion level**: Despite high footfalls, the conversion ratio has been very low in the retail outlets in a mall as compared to the standalone counter parts. Malls are just a place to hang around, largely confined to window-shopping It is seen that actual conversions of footfall into sales for a mall outlet is approximately 20-25 percent. On the other hand, a high street store of retail chain has an average conversion of about 50-60 percent. As a result, a stand-alone store has a ROI (return on investment) of 25-30 percent; in contrast the retail majors are experiencing a ROI of 8-10%.
- **Customer Loyalty**: Retail chains are yet to settle down with the proper merchandise mix for the mall outlets. Since the stand-alone outlets were established long time back, so they have stabilized in terms of footfalls & merchandise mix and thus have a higher customer loyalty base.
- If the unorganized retailers are put together, they are parallel to a large supermarket with little or no over-heads, a high degree of flexibility in merchandise, display, prices and turnover.
- Hurdle for organized retail outlet exist in some states in India. This can set the organized retail back in such states as they grapple with the political imbroglio

Policy Initiatives

- 100 per cent FDI is allowed in cash-and-carry wholesale formats. Franchisee arrangements are also permitted in retail trade.
- 51 per cent FDI is allowed in single-brand retailing.
- The government has disallowed 100% FDI in multi-Brand outlets.

Major Indian Retailers

India is a land of multi culture with various traditions across the country. As a result, the formats abroad, which usually carter to uni-culture environment, may not give the same success rate. Many retail formats are being tried in India, but which format would be successful is really difficult to gauge. Failure of Subiksha has brought to light that Organized Retail is Cash strapped. Various groups are trying out different formats that carter to different segment in the retail

- Reliance Industries Ltd, the Aditya Birla Group, and Bharti Enterprises Ltd are focusing either on perishables and groceries, or a range of products, or both.
- The low-intensity entry of the diversified Mahindra Group into retail is unique because it plans to focus on lifestyle products. The Mahindra group is one of the large Indian business groups to enter the business of retail.
- RPG Retail-Formats: Music World, Books & Beyond, Spencer's Hyper, Spencer's Super, Daily & Fresh
- Pantaloon Retail-Formats: Big Bazaar, Food Bazaar, Pantaloons, Central, Fashion Station, Brand Factory, Depot, aLL, E-Zone etc.
- Religare in Pharmaceutical retail through CRS-Wellness Pharmacy.
- The Tata Group-Formats: Westside, Star India Bazaar, Steeljunction, Landmark, Titan Industries with World of Titans showrooms, Tanishq outlets, Chroma.
- ITC- Wills Life Style store. E-chaupals
- K Raheja Corp Group-Formats: Shoppers' Stop, Crossword, Hyper City, Inorbit
- Lifestyle International-Lifestyle, Home Centre, Max, Fun City and International Franchise brand stores.
- Pyramid Retail-Formats: Pyramid Megastore, TruMart
- Kutons –Apparel retail stores
- SkUMAR Nation Wide's Brandhouse retail.
- Nilgiri's-Formats: Nilgiris' supermarket chain
- Trinethra- Formats: Fabmall supermarket chain and Fabcity hypermarket chain
- Vishal Retail Group-Formats: Vishal Mega Mart
- BPCL-Formats: In & Out
- Reliance Retail-Formats: Reliance Fresh
- Reliance ADAG Retail-Format: Reliance World
- German Metro Cash & Carry.
- Shoprite Holdings-Formats: Shoprite Hyper.
- DCM Shriram Consolidated - Hariyali

Some Fresh Capital lined up in the Industry

- Marks & Spencer Reliance India is planning to open 35 more stores over the next five years, according to Mark Ashman, CEO of the company. The 51:49 joint venture between UK's Marks and Spencer and Reliance Retail Ltd already has 15 stores in India.
- Future Group has been restructured to test the new rules on FDI under Press Notes 2, 3 and 4 issued in February 2009. The company plans to bring in up to US$ 148.7 million in foreign investment. Although FDI is permitted only in single-brand retail and not permitted in multi-brand retail businesses like Future Group's, the conglomerate has created two layers of operations to take advantage of the three Press Notes that allow FDI up to 49 per cent in operating-cum-investment companies as long as they are owned and controlled by Indians.

- Carrefour SA, Europe's largest retailer, may start wholesale operations in India by 2010 and plans to set up its first cash-and-carry outlet in the National Capital Region. Currently, Carrefour sources goods worth US$ 170 million from India to export to Europe, UAE, Indonesia, Europe, Thailand, Singapore and Malaysia.
- Jewellery manufacturer and retailer, Gitanjali Group and MMTC are jointly setting up a chain of exclusive retail outlets called Shuddi–Sampurna Vishwas. The joint venture, which plans to open around 60 stores across India by end of this year, will retail hallmarked gold and diamond jewellery.
- Mahindra Retail, a part of the US$ 6.7-billion Mahindra Group, plans to invest US$ 19.8 million by 2010 to step up its specialty retail concept 'Mom and Me'.

Some of the Listed Companies

Company Name	Bata India	Pantaloon Retail	Provogue (India)	Brand House	Shoppers' Stop	Titan Inds.	Trent	Vishal Retail
FY	200812	200906	200903	200903	200903	200903	200903	200903
Net Sales	984.38	7669.04	363.56	552.35	1414.52	3832.64	824.69	1393.03
Total Income	1000.45	7764.8	446.41	552.41	1441.02	3837.95	885.98	1402.51
Total Expenditure	905.2	7156.89	338.31	511.22	1420.99	3528.75	859.14	1397.76
PBIDT	95.25	607.91	108.1	41.19	20.03	309.2	26.84	4.75
Interest	6.6	418.54	15.11	8.78	25.31	28.79	9.59	96.33
Depreciation	19.13	206.57	11.25	8.28	76.81	42.35	15.94	48.8
APAT	59.06	10.07	59.18	13.39	-63.65	163.92	1.04	-91.72
EPS	9.19	0.56	5.09	3.44	0	36.93	0.53	0
PBIDTM (%)	9.67	7.83	29.73	7.46	1.416	8.06	3.2546	0.341
PATM (%)	5.99	0.13	19.51	2.42	-5.79	4.27	0.1188	-6.7831
CMP	184.65	335	66	33	270	1254.1	657.85	70.75
PE	20.09	598.21	12.97	9.59		33.96	1241.23	
Equity(FV)	64.26(10)	35.04(2)	23.28(2)	53.6(10)	34.87(10)	44.39(10)	19.53(10)	22.4(10)
Market Cap	1186.56	5869.20	768.24	176.88	941.49	5566.95	1284.78	158.48
Mkt Cap/Sales	1.19	0.76	1.72	0.32	0.65	1.45	1.45	0.11

Recommendation

Organized retail is a relatively new industry. The government policies are also evolving. Many State Governments have blocked organized retailing. Central Government is also concerned about the potential job losses in the unorganized retailing. This suggests that policy framework will remain grey for some time.

The companies are rolling out different formats. Many of these have failed. Subhiksha has closed down. Many retailers have reported closing of stores and scaling down of operations. We believe that there is a significant degree of uncertainty about the success of the format in the long run.

In this scenario Bata (India) Ltd has a time tested retailing business model. Bata (India) Ltd is perceived as a shoe company has been retailing shoes thru its own stores for last several decades. The company is also retailing other brands such as Reebok and other products such as school bags, ladies hand bag socks etc. Bata has starting retailing third party products also thru their outlets. Thus it has the potential to scale up retailing operations significantly.

Investment Idea

Bata(India)Ltd — **CMP: - Rs 185**
Hold — **29th September 2009**

In Rs Cr (Standalone)	Q2CY09	Q2CY10	Var(%)	Q1CY09	Var(%)	CY08	CY09E	Var(%)
Net Sales	285.78	308.63	8.00	233.03	32.44	983.6	1066	8.38
Other Income	1.47	2.03	38.10	1.31	54.96	10.71	10	-6.63
Total Income	287.25	310.66	8.15	234.34	32.57	994.31	1076	8.22
Total Expenditure	260.66	276.21	5.97	212.06	30.25	900.8	967	7.35
PBIDT	26.59	34.45	29.56	22.28	54.62	93.51	109	16.57
APAT	16.2	18.35	13.27	10.33	77.64	60.74	65	7.01
Equity	64.26	64.26		64.26		64.26	64.26	
EPS	2.52	2.86		1.61		9.45	10.12	
CMP	189							
PE	18.74	16.55		29.39		20.00	18.68	

Company Background

Kolkata based Bata India was started in 1931. It is the largest company for the Bata Shoe Organization in terms of sales pairs and the second largest in terms of revenues. With 1250 stores across the country, it also has the widest retail network within the BSO.
Czechoslovakia (now Czeck Republic) based Bata was started in 1894. It has a worldwide reach, with operations across 5 continents.

Investment rationale

- **Well established retail Model**: Bata (India) Ltd has a time tested retailing business model. Bata (India) Ltd is perceived as a shoe company has been retailing shoes thru its stores for last several decades. Bata has also started selling goods from other makers such as Reebok and accessories such as school bags, children apparels, ladies hand bags etc. Bata has starting retailing third party products also thru their outlets. This can be a very good opportunity for growth as the company has nearly 1280 stores and so can retail out some of the lesser known brands through its retail distribution centers. Thus it has the potential to scale up retailing operations significantly.
- **Excellent distribution network: -** The Company has a nation wide distribution network of nearly 1280 stores. It has been adding new stores on a consistent basis. The capital expenditure for new stor launch and refurbishment was at Rs 35.86 Cr last year. As the company continues to expand similar capex can be expected in this financial year too. The Company has also been able to re-negotiate rents for most of these stores at a lower rate, mainly due to slow down in commercial property. The cumulative effect of new store addition and lower tariffs would result in the company in reporting better top line and bottom-line in the coming years.
- Indian Branded footwear market is estimated to be around Rs.10000 Crore. Most of the market for shoe products is in the unorganized retail. Bata commands nearly 10% of the market. With rising per capita The nation's consumption of leather products is expected to grow at around 10% per annum, which will be largely driven by the rising disposable income and the increased preference for leather footwear. For the country as a whole the annual domestic consumption of footwear is approximately 1,100 million pairs per annum. With a population base of over 1,000 million, this translates to a per capita consumption of 1.1 pairs per person per annum. Opportunity for increase in per capita consumption of shoes exists. We expect market share for Bata would improve with improving per capita consumption for shoes. Bata has wide

range of footwear solutions-Shoes, Slippers, Socks, Shoe Polish etc. Its product range starts from Rs.5 and goes as high as Rs.4000. Thus it addresses a wide segment of the population.

- **Targeting ladies shoe segment: -** With working women population on the rise, the Company has increased its focus on work shoes catering to working women population. The company launched "Marie Claire" brand for cosmopolitan women. India is especially strong in the men's footwear segment, though the world production is higher in ladies footwear. This also highlights the huge potential which exists in the ladies footwear segment, Proper branding and promotion can greatly increase the domestic demand in ladies footwear
- **New shoe segment, new opportunity: -** The Company is also looking at the safety footwear market as a new thrust area for growth where it feels there is a good business opportunity. The country has a workforce of 45 Mn workers in manufacturing, mining, construction and other industries and this figure will continue to grow as the country accelerates its industrialization. This segment, therefore, would add to company's top line and bottom-line.
- Company has decided to develop the land available at Batanagar. It has set up subsidiaries and JV's for this. Currently the company has not reported any revenue from development of surplus property. But going ahead, we expect the company would report revenue from this segment in the coming years. We have not considered revenue fro this segment. The following action is taking place in the construction space:-
    - The construction of Phase is in progress: Employee housing-5 towers (g+3/4): structure is ready up to 2nd floor. Executive housing-1 tower (G+ 10): structure is ready up to 7th floor. s Princep-1 tower (G+26): 70% piling work completed. Golf Green- 3 towers (G+9):75% piling work completed.
    - Lake Town 5 towers: - Pilling work and foundation work has been completed.
    - SEZ-1 tower: - In the first phase the company had offered a total of 350 Flats for "offer for sale".
    - A management contract has been signed with IHG for setting up Crown Plaza Hotel with 200 rooms and 75 service apartments.
    - Mall construction underway and already signed leasing agreement with Future group for 200,000 Sq. Ft in the mall.
    - The company is also in talks for setting up schools and Hospitals.
- **Strong Balance sheet.** : - The Company has been restructuring its operations. In the past few years the company has significantly reduced its debts. The company has reduced its debt to equity ratio from 0.66 to 0.15. Going forward, the company can leverage its balance sheet to scale up its operations or fund new initiatives.

Rs. Crore	2004	2005	2006	2007	2008
Total Loans	122.12	81.78	73.29	51.66	45
Interest Costs	8.64	9.06	6.92	6.77	6.6
Interest/Operating Profit (%)	Operating loss	28.38	12.14	9.91	6.93
Debt: Equity	0.66	0.32	0.37	0.2	0.15

- The company has also been focusing on adding new machines to produce sophisticated new designs and comfortable shoes. The company has implemented strict cost control, improved product lines, modernization, consolidation of manufacturing operations, and transformation of the Wholesale business that resulted in improved profitability

Peer set

Company Name	Bata India	Pantaloon Retail	Provogue (India)	Brand House	Shoppers' Stop	Trent
FY	200812	200906	200903	200903	200903	200903
Net Sales	984.38	7669.04	363.56	552.35	1414.52	824.69
Total Income	1000.45	7764.8	446.41	552.41	1441.02	885.98
Total Expenditure	905.2	7156.89	338.31	511.22	1420.99	859.14

PBIDT	95.25	607.91	108.1	41.19	20.03	26.84
Interest	6.6	418.54	15.11	8.78	25.31	9.59
Depreciation	19.13	206.57	11.25	8.28	76.81	15.94
APAT	59.06	10.07	59.18	13.39	-63.65	1.04
EPS	9.19	0.56	5.09	3.44	0	0.53
PBIDTM (%)	9.67	7.83	29.73	7.46	1.416	3.2546
PATM (%)	5.99	0.13	19.51	2.42	-5.79	0.1188
CMP	184.65	335	66	33	270	657.85
PE	20.09		12.97	9.59		1241.23
Equity(FV)	64.26(10)	35.04(2)	23.28(2)	53.6(10)	34.87(10)	19.53(10)

Risks

- The industry faces challenges from unorganized sector. Besides cheaper products, unorganized sector also sells the products that are look similar to branded products but are of inferior quality.
- In sports category Bata faces a strong competition from brands like Adidas, Nike etc.
- As competition increases from various domestic and global players, marketing expenses can go up.
- Company has lacked consistency in performance. It skipped dividend for 5 years (2001-06), in last 10 years, due to poor financial performance.

Recommendation: Hold

Bata India is the largest branded Footwear manufacturer and retailer in India. Company has strong brand image. The company recently undertook restructuring measures that are reflected in its balance sheet. The company also plans to venture into safety shoe segment and strengthen its presence in the ladies shoe segment. In view of the focus on strengthening of the retail network, it is expected that the sales would expand. Currently, Bata is not perceived as a retail company and change in perspective would take time. Bata is expected to report an EPS of Rs.10.1 in CY 09. Going forward, although we have not considered profits from the construction business but this segment would add to company’s topline and bottom-line. Bata trades at 18.68X CY 09 EPS at CMP Rs.188.Recommend investors to hold the counter with good gains in the long-term.

Balaji Telefilms Ltd | **CMP:-Rs 66**
High Risk-High return | **7th September 2009**

In Rs Cr (Standalone)	Q1FY09	Q1FY10	Var(%)	Q4FY09	Var(%)	FY09	FY10E	Var(%)
Net Sales	91.6	39.72	-56.64	49.42	-19.63	294.92	223	-24.39
Other Income	4.28	9.82	129.44	2.53	288.14	17.38	25	43.84
Total Income	95.88	49.54	-48.33	51.95	-4.64	312.3	248	-20.59
Total Expenditure	59.83	36.48	-39.03	66.77	-45.36	255.16	196	-23.19
PBIDT	36.05	13.06	-63.77	-14.82	-188.12	57.14	52	-9.00
APAT	22.26	8.96	-59.75	-14.63	-161.24	26.32	29	10.18
Equity	13.04	13.04				13.04	13.04	
EPS	3.41	1.37				4.04	4.45	
CMP	Rs 66							
PE	4.83	12.01				16.35	14.84	

Company Background

Balaji Telefilms Limited (BTL) is a successful media company and the one of largest television content provider in India. Balaji Telefilms is one of the major contributors in the television content business. It provides content to Hindi satellite channels such as Star Plus, Sony, 9X, Colurs, Ndtv Imagine, Zee etc, Gemini in Telugu and Udaya in Kannada, On sum TV in Tamil and Surya TV in Malayalam. BTL content caters to a wide spectrum of audience through its diverse software that includes Sitcoms, Soaps, Game shows, Fantasy and Adventure, Suspense and Thriller and children's programme in Hindi as well as regional languages

Business Model

Balaji Telefilms produces programmes under two broad categories – sponsored and commissioned.

Sponsored programs for TV: Here the company creates content and recovers the cost from advertisers and not from the channel on which the programmes are aired. The company assumes the risk of content creation and marketing. It buys telecast slots and in exchange receives free commercial time that is then marketed to advertisers. This is a variable revenue model – if the programme becomes popular, there is an attractive prospect for an upward rate revision for advertisement tariff.

Commissioned programs for TV: The Company produces content at the behest of channel owners without assuming any risk. Here content is created against a fee with the probability of rate revisions in the event of programme becoming successful (as measured by TRPs).

Movie Production Business: Balaji Telefilms has also ventured into film production business.

IMG Division: - The division aims at developing properties like on-ground events, web portals and talent management. Events that can be woven around specific objectives for clients along with even smaller format events including road shows, endorsements, product launches etc. The division is also in celebrity management that includes contract management and other celebrity brand endorsement etc.

Investment rationale

- Post the "K" saga: - The Company suffered loses in revenue in the form of many of its popular serials going off-Air. The company also had to write down amount in tunes of Rs 10 Cr in FY09 for Mahabharata Serial set , due to non continuity of Mahabharat, resulted in the company reporting losses in Q4FY09. But the new launches from the company i.e Bandhini and Kitne Mohabat have been well received by the audience. Its serials on south Indian channels continue to do well. We expect that the worst is behind for the company and with newer serial in the offing we expect the company to report better sales and profit in the coming quarter. However, the company might not be able to match up to FY 08 and FY09 revenues when its block buster serials such as "Kuki Saas Bhi Kabhi Bahoo Thi" and "Khani Ghar Ghar Ki" were on Air in the near for seeable future.
- An analysis of the quarterly result indicates that the realization per hour from Commissioned programming and Sponsored programming has increased. Although, the sponsored programming hours and commissioned hour have gone down significantly. We believe as the company develops more viewer centric content these figures would improve in the coming quarters.

- The down turn in Economy had hit the advertisement market and in turn hit all the players in the value chain from broadcasters to distributor platform to content providers. However, the recent data reflect a buoyant mood in the advertisement industry with many companies increasing ad-spend and broadcaster reporting a minor increase in Ad-revenue, which had been heading south in the last few quarters. This ad-spend had increased due to two premiere events i.e IPL 09a nd Election and most of the revenue had gone to sports and news channels. But, we expect the ad-spend to increase for GEC and this would have a trickle effect and result in increased topline and bottomline for the company.
- De-risking Business through Multi channel Approach that would also aid in increasing Viwership across Genre and geographies: - Post the break up of ties between Star and Balaji, Balaji has been delivering its content to various other hindi GEC such as NDTV Imagine, Zee, Colours etc, supplementing its presence across South Indian GEC. This would aid the company, in addition to de-risking its business model that was overly dependent on Star TV, to command better viewer ship and presence across prime time in multitude of channels transforming into better top line and bottom-line for the company in the coming years.
- The company plans to set up all the arms of film production unit, right from film production to marketing to distribution and eventually evolving into full fledged studio house. Up until now the company has produced films but now plans on entering all the verticals of film Industry. The Company has acquired land at the cost of Rs 30.75cr in Mira Bhyanader Municipal Corporation in June 2009 for the purpose of building its studios
- Change in management: - The Company had induction in FY09 with new employees coming from established companies. Mr Nachiket Pantvaidya joined the company as CEO TV and has worked with BBC Global Channel, Walt Disney, Sony Entertainment Tv etc. During the year Mr Puneet Kinara and Mr Uday Sodhi also joined as Group CEO and CEO new media respectively. Together, the top management brings a wealth of experience into the company. We believe that this management would be able to steer the company towards improved topline and bottomline in the coming years.
- Zero Debt and cash rich Company**: -** Balaji Telefilms is a zero debt company. BTL can leverage its balance sheet to fund its future projects if and when required. As on June 30, 2009, the Company's total investments were at Rs. 2580.9 Mn including Rs. 300 Mn invested in a wholly owned subsidiary. Out of the above, Rs.2,307.0 Mn was invested in units of mutual funds whose market value as on June 30, 2009 was Rs. 2,369.8 Mn. This translates to Rs 36 per share worth of Investment.

Result Highlights

Results comparison of Quarter ended June 30, 2009 with March 31, 2009

- Income from operations decreased from Rs.53Cr to Rs. 39.78 cr;
- Operating profits increased from a loss of Rs. 26.28 Cr to a profit of Rs. 81 Lakh;
- Profit before tax up from a loss of Rs 23.75 Cr to a profit of Rs. 10.63 Cr.

Results comparison of period ended June 30, 2009 with June 30, 2008

- Income from operations decreased from Rs. 91.73 Cr to Rs. 39.78 Cr;
- Operating profits decreased from Rs. 28.48 Cr to Rs.81 Lakh YoY;
- Profit before tax decreased from Rs. 32.66 cr to Rs. 10.63 cr YoY.

Operational highlights

- Realization per hour from Commissioned programming increased from Rs. 2.20 Mn in Q4FY09 to Rs. 2.30 Mn;
- Realization per hour from Sponsored programming increased from Rs. 0.37 Mn in Q4FY09 to Rs. 0.53 Mn;
- 45 hours of Commissioned programming, down from 194 hours in Q4FY09;
- Decrease in Sponsored programming to 123 hours from 186 hours during the quarter;
- Launched one new show during the quarter on Zee;
- Launched one new regional show;
- 6 out of the top 50 programmes in Hindi Cable & Satellite Channels from the Company (Source: TAM Ratings for the week ended June 27, 2009, MF 4+,C & S);
- Cash and Cash Equivalents of Rs. 2,364.5 Mn as on June 30, 2009;

During Q1FY10, the company launched the following two serials:-

Serial	Channel	Frequency
Pavitra Rishta	Zee	5 days

Brahmamudi	Gemini	5 Days

- Two serials, Kankanna on Udaya TV and Kottukaari, on Surya TV, were taken off air during the quarter.

Programming revenue Mix	Rs Million			%		
	Q1FY10	Q1FY09	Q4FY10	Q1FY10	Q1FY09	Q4FY10
Commissioned	331.76	850.6	424.99	83.50%	92.90%	86%
Sponsored	65.4	65.43	69.2	16.50%	7.10%	14%
Total	397.16	916.03	494.19			

Risk and Concerns

- Company revenues are dependent on how the company's content are perceived in the masses, measured by TRP. Any dip in its serials can translate to a dip in top line and bottom line.
- The number of GEC channels is limited and that limits the prime time slots. BTL would face stiff competition from other content players.
- The company might face challenge from emerging entertainment forms like reality TV etc.
- Company has a host of subsidiaries, some of which have not been doing well and the result is reflected on the consolidated P&L and Balance sheet. Such unsuccessful ventures can continue to erode the company's profits and would make the business transformation to take place over a longer period of time.

Recommendation

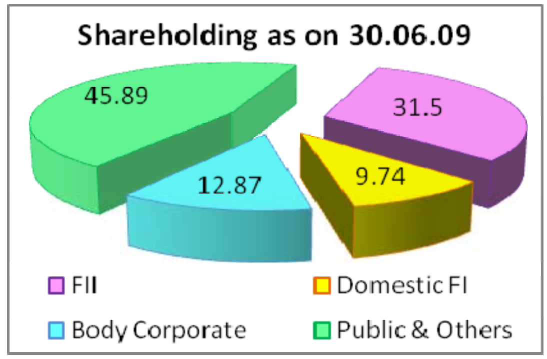
Balaji Telefilms had a trying time last year when some of its popular serials went off-air and some of its new serials did not do as well as it had anticipated. The company also had to re-negotiate its contract with Star. But, with new approach of targeting multiple channels across different genres would aid the company in reporting better bottom-line than previous year, which was affected by write downs and many popular serials being taken off-air . We also expect the company to increase its commissioned hour and revenues in the coming quarter. The company is also in the process of establishing its studio to lower the production cost. The new business strategy transformation would take time. Balaji has nearly Rs 230 Cr invested in debt mutual funds and is in the position to leverage its balance sheet for any future endeavors. We have projected that the company would post a forward EPS of 4.45 for FY10. With cash (in investment) at Rs 36 and an EPS 4.45 in FY10 a target of Rs 75 is quiet achievable on the counter. We recommend investors to "Buy" the counter at Rs 66 with target Rs 88. However, due to volatility in market a 10-15% downside cannot be ruled out.

Karnataka Bank Ltd. (KBL)
(Medium Risk Medium Return)

CMP Rs.135 (FV 10)
Date: 18 September 2009

Karnataka Bank Ltd.
Your Family Bank Across India.

Key Data	
NSE Code	KTKBANK
Face Value	Rs.10
52 Week High	160
52 Week Low	56
Average Volume	2 Lakhs



Company background

Karnataka Bank Limited was incorporated on February 18th, 1924 at Mangalore (Karnataka) to promote “Swadeshi” banking among farmers and artisans in the area. The Bank grew with the merger of Sringeri Sharada Bank Ltd (1942), Chitradurga Bank Ltd (1964) and Bank of Karnataka (1966).
It has network of 455 branches, 175 ATMs and customer base of 4 Million (38 Lakh depositors and 2 Lakh borrowers).

Investment Rationale

- Indian economy is in long term growth trajectory, with a saving rate of nearly 30%, but vast part of country remains under-banked.
- There are about 65000 total bank branches of commercial banks in India, i.e. 1 bank branch per 18000 persons, the ratio is very high compared to about 2500 persons per bank branch in US and about 3500 persons per branch in China. (Source: Wikipedia)
- Besides, traditional borrowing lending, there is good scope for newer financial products like Mutual Funds, Insurance, Depository services, Capital Market services, Forex services etc.
- In the recent global economic crises, Indian banks were in better position than their global peers, due to diversified folios and strict vigilance by RBI.
- PSU Bank and Old private banks were in a better position due to their conservative approach.
- Old private banks, though have much smaller network than PSU Banks, but they enjoy better margins as they cater to a niche markets and target selected Geographies, Trades, Communities etc.
- KBL has operations concentrated in the state of Karnataka, with 3 South Indian states Karnataka (36.06%), Andhra Pradesh (6.67%) and Tamil Nadu (9.93%), accounting for combined over 52% of the bank’s Loans and Advances folio in FY2009.
- Bank is also providing Forex remittance services.

- It is also providing Depository services, and sales of 3rd party products eg. Insurance, Mutual Funds etc.
- Bank has shown slow and steady growth due to its risk adverse approach. Its margins are high due its stronghold in the niche market.
- The bank has ratio of about 9000 customers per branch (CPB) i.e. about half the national average of 18000 CPB.
- The bank is expanding its network in North and Eastern India, where there are good opportunities.
- It is gradually improving its CASA. In FY08 its CASA was 22%, increased to 25% in FY09. In FY2010 CASA is expected to grow to 27% in FY2010. This should improve the margins.
- On Y-o-Y basis in Q1 FY10 its deposits grew by 21%, whereas advances grew only 7.5%. Credit growth was muted in last 5 quarters from Q2 FY2009 to Q2 FY2010 due to economic slow down. Bank's Net Interest Income growth was flat in Q1 FY10 but Interest costs grew 35.96% during the period.
- As the costly Debt raised during Q2 FY 2009 to Q4 FY2009 is replaced by cheaper funds raised from Q2 FY2010 onwards, margins should improve.
- With improved sentiments, good credit off take is expected from Q3 FY2010. With a high CAR of 14.3%, it is in strong position to lend as demand picks up.
- It is a good dividend payer. It has paid continuous dividend in past 2 decades, with year on year increased dividend in past 5 years.
- There is no identifiable promoter of the bank, this makes it an attractive M&A candidate.

Financial Highlights

(Rs. Crore)	Q1 FY09	Q1 FY 10	% Y-o-Y	Q4 FY09	% Q-o-Q	FY09	FY 10E	% Change
Interest on Advances	335	332	-0.90	352	-5.68	1391	1530	10.00
Inc. from Investment	116	145	25.00	140	3.57	545	615	12.84
Inc. on RBI Bal.	6	1	-83.33	1	0.00	5	5	0.00
Other Interest	1	0		5		7	1	-85.71
Total Interest	458	478	4.37	498	-4.02	1948	2151	10.43
Other Income	50	132	164.00	143	-7.69	322	425	31.99
Total Income	508	610	20.08	641	-4.84	2270	2576	13.48
Operating Expenses	75	87	16.00	85	2.35	346	355	2.60
Interest Costs	317	431	35.96	417	3.36	1444	1730	19.81
Operating Profit	116	92	-20.69	139	-33.81	480	491	2.31
Provisions	103	18	-82.52	9	100.00	81	70	-13.58
Tax	-8	34		47	-27.66	133	140	5.26
Net Profit	21	40	90.48	83	-51.81	266	281	5.68
Equity (FV 10)	121	121		121		121	121	
EPS Rs.	1.74	3.31	90.48	6.86	-51.81	21.98	23.23	5.68
CAR (%)	11.98	14.38		13.48		13.48	14	
Gross NPA	417	447		443		443	450	
G-NPA %	3.76	3.74		3.66		3.66	3	
Net NPA	150	110		116		116	95	
N-NPA %	1.39	0.95		0.98		0.98	0.65	
NII	141	47		81		504	421	
CMP (Rs.)	135	135		135		135	135	
PE (X)	77.79	40.84	0.00	19.68	0.00	6.14	5.81	

Peerset Comparison

Rs. Crore	South Indian	BoRajasthan	KARNATAKA	Indusind
Total Interest Income FY 09	1687	1383	1948	2309
Other Income	164	123	322	456
Total Income	1851	1506	2270	2765
Operating Expenses	327	315	346	547
Interest Expenses	1164	998	1444	1850
PBT	360	193	480	368
Provisions	57	21	81	141
Tax	87	55	133	79
Net Profit FY09	216	117	266	148
Equity (FV 10)	113	161	121	355
EPS FY 09 (Rs.)	19.12	7.27	21.98	4.17
CMP (Rs.)	120	78	135	107
PE (X)	6.28	10.73	6.14	25.67
NII	523	385	504	459
CASA (%)	24	27	25	20
GNPA (%)	2.18	2.04	3.66	1.61
Net NPA (%)	1.13	0.73	0.98	1.14
Div. Rs./Share	3	2	6	1.2
No. of Branches	540	470	450	190
Market Cap	1356	1256	1634	3799
M Cap/Sales	0.73	0.83	0.72	1.37
Div. Yield (%)	2.50	2.56	4.44	1.12
Book Value Rs./Share (FY 09)	115	64	129	47
Price/Book Value	1.04	1.22	1.05	2.28

Risks

- Slow down in economy can hurt the financial sector.
- If the credit off take does not grow, the bank could be adversely impacted.
- It is a small regional player, faces threat from pan-India players with very wide network.
- Its expansion into other Geographies may dilute their targeted approach and also this can bring in competition from existing players in these areas.

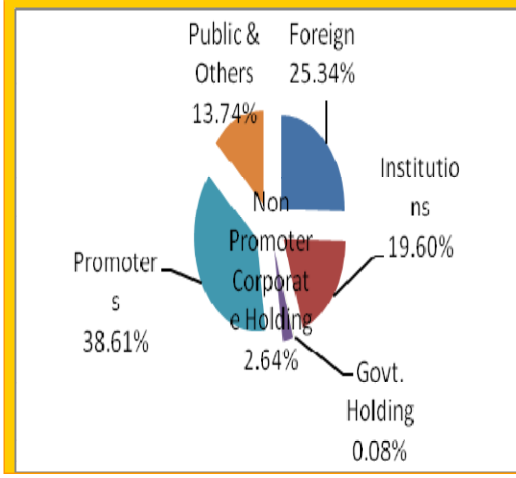
Valuation & Recommendation

Karnataka Bank is likely to show an EPS of Rs.23 in FY2010. At CMP Rs.135, it trades at forward PE of 5.8 and dividend yield of 4.5% (on FY09 basis). Investors may BUY in Rs.130-135 range for a target of Rs. 161 i.e. 7 PE on FY 10 estimates.

ASHOK LEYLAND LTD.
High Risk-High Return

CMP: - Rs 40.35
9th September 2009

Key Data	
Face Value:	1
52 Week High:	42
52Week Low:	12.30
NSE Code:	ASHOKLEY
Average Vol. (Monthly)	5900000

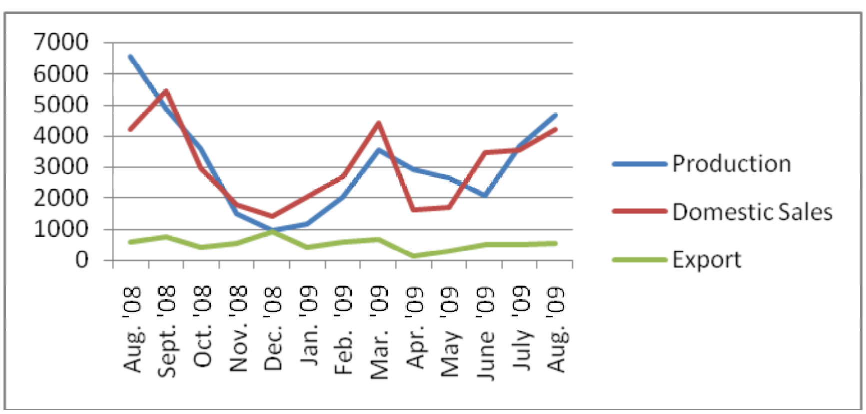


Company Background

Ashok Leyland is a part of Hinduja Group. The company has six manufacturing plants - the mother plant at Ennore near Chennai, two plants at Hosur (called Hosur I and Hosur II, along with a Press shop), the assembly plants at Alwar and Bhandara. The total covered space at these six plants exceeds 450,000 sq m. The company's portfolio includes buses, trucks, engines, special vehicles and defence vehicles. Ashok Leyland controls 20 per cent of the country's truck market and 57 per cent of the bus market.

Investment Rationale

- **Recovery in Vehicles Sales –** The company is witnessing strong sales growth in recent months after falling drastically in April 09 and May 09. Therefore the company will see good realisation from the second quarter of FY 10. This is also on the back of revival of Medium and Heavy Commercial Vehicle Industry.



The demand from Sri Lanka is showing revival post war. The company has the target of exporting 2000 vehicles to Srilanka in FY 10. The company has order book of over 5200 buses under the JNNURM scheme. The company has target of bus sales of 24000 vehicles in FY 10.The company's bus segment is doing well compared to the truck segment. The company holds 46% of the market share of bus. The company has sold 83307 vehicles in FY 08 and 54431 vehicles in FY 09. FY 09 was bad for Medium and Heavy Commercial Vehicle segment due to economic slowdown. In Q1 FY 10 the company sold 7693 vehicles. The company is projecting the sales of 60,000 vehicles in FY 10 due to revival of manufacturing. We have considered that the company will be selling 57000 vehicles in FY 10 and 75000 in FY 11.

- **Capacity Expansion-**The capacity of the company would be increased from 1,00,000 in FY09 to 1,50,000 in FY 10.
- **Uttrakhand Plant-**The Uttrakhand plant's operations is expected to commence by March 10. It would produce 2000-3000 vehicles in Mar 2010 quarter. The plant will have initial capacity of 50,000 vehicles per annum.
- **Fund raising-** The company plans to raise funds of Rs 400 crore through equity related instruments / debt in Dec 09 quarter. In our projection we have not considered any equity dilution.
- **Capex-** The company's capex for FY 10 is Rs 700 crore and largely focused in Uttrakhand project. Besides, it has capex of Rs 400- 500 crore in Joint ventures. The company has incurred a capex of Rs 120 crore in Jun 09 quarter.
- **Hinduja Leyland Finance-** The Company plans to restart non banking finance business to fund commercial vehicles. A new company has been formed Hinduja Leyland Finance Ltd. This company will start operation in FY 10.
- **Joint Venture with Nissan-** The company had made joint venture with Nissan, the first LCV is expected to roll out by early 2011.
- **Joint Venture with John Deere Construction & Forestry-** The company had this joint venture to initially manufacture backhoes and wheel loaders and will market backhoes, wheel loaders and excavators in India and abroad. The trial production is scheduled to commence in October 2010 at a manufacturing facility to be situated near Chennai.

Latest Quarter

In Rs Cr	Q1FY10	Q1FY09	Var (y-o-y)	Q4FY09	Var (Q-o-Q)
Net Sales	912	1888	-51.7%	1218	-25.1%
Other Income	61	7	718.2%	13	362.8%
Total Income	973	1895	-48.7%	1231	-21.0%
Total Expenditure	901	1769	-49.1%	1107	-18.6%
PBIDT	11	119	-90.6%	111	-90.0%
PBITDAM (%)	1.2%	6.3%		9.1%	
PAT	8	51	-84.6%	53	-85.4%
Extra Ordinary Item	-1	-2		-4	
APAT	9	53	-83.4%	57	-84.5%
Equity	133.03	133.03		133.03	
Face Value (Rs.)	1	1		1	
EPS (Rs.)	0.1	0.4		0.4	
CMP (Rs.)	41.25	41.25		41.25	
PE (annualized) (x)	155.7	25.9		24.1	
Div/Share (Rs.)	1.00				

- The company registered the fall in net sales in Q1 FY10 by 51.7% on y-o-y basis. This is due to fall in the number of vehicles sold from 18425 vehicles to 7693 vehicles. On Q-o-Q basis the net sales dipped by 25.1%
- The operating margin excluding other income dipped to 1.2% from 6.3 in Q1 FY09.
- The adjusted net profit stood at Rs.9 Cr compared to Rs.53 Cr due to fall in margin at PBDIT level.

Risks and Concerns

- **Medium and Heavy Commercial Vehicle Industry Recovery-** Our projections are based on the assumption that there on recovery in Commercial Vehicle Industry.
- **Debt-Equity Ratio**- The company has increased the debt equity ratio to 0.9 (excluding revaluation of Land and Building) in FY 09 compared to 0.4 in FY 08. This could further rise to 1.1 (excluding revaluation of Land and Building) if the company raises fund through debt.
- **Prices are volatile –** The raw material and the steel prices are volatile. Any steep rise or fall will affect the margins and the profitability of the company.

Valuation and Recommendation

The company is seeing the revival in the number of vehicles sold. The Uttrakhand plant is coming up in FY 10 for which the company will get the tax benefits. The company is expected to have an EPS of Rs.2.14 for the Face Value of Rs.1 in FY 10. The company is trading at 1 year forward PE of Rs.18.9. The Investors are recommended to BUY the stock in the range Rs.38-41 with target of Rs.50 for medium term.

Status of Past Recommendation

Date	Company Name	MP@ Reco	Nifty @ Reco	Reco	Reco Range	Target	Price on 30/09/09	Nifty on Exit/Hold	Remark	Revised Target	Revision Date	Absolute return	Excess return over nifty
9-Jun-09	OBC	170	4551	BUY	170	210	200	4677	Pb@200		7-Sep-09	18.75	14.88
10-Jun-09	Gwalior	103	4655	Buy	103	125	107	4980	Pb@107		17-Sep-09	3.88	-3.10
11-Jun-09	Indian Bank	134	4637	Buy	134	150	161	4880	Pb@161		3-Aug-09	16.42	13.66
24-Jun-09	HCL	186	4280	Buy	180-190	240	340	4990	PB@340		17-Sep-09	57.80	45.06
16-Jul-09	Welspun Guj	201	4231	Buy	201	240	265	4990	PB@265		17-Sep-09	31.84	17.66
20-Jul-09	Allahabad Bk	86	4502	Buy	86	110	107	4800	Pb@107		11-Sep-09	24.42	17.80
23-Jul-09	Maruti	1230	4523	Buy	1230	1440	1597	4953	PB@1597	1600	18-Sep-09	22.85	16.72
7-Aug-09	Pricol	11.5	4481	Buy	11.5	18	12.25	5080				6.52	-6.85
14-Aug-09	NIIT Ltd	68	4601	Buy	65-70	84	70.6	5080				3.82	-6.59
18-Aug-09	Sunil Hitech	147	4465	Buy	145-150	175	163	4970	PB@163	195	17-Sep-09	14.97	6.90
21-Aug-09	Tata Elxsi	164	4528	Buy	150-160	215	176.35	5080				7.53	-4.66
26-Aug-09	Punj Llyod	257	4688	Buy	257	300	267.9	5080				4.24	-4.12
27-Aug-09	Pidilite	147	4670	Buy	135-145	195	145	5080				-1.36	-10.14
31-Aug-09	Prakash Inds	151	4670	Buy	151	200	157.2	5080				4.11	-4.67
7-Sep-09	Emco	93	4720	Buy	91.5	15	92.5	5080				-0.54	-8.16
7-Sep-09	Balaji telefilms	66	4790	Buy	66	88	73.1	5080				10.76	4.70
9-Sep-09	Ashok Ley	40.3	4853	Buy	39	50	42.5	5080				5.46	0.78
15-Sep-09	UCO	46	4810	Buy	46	65	56	4967	Pb@55.6		24-Sep-09	21.74	18.48
17-Sep-09	3iinfotech	84	4990	Buy	82-85	110	88.3	5080				5.12	3.32
18-Sep-09	Karntka Bank	137	4970	Buy	137	161	138.55	5080				1.13	-1.08
24-Sep-09	Bank Of Maha	44.5	4990	Buy	44.5	50	46.8	5080				5.17	3.36

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