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Technical View: Cash Market

Nifty is trading in downtrend and Bears are having control for consecutive 5 weeks. If Nifty holds 4700 levels then some recovery may be seen in this week else selling pressure may continue.

For trading during the coming sessions, trend deciding level is 4700-4750. If Nifty shows strength above 4700 levels then we may see rally 4800/4950/5050 levels. If Nifty doesn't sustain above 4700 levels then selling pressure till 4600-4550/4450 may also be seen.

Recommendation for Monday- Intra Day Trading

Scrip (LTP)	Action	At Price	For Target of	Stop Loss	Duration
PETRONET (169.50)	BUY	IN 169-167	173-175	164.50	1 day
IRB (139.15)	SELL	IN 139-141	135-133	144.50	1 day

Technical View: NIFTY Future

Duration	Action	Entry Zone	For Target of	Stop Loss
For Monday	BUY	4720-4740	4770-4785	4700
For the Week	SELL	4820-4850	4700-4650	4870

Fundamental Calls

Company	Recommendation	CMP(Rs)	Target(Rs)
Aditya Birla Nuvo Ltd	Buy	824-810	970
Allcargo Logistic Ltd	Buy	142.65	170

News Roundup

- India's benchmark indices ended the expiry week with huge losses. Both Sensex and Nifty lost around 2% to close below the psychological level of 15000 and 4800 respectively. Sensex closed at 15848 and Nifty ended at 4747. Among the sectoral indices, CNX Pharma closed flat, all other indices closed in negative territory. CNX Realty and Banks were the major losers of the week followed by Energy.
- Despite global turmoil Prime Minister Manmohan Singh expects Indian economy to grow around 8% or a little more in FY12. The Prime Minister's growth expectation for the current fiscal is in line with the estimates of the RBI and the Prime Minister's Economic Advisory Council (PMEAC).
- Inflation numbers nudged up in the week ended August 13 to 9.8%. However, fuel and power group inflation stood stable at 13.13% for the week, the same as in the week ended August 6. The index for Food Articles group rose by 0.4% to 192.7 (Provisional) from 191.9 (Provisional) for the previous week due to higher prices of fish-inland (2%) and mutton, gram, fruits and vegetables, egg, pork, bajra and masur (1% each). However, the prices of poultry chicken (3%) and jowar and moong (2% each) declined.
- In an alarming warning ,RBI's annual report mentions that Country's macro-economic fundamentals may get worsen if the global economy slips back to recession, because the current financial health of government don't allow it to offer stimulus packages like it has given during the 2008 global financial meltdown. The government is likely to exceed its fiscal deficit target of 4.6% of GDP for the FY12 on the back of subsidies on the petroleum products and fertilizers surge. And the welfare spending on employment programmes such as Mahatma Gandhi National Rural Employment Guarantee Scheme are also expected to put limitation on government financial health, if the revenue collection plunges below the expected level due to slowdown on economic growth.
- The Finance Minister Pranab Mukherjee hinted that the current market conditions are not favorable for selling government stake in PSUs. The government, which was looking to raise Rs 40,000 crore from disinvestment in state run companies in this fiscal has so far only managed Rs 1,162 crore by selling 5% government stake in PFC. The cabinet has already approved disinvestment in four companies, which include SAIL, ONGC, Hindustan Copper and National Building and Construction Corporation (NBCC).
- India's foreign exchange reserves surged by \$ 1.615 billion to stand at \$318.22 billion for the week ended August 19 against \$316.6 billion in the previous week on the back of a rise in foreign currency assets (FCAs).
- In an important meeting, Federal Reserve Chairman Ben S. Bernanke indicated US economy isn't deteriorating enough to warrant any immediate stimulus and the data aren't pointing to a recession. US stock Markets gyrated following the Bernanke speech, in which he said the central bank still has tools to stimulate the economy without signaling he will use them. U.S. gross domestic product expanded at a 1 % annual rate in the second quarter, less than the forecast of 1.1% expansion. Bernanke said in prepared comments, "Although important problems certainly exist, the growth fundamentals of the United States do not appear to have been permanently altered by the shocks of the past four years,"
- In an indication towards global slowdown, U.K. growth slowed in the second quarter as manufacturing shrank and services showed signs of losing momentum. Gross domestic product rose just 0.2 percent from the first quarter, and was 0.7 percent higher YoY. A separate report showed services fell 0.1 percent in June, the final month of the quarter. The economy has barely expanded since September as government budget cuts and accelerating inflation sap consumer confidence.
- Credit rating agency, Moody's lowered Japan's credit rating by one step to Aa3. It also warned that frequent changes in administration, weak prospects for economic growth and its recent natural and nuclear disasters made it difficult for the government to pare down its huge debt. The downgrade brings Moody's rating for Japan in line with Standard & Poor's, which lowered the country's grade by one notch to AA-minus in January, the fourth highest on its scale.
- Market continues to be volatile amid global uncertainties and domestic issues.

Market Indices

SECTORAL INDICES				
INDICES	19-Aug-11	26-Aug-11	Change (%)	Difference
BSE				
Sensex	16141.67	15848.83	-1.81	-292.84
Bankex	10763.34	10245.51	-4.81	-517.83
IT Index	4738.11	4719.97	-0.38	-18.14
Metal Index	11766.96	11145.02	-5.29	-621.94
FMCG Index	3898.69	3892.69	-0.15	-6
Cap. Goods Index	11535.57	11532.39	-0.03	-3.18
Realty Index	1674.74	1607.50	-4.01	-67.24
Consumer Durables Index	6123.13	6058.18	-1.06	-64.95
OIL & GAS	8155.30	8024.40	-1.61	-130.9
AUTO	8188.10	8048.87	-1.70	-139.23
Healthcare Index	5835.07	5819.60	-0.27	-15.47
PSU Index	7716.99	7454.71	-3.40	-262.28
Mid-Cap Index	6127.10	6034.86	-1.51	-92.24
NSE				
S&P CNX Nifty	4845.65	4747.80	-2.02	-97.85
Bank Nifty	9404.85	8974.55	-4.58	-430.30
CNX IT Index	5113.85	5088.70	-0.49	-25.15
S&P CNX 500	3925.80	3851.55	-1.89	-74.25

GLOBAL INDICES				
INDICES	19-Aug-11	26-Aug-11	Change (%)	Difference
US Market				
NASDAQ	2341.84	2479.85	5.89	138.01
Dow Jones	10817.65	11284.54	4.32	466.89
S & P 500	1123.53	1176.80	4.74	53.27
European Market				
FTSE 100	5040.76	5129.92	1.77	89.16
CAC 40	3016.99	3087.64	2.34	70.65
Asian Market				
Nikkei	8719.24	8797.78	0.90	78.54
Strait Times	2733.63	2748.18	0.53	14.55
Hang seng	19399.92	19582.88	0.94	182.96
Shanghai Comp.	2534.36	2612.19	3.07	77.83

Institutional Activity (Equity)

INSTITUTIONAL ACTIVITY (Equity)

(Rs. In Cr)			
Day Wise	Purchase	Sale	Net
FII Activity			
Friday	5209.40	6490.50	-1281.10
Monday	1471.20	2237.30	-766.10
Tuesday	2594.80	2666.60	-71.80
Wednesday	2006.30	2764.10	-757.80
Thursday	3129.80	4623.80	-1494.00
Friday (Provisional)	2145.70	2371.95	-226.25
Total	16557.20	21154.25	-4597.05
DII Activity			
Friday	1653.42	1230.17	423.25
Monday	1024.40	881.06	143.34
Tuesday	928.39	625.50	302.89
Wednesday	1161.68	600.58	561.10
Thursday	1271.59	886.58	385.01
Friday	1169.39	776.49	392.90
Total	7208.87	5000.38	2208.49

Weekly Sectoral Roundup

Out performer	Under performer	Neutral
CD(-1.06%)	METAL (-5.29%)	AUTO (-1.7%)
IT (-0.38%)	BANK (-4.81%)	OIL&GAS (-1.61%)
HC (-0.27%)	REALTY (-4.01%)	POWER (-1.49%)
FMCG (-0.15%)		
CG (-0.03%)		

Weekly Top Gainers

Name	close	pclose	%change
GTLINFRA	12.15	10.75	13.02
KSOILS	9.55	8.5	12.35
GMDCLTD	176.45	163	8.25
ULTRACEMCO	1059.55	987.95	7.25
BATAINDIA	709.4	661.55	7.23

Weekly Top Losers

Name	close	pclose	%change
DCHL	49.9	66.15	-24.57
JETAIRWAYS	253.05	296.4	-14.63
MLL	21.4	24.25	-11.75
DISHTV	72.3	81.65	-11.45
RELCAPITAL	344.2	387.45	-11.16

Outlook for the Week

Nifty opened the week at 4843.70 levels and after making high at 4965.80 levels, Nifty showed selling pressure and made low at 4720. Nifty closed the week in red at 4747.80 levels with 2.01% loss. Volumes were higher than previous week. Nifty is trading in downtrend and Bears are having control for consecutive 5 weeks. If Nifty holds 4700 levels then some recovery may be seen in this week else selling pressure may continue.

For trading during the coming sessions, trend deciding level is 4700-4750. If Nifty shows strength above 4700 levels then we may see rally 4800/4950/5050 levels. If Nifty doesn't sustain above 4700 levels then selling pressure till 4600-4550/4450 may also be seen.

NIFTY Futures View

Nifty Sep Future opened at 4850 touched the high of 4973 then due to huge short buildup tested the low of 4718.00 & closed at 4748.70, decreased by 102.15 pts. (-2.11%) on weekly basis. Technically speaking 4600-4650 zones would act as a support & 4950-5000 range would act as a resistance for the coming week.

View for Medium term Traders: On Medium term basis, Nifty has support around 4600 level. Medium term resistance would be around 5000 mark.

Trading strategy for Short term Traders: We are recommending selling strategy for short term traders.

Short position may be taken in the zone of 4820-4850 with the SL of 4870 for the target of 4700-4650.

For day-trading purpose on Monday: Long position may be taken in the range of 4720-4740 with the SL of 4700 for the target of 4770-4785.

Nifty Trend Watch

Date	Nifty	Cash	September Future
26-08-2011	Close Today	4747.80	4748.70
Week Beginning 29-08-2011	R2	5050	5050
	R1	4800/4950	4800/4950
	Weekly Trend Deciding	4700-4750	4700-4750
	S1	4600-4550	4600-4550
	S2	4450	4450

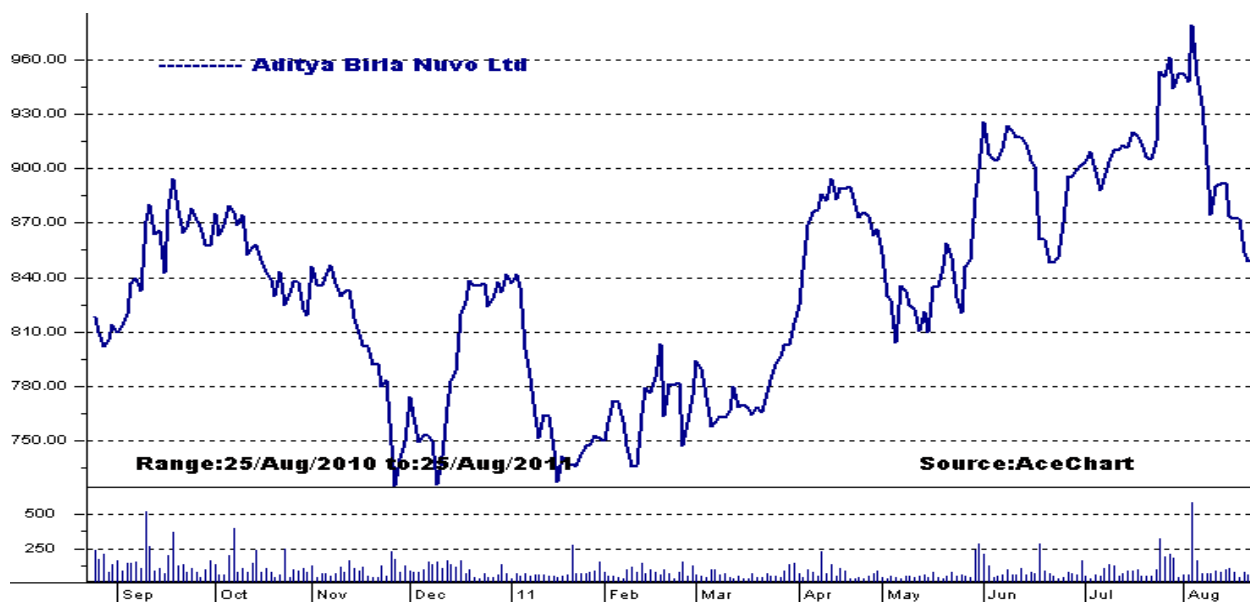
Nifty Weekly

NSE Nifty [N59901] 4843.70, 4965.80, 4720.00, 4748.95, 2920202752
Price



INVESTMENT IDEA

Report Date	26 August 2011
Company Name	Aditya Birla Nuvo Ltd
Recommendation	Buy in range 824-810(Medium risk-Medium return)
Target price	Rs 970
Stop loss	Rs 799



Technical View & Recommendation

The stock had been in uptrend since Feb when it touched the low of 721. Since then the stock has been making higher tops and higher bottoms with steady volumes. Recently the stock after touching the high of 994, tested the levels of 830 on profit booking, which coincides with its 200DMA. 200 DMA has earlier also provided good support to the stock and the counter has bounced back strongly after touching the level. Hence the possibility of a bounce back for good returns is high right now.

Looking at the good volumes generating in the stock and the availability of the stock near its crucial support area, the stock is expected to touch 970 in medium term. Small resistance is placed around 925, a closing above which will make stock bullish enough to test the highs of 970-995. A buy is recommended in the stock in the range of 824-810 for the target of 970 with a stop loss of 799 on daily closing basis.

Company profile

Aditya Birla Nuvo Ltd. (ABNL) is a USD 3.5 billion diversified conglomerate and is a part of Aditya Birla Group. Aditya Birla group on its part is a USD 30 billion well known business house, operating in 27 countries across 6 continents with over 60% of revenue flowing from its overseas operations. ABNL has footprints across Financial Services, Telecom, Fashion & Lifestyle, IT-ITeS and Manufacturing businesses. Due to its operating efficiency and focused approach, ABNL commands leadership position in India across its various businesses segments. ABNL operates in following business segments.

1. Aditya Birla Financial Services is a large non bank financial services player managing AUM of ~ USD 18 billion and having a revenue size of over USD 1 billion. Trusted by ~5.5 million customers and anchored by ~15,000 employees, it has a nationwide presence through more than 1,600 points of presence and 200,000 agents / channel partners. Birla Sun Life Insurance (BSLI) is a 74:26 joint venture between ABNL and Sun Life Financial, Canada. BSLI is managing AUM of ~USD 4.25 billion as on 31st December 2010. Birla Sun Life Asset Management (BSAMC) is a 50:50 joint venture with Sun Life Financial, Canada. BSAMC ranks among top five asset management companies in India with AUM size of ~USD 13.5 billion.
2. ABNL holds 25.37% in Idea Cellular, a ~USD 4.5 billion company by market cap and third largest cellular operator in India by revenue market share at 13.3%. Serving a large customer base of ~ 82 million subscribers, Idea Cellular holds 16% in Indus towers, the world's largest tower company.
3. ABNL holds 88.28% in Aditya Birla Minacs which is among top ten BPO companies in India with revenue size of more than USD 350 million.
4. ABNL also has one of the largest premium branded apparel company in India marketing fashion & lifestyle brands viz., Louis Philippe, Van Heusen, Allen Solly and Peter England. It also has strategic distributorship tie-up with leading brand Esprit. Company retails international brands under 'The Collective'.
5. ABNL is also the second largest manufacturer of carbon black in India (Aditya Birla Group is fourth largest in the world). It operates one of the best energy efficient fertilizer plants in India, India's largest and the world's fourth largest manufacturer of insulators. Company is the second largest manufacturer of viscose filament yarn in India and the largest manufacturer of linen fabric in India.

Recent developments

- ABNL reported robust Q1FY12 results wherein revenue grew by 24 per cent YoY from Rs. 3,857 crore to Rs. 4,767 crore. The growth in revenue was led by manufacturing sector (43%), Fashion & lifestyle (39%) and Telecom (24%). Company witnessed strong growth in EBITDA for the 10th consecutive quarter resulting in Net profit surging by 88 per cent YoY from Rs. 154.7 Crore to Rs. 291.6 Crore. On QoQ basis also ABNL witnessed double digit growth both in top line as well as bottom line. The company's continuous pursuit of profitable growth across the businesses is reflecting in its strong financial results. Post new IRDA guidelines effective from 1st Sep'10, life insurance industry witnessed subdued ULIP sales, affecting ABFS revenue growth too, however While there was a focus on profitable growth across all the businesses, life insurance was the major contributor to the bottom-line growth. Standalone Net Debt to Equity at 0.56 and Net Debt to EBITDA at 3.1 reflect strength of ABNL's balance sheet despite more than 60% of its standalone capital employed being deployed in long term investments in telecom, life insurance etc. This is supported by strong cash flows generated consistently by manufacturing businesses. The top line of the company has grown at an impressive CAGR of 35% in last 4 years and its EBITDA has grown by over 27% during the same period.

- Birla Sun Life Asset Management (BSAMC) Witnessed inflows largely in liquid funds and FMPs since past two quarters led by improved liquidity conditions in the market .BSAMC's domestic AAUM achieved 3rd highest growth q-o-q among top 5 players . BSAMC has highest number of funds with 5 star ratings in the industry. BSAMC's quarterly revenue at ` 85 Cr. and EBT at ` 30 Cr registered a growth of 28% and 53% respectively on QoQ basis. This segment is looking for future growth by increasing market share profitably with a strong focus on distribution and high margin assets besides fund performance and superior customer service.Aditya Birla Money is amongst the top mutual fund distributors in the country, the largest corporate agent for Birla Sun Life Insurance and a significant player in wealth management and Aditya Birla Money Mart (Broking and Wealth Management) both witnessed reduced losses on QoQ. Aditya Birla Insurance brokers, the general insurance advisory arm, wrote a premium of ` 84 Cr
- IDEA witnessed a robust 32% growth in total MoN (Minutes on network) during Q1FY12, which drove y-o-y earnings growth absorbing ~6% decline in ARPM(average revenue per minute).Rising revenue share and scale benefit led cost efficiencies also contributed to 35% growth in EBITDA.A slight reduction from ` 201 Cr. to ` 177 Cr was seen in net profit due to the introduction of 3Gservices, additional expenses of amortization of 3Gspectrum fee (` 66 Cr.) & charging of related interest cost (` 123 Cr.) which negatively impacted the profits.Idea has the highest active subscribers ratio in the industry at 92% as on 31stMay 2011 and is the leading net subscribers gainer post launch of mobile number portability (MNP) reflecting its brand strength. Company plans to continue to increase revenue market share by capitalizing on brand !IDEA besides leveraging 3Gspectrum to augment revenue stream and enrich customer experience
- Madura Fashion and Lifestyle achieved 39% y-o-y revenue growth supported by 39% volume growth. It posted strong volume growth amidst rise in apparel prices, which were increased to pass on rise in cotton prices & levy of excise duty. Retail channel achieved overall 43% growth driven by same store sales growth and expanded retail space. Like to like stores sales grew by 16%.EBITDA grew y-o-y by 27% driven by sales growth across the channels & brands. ABNL plans to continue to leverage brand leadership and expand retail space besides extending range of merchandise for superior shopper experience.
- Aditya birla Minacs recognized total contract value of ~USD 128 million sold in Q1.IT won 3 new logos. About 93% of TCV was on account of new business and balance was on renewal business. In the process of diversifying geographical presence, it added one more centre in Philippines with 285 seats capacity. During Q1FY12, revenue grew y-o-y by 21% to ` 471 Cr on the back of conversion of order book which drove the revenue growth
- Revenue growth during Q1FY12 in manufacturing space was largely driven by expanded capacity in carbon black, buoyant sales volume in linen segment and higher production in Agri-business. Higher input costs also reflected in realization in Carbon Black and Agri-business. Company is pursuing capacity expansion in the Carbon Black, Caustic soda and Insulators businesses.
- The company is powered by an intellectual capital of over 50,000 employees and has optimum mix of revenue and profit streams, which stands it in a strong position to invest in high growth businesses to maximise long-term shareholder gains.
- ABNL is expecting its textile division turnover to grow to Rs 750-800 crore in next four-five years from the present Rs 300 crore. The textiles business of Aditya Birla Nuvo which manufactures linen fabric and yarn, is operated by Jaya Shree Textiles, a wholly-owned unit of the company. The company has retail stores under the brand Linen Club, which retails fabric and ready-made garments. It plans to open 14 new outlets in the FY12 increasing the number from 46 currently and in the next 5 years the company plans to have 200 stores. ABNL has outlined a capital expenditure of 150 million rupees for the current financial year for a promotion campaign for Linen Club. It plans to hike linen fabric capacity by 30-40 percent over the next 2 years.
- The financial strength and the business mix of the company is suitable for long term growth as is reaffirmed from the ratings of its various debt instruments by ICRA. ICRA has reaffirmed the long term rating of LAA+

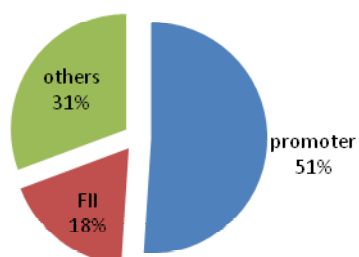
outstanding on Rs 1,250 crore Fund based limits; Rs 500 crore Non-Fund based limit; Rs 1,180 crore term loans (current outstanding Rs 304 crore) and Rs 1,200 crore Non convertible Debenture (current outstanding Rs 1090 crore) of Aditya Birla Nuvo. The rating agency has also reaffirmed the short term rating of A1+ to Rs 1000 crore Commercial Paper programme of the company. The outlook assigned on the company's long term rating is stable. The re-affirmed ratings take into account market leading position for its various manufacturing and services businesses, diversified revenue streams providing stability to cash flows and its conservative financial structure.

- The company in working towards its vision of becoming a premium conglomerate with market leadership across businesses, and delivering superior value to shareholders on a sustained basis has bought US-based Columbian Chemicals for about \$800 million earlier this year (CY2011). Columbian Chemicals has about 9% market share in global carbon black production and was the third largest manufacturers of the chemical.
- With diverse SBU's and diversified product portfolio, the company is insulated against any adverse development or fluctuation in any of its end product.

Key Financial Data

Key Details	
Share Capital (Rs Cr)	113.5
Face Value(Rs)	10.0
52 Wk High/Low	994/707
Market Cap (Rs Cr)	9635.3
EPS (Rs.TTM)	36.0
PE (X)	23.6
Price/BV (X)	1.8

Share holding pattern as on Jun'11



Particulars (Rs. Crores)	Jun'11	Jun'10	% chg YoY	Mar'11	% chg QoQ
Net Sales	4710.0	3815.5	23.4	4089.8	15.2
Oth Op Inc.	57.5	41.5	38.6	58.1	-1.1
Total Inc.	4767.5	3857.0	23.6	4148.0	14.9
Total Exp.	4020.0	3343.3	20.2	3685.3	9.1
PBIDT	747.5	513.7	45.5	462.7	61.6
Dep.	260.8	221.3	17.9	88.9	193.6
Other Inc.	60.2	42.2	42.6	34.7	73.5
Interest	193.8	135.4	43.2	110.6	75.2
PBT	353.0	199.2	77.2	297.9	18.5
Tax	61.4	44.5	38.1	33.8	81.9
PAT	291.6	154.7	88.5	264.1	10.4
PBDITM%	15.87 %	13.46%	241 bps	11.31 %	456 bps
PATM%	6.19%	4.06%	214 bps	6.46%	-27 bps
EPS	25.69	13.63	88.5	23.27	10.4

Concerns

- The company is conglomerate and has production/manufacturing and marketing facilities all over the world. With increasing global turmoil and adverse geo-political developments, the company is likely to get adversely affected by the negative developments.
- Rising interest costs and high cost of funds are eroding the margins of the corporate's. In rising interest rate scenario, the company is likely to suffer further due to increased costs.

Allcargo Logistic Ltd. Update

Buy

CMP: Rs. 142.65
Date: 26th August, 2011

Company Background:

Allcargo Logistic limited (ALCL) is a logistic service provider .its operation comprises of five segments, namely MTO, Non-Vessel Owning Container Carrier (NVOCC), CFS/ICD, Project Cargo and Equipment Hiring and Air Freight Forwarding. Allcargo earns the majority of its revenues from its MTO NVOCC segment, through its subsidiary ECU Line. AGL operates container freight station in strategic locations such as JNPT (Mumbai), Chennai, Mundra and its ICD located at Pithampur, Indore.

Allcargo mostly operates in five business segments namely the MTO (Multi-model Transport Operation) NVOCC (Non vessel owning container carrier), CFS (Container Freight Station) / ICD (inland container depot), Project cargo, Air freight forwarding and Equipment hiring.

- Through its MTO operations, ALCL offers end-to-end freight services for the export and import of cargo. This is done through NVOCC services and multi city consolidation services. Multi city consolidation services involve the movement of cargo from gateway ports to an importer's door and vice-versa.
- ALCL's NVOCC services include the leasing of container space on vessels, which is then sub-leased to various consignees. NVOCC services are further classified under two sub-categories such as LCL (less than container load) and FCL (full container load) consolidation.
- Through its CFS operations, ALCL provides storage, handling, stuffing and consolidation of cargo services. CFS is a warehouse located near a port that facilitates customs clearance of cargo, essentially acting as an extension of the port. An ICD is a warehouse located in a particular CFS's hinterland where cargo from multiple clients is consolidated and transported to ports or the CFS for export and vice-versa. In project cargo segment,
- ALCL undertakes the transportation of high value specialized equipment, like oil field equipment, power plant equipment and compressor station equipment under project cargo segment. Allcargo has specially designed containers and equipment to carry Over Dimensional Cargo (ODC) and overweight cargo.
- In Equipment hiring segment , ALCL leases infrastructure equipment to large engineering and construction companies in India
- Under Air freight transport business ALCL used for high value items and perishable goods due to the increased safety and shorter delivery times.

Investment Rationale

Aggressive capacity expansion would drive topline:

ALCL has undergone a capacity expansion in CFS facility in CY10 at Chennai and Mundra and planning for another phase of expansion during CY11 to double the CFS capacity in JNPT Mumbai (Current capacity is 131,870 TEUs. Presently JNPT contributes more than 60% of CFS volume of the company and operates above 95% capacity utilization. With the ongoing capacity expansion in CFS facility in JNPT would contribute significantly towards the topline of the company, grabbing higher market share. It also plans to increase the fleet size in project and engineering solution segment to meet the increasing demand from this segment. ALCL has already started work for setting up ICDs at Dadri (Greater Noida-Uttar Pradesh) and Hyderabad with capacities of 52,000 TEUs and 36,000 TEUs respectively.

Project logistic and equipment hiring growing strongly:

Allcargo entered the **project cargo** and **equipment hiring** business in 2004 and 2007 respectively to widen its lines of business. These two segments are growing strongly with EBIT contribution of Rs 60cr in CY10 as against

Rs 37cr in CY09. Growing Infrastructure development activities in the country especially in the sector like steel, cement, oil & gas and power expected to increase the demand further in project cargo segment where it considered as one of the industry leaders. Equipment hiring business is expected to contribute higher in the coming period encasing the strong demand supply gap for availability of equipment as well as one stop solution-provider to meet the industry demands. In an economic slowdown scenario, engineering and construction companies prefer to hire equipment due to low free cash and tight liquidity conditions and that creates a revenue visibility for this segment

Wide geographical network provides growth opportunity:

Allcargo has its presence in more than 51 countries through its MTO subsidiary ECU Line. ALCL has a major presence in the emerging markets (like Brazil, Vietnam, Russia and china) which offers immense potential of growth on account of growing trade in these areas.

Focus on high margin CFS/ICDs business to improve margin:

Allcargo has integrated backwards into the CFS business to capture a part of the growing demand for containerization. CFS is a warehouse located near a port that facilitates customs clearance of cargo equipped with handling, stuffing and consolidation of cargo. ALCL is focusing on the (CFS) business to improve its overall margins given that its CFS division enjoys higher margins compared to the traditional NVOCC business. CFS revenues are driven primarily by imports; hence shipping lines are the main customers in this business and ALCL's presence in some strategic location have favorable impact on its business. Recently ALCL has undergone expansion in its CFS capacity in different ports like Chennai, Mundra, and JNPT which would drive its margin going forward.

Strong performance in Q2CY11:

- In Q2CY11 ALCL's consolidated revenue grew by 33% y-o-y to Rs 854cr on the back of strong growth in CFS segment which recorded a 60% y-o-y growth. Sales from project cargo and equipment segment grew by 20% y-o-y. ECU line (subsidiary of the ALCL) one of the major contributor of ALCL's topline registered a growth of 35% y-o-y.
- EBDITA grew by 52% y-o-y to Rs 102cr on account of strong performance from CFS segment and equipment hiring segment. In Q2CY11 ALCL's EBDITM improved by 150bps to 11.96% as against 10.47% in Q2CY10. Operating margin from CFS segment saw a significant improvement of 800bps in Q2CY11. On sequential basis ALCL's EBDITM contracted by 30bps on account of higher operating expenses owing to higher fuel prices.
- In Q2CY11, ALCL's profit grew strongly by 73% y-o-y to Rs 69cr as against Rs 40cr in Q2CY10 mainly due to the higher realizations in CFS segment.

Other developments:

Company had acquired two Hong Kong based companies engaged in the Non Vessel Owning Common Carrier (NVOCC) business in China and other parts of eastern region for ~ USD 22 mn. China being a leading economy in Asian region would help ALCL to capture more business and generate more volume in MTO segment.

Risk & concerns

- Economic slowdown in domestic as well as in advance countries would have an adverse impact on company's performance.
- Hike in fuel price would adversely impact margin.
- Any delay in projected execution in major industries where ALCL has assignments would adversely impact performance of the company.
- Significant exchange rate fluctuation would impact company's performance.

Recommendation: Allcargo Logistic Ltd is a leading logistic service provider having wide network across the world. Its recent acquisition of Hong Kong based companies would be a favorable move to capture the high growth Chinese market. Expansion in CFS capacity in different location would improve its volume and margin going forward. At CMP the stock is trading at a forward earnings multiple of 10.3x of CY11E. Investor can buy at this counter for a target of Rs170 in medium term.

Financials

<i>Earnings Table</i>		<i>(Rs Cr)</i>		
Particulars	CY08	CY09	CY10	CY11E
Net Sales	2314.06	2060.93	2861.34	3319.15
Change %	145.78	-10.94	38.84	16.00
Total Income	2324.70	2089.51	2889.94	3349.15
Total Expenses	2094.26	1842.42	2591.59	2998.85
PBDIT	219.81	218.51	269.75	320.29
Depreciation	44.72	54.47	54.99	64.05
PBIT	185.73	192.62	243.36	286.24
Interest	24.85	23.16	19.45	29.87
PBT	157.74	166.72	223.91	256.37
Tax	35.73	26.04	48.40	55.38
Reported PAT	122.01	140.68	175.51	200.99
Adjusted PAT	108.14	129.92	165.53	191.99
Change %	-21.15	20.14	27.41	15.99
Cash Profit	153	184.39	220.52	256.04

<i>Balance Sheet</i>				
<i>(Rs Cr)</i>				
Particulars	CY08	CY09	CY10	CY11E
Share Capital	22.39	24.99	26.13	26.13
Reserves	557.97	954.58	1153.85	1300.59
Shareholder's Fund	611.34	981.22	1181.21	1326.72
Loan Funds	343.96	204.43	377.76	396.65
Minority int	11.49	13.45	26.25	26.25
Total Liabilities	966.79	1199.10	1585.22	1749.62
Net Fixed Assets	562.41	718.83	1148.25	1334.20
Investments	82.81	166.82	131.92	120.35
Net Current Assets	321.57	313.45	305.05	295.07
Total Assets	966.79	1199.10	1585.22	1749.62

<i>Key Ratios</i>				
Particulars	CY08	CY09	CY10	CY11E
EBDIT (%)	9.50	10.60	9.43	9.65
PBIT (%)	7.99	9.22	8.42	8.55
PAT (%)	4.67	6.30	5.79	5.78
RoCE (%)	18.33	13.84	13.78	14.87
RoE (%)	17.69	13.24	14.01	14.47
Debt-Equity	0.56	0.21	0.32	0.30

<i>Valuations</i>				
Particulars	CY08	CY09*	CY10	CY11E
Adj. EPS (Rs)	48.30	10.40	12.67	14.70
Cash EPS (Rs)	68.27	14.76	16.88	19.60
BV Per Share	272.89	78.50	90.33	101.43
Div. per share	2.50	1.00	3.00	3.00
P/E	3.16	14.66	12.03	10.37
P/BV	0.56	1.94	1.69	1.50
M-Cap/Sales	0.15	0.92	0.70	0.60

Stock splits in 1:5 ratio

Derivatives Statistics

SYMBOL	PREV. WEEK	PCR OI CURR. WEEK	% CHANGE	OI PREV. WEEK	TOTAL FUTURES OI CURR. WEEK	% CHANGE
BANKNIFTY	0.88	1.64	44.32	1,910,650	1,612,575	-15.60
MININIFTY	0.34	0.62	82.35	1,398,520	1,118,720	-20.01
NIFTY	0.94	1.27	35.11	27,239,200	24,995,050	-8.24
ACC	0.86	0.59	-31.40	1,278,000	1,038,750	-18.72
AMBUJACEM	0.73	0.37	-49.32	12,538,000	10,348,000	-17.47
AXISBANK	0.29	0.67	131.03	3,411,750	3,859,500	13.12
BAJAJ-AUTO	0.48	0.30	-37.50	1,161,750	1,061,250	-8.65
BHARTIARTL	0.28	0.69	146.43	10,899,000	8,665,000	-20.50
BHEL	0.29	0.59	103.45	3,055,250	2,499,000	-18.21
BPCL	0.52	0.68	30.77	1,200,000	922,500	-23.13
CAIRN	0.23	0.68	195.65	14,050,000	14,824,000	5.51
CIPLA	0.30	0.42	40.00	3,956,000	3,676,000	-7.08
DLF	0.44	0.70	59.09	23,623,000	20,082,000	-14.99
DRREDDY	0.54	2.75	409.26	975,500	688,250	-29.45
GAIL	0.41	0.45	9.76	1,656,000	1,571,500	-5.10
GRASIM	0.10	0.01	-90.00	379,500	356,500	-6.06
HCLTECH	0.61	0.76	24.59	3,235,500	3,066,000	-5.24
HDFC	0.21	0.25	19.05	6,225,000	5,758,500	-7.49
HDFCBANK	0.56	0.69	23.21	16,940,625	15,504,375	-8.48
HEROHONDA	1.36	0.57	-58.09	2,359,750	1,539,000	-34.78
HINDALCO	0.29	0.73	151.72	22,508,000	18,173,000	-19.26
HINDUNILVR	0.67	0.80	19.40	15,669,000	14,538,000	-7.22
ICICIBANK	0.37	0.63	70.27	10,653,250	8,837,000	-17.05
IDFC	0.25	0.39	56.00	26,090,000	22,148,000	-15.11
ITC	0.37	0.49	32.43	3,018,750	2,708,625	-10.27
JINDALSTEL	0.39	0.52	33.33	17,350,000	17,594,000	1.41
JPASSOCIAT	0.33	0.33	0.00	4,330,000	3,916,000	-9.56
KOTAKBANK	0.18	0.48	166.67	49,796,000	45,264,000	-9.10
LT	0.93	2.29	146.24	4,035,000	3,581,500	-11.24
M&M	0.30	0.79	163.33	4,815,500	4,692,000	-2.56
MARUTI	1.16	0.36	-68.97	4,421,500	2,373,000	-46.33
NTPC	0.87	0.48	-44.83	2,703,750	2,647,250	-2.09
ONGC	0.41	0.33	-19.51	18,734,000	16,662,000	-11.06
PNB	0.47	0.54	14.89	9,184,000	8,392,000	-8.62
POWERGRID	0.88	0.24	-72.73	4,526,500	3,620,750	-20.01
RANBAXY	0.28	0.39	39.29	6,664,000	7,176,000	7.68

RCOM	0.31	0.52	67.74	2,269,500	2,063,500	-9.08
RELCAPITAL	0.23	0.62	169.57	29,282,000	24,322,000	-16.94
RELIANCE	0.28	0.45	60.71	5,005,000	3,828,500	-23.51
RELINFRA	0.30	0.63	110.00	19,231,000	16,581,500	-13.78
RPOWER	0.24	0.35	45.83	5,557,500	4,539,000	-18.33
SAIL	0.36	0.82	127.78	23,834,000	20,764,000	-12.88
SBIN	0.27	0.37	37.04	9,598,000	8,110,000	-15.50
SESAGOA	0.37	0.51	37.84	5,510,125	4,985,875	-9.51
SIEMENS	0.28	1.09	289.29	10,731,000	8,752,000	-18.44
STER	0.84	2.33	177.38	444,250	359,500	-19.08
SUNPHARMA	0.17	0.37	117.65	19,058,000	19,448,000	2.05
TATAMOTORS	1.04	1.80	73.08	2,450,500	2,776,500	13.30
TATAPOWER	0.26	0.45	73.08	8,465,500	7,044,500	-16.79
TATASTEEL	0.19	1.00	426.32	1,121,000	962,000	-14.18
TCS	0.31	0.29	-6.45	18,953,500	15,584,500	-17.78
WIPRO	0.49	0.60	22.45	6,052,000	5,072,000	-16.19

Nifty Stock Level (Cash)

SCRIPS	LTP	R1	R2	S1	S2	trend
ACC	992.55	1015.00	1038.00	975.00	957.00	Downtrend
AMBUJACEM	132.25	137.00	142.00	129.00	125.00	Downtrend
AXISBANK	1000.30	1080.00	1160.00	956.00	911.00	Downtrend
BAJAJ-AUTO	1503.70	1583.00	1662.00	1413.00	1321.00	Uptrend
BHARTIARTL	398.65	412.00	426.00	383.00	367.00	Uptrend
BHEL	1735.50	1788.00	1841.00	1678.00	1620.00	Uptrend
BPCL	670.85	693.00	716.00	653.00	635.00	Downtrend
CAIRN	252.45	266.00	280.00	244.00	235.00	Downtrend
CIPLA	277.20	289.00	301.00	270.00	262.00	Downtrend
DLF	176.10	186.00	197.00	170.00	164.00	Downtrend
DRREDDY	1451.20	1499.00	1548.00	1394.00	1337.00	Uptrend
GAIL	411.25	429.00	446.00	401.00	389.00	Downtrend
GRASIM	2092.85	2171.00	2250.00	2029.00	1965.00	Uptrend
HCLTECH	362.80	389.00	416.00	348.00	333.00	Downtrend
HDFC	621.80	649.00	677.00	603.00	584.00	Downtrend
HDFCBANK	438.95	457.00	476.00	428.00	417.00	Downtrend
HEROMOTOCO	1951.55	2027.00	2103.00	1871.00	1790.00	Downtrend
HINDALCO	139.15	148.00	158.00	132.00	125.00	Downtrend
HINDUNILVR	319.65	326.00	332.00	313.00	305.00	Uptrend
ICICIBANK	820.25	852.00	884.00	801.00	781.00	Downtrend
IDFC	104.85	113.00	121.00	100.00	94.00	Downtrend
INFY	2202.55	2283.00	2365.00	2141.00	2080.00	Downtrend
ITC	196.85	203.00	210.00	192.00	187.00	Downtrend
JINDALSTEL	462.60	498.00	534.00	438.00	413.00	Downtrend
JPASSOCIAT	54.75	62.00	69.00	51.00	46.00	Downtrend
KOTAKBANK	414.55	433.00	451.00	404.00	392.00	Downtrend
LT	1531.35	1588.00	1646.00	1496.00	1461.00	Downtrend
M&M	704.35	722.00	740.00	688.00	671.00	Downtrend
MARUTI	1083.40	1157.00	1230.00	1029.00	973.00	Downtrend
NTPC	166.45	175.00	184.00	160.00	153.00	Downtrend
ONGC	277.95	287.00	296.00	272.00	265.00	Uptrend
PNB	909.20	980.00	1051.00	869.00	828.00	Downtrend
POWERGRID	97.45	103.00	109.00	94.00	90.00	Downtrend
RANBAXY	453.95	473.00	492.00	443.00	431.00	Downtrend
RCOM	72.20	80.00	88.00	68.00	63.00	Downtrend
RELCAPITAL	344.20	399.00	455.00	314.00	284.00	Downtrend
RELIANCE	719.40	757.00	796.00	696.00	673.00	Downtrend
RELINFRA	416.05	453.00	490.00	391.00	365.00	Downtrend
RPOWER	77.95	85.00	92.00	74.00	69.00	Downtrend
SAIL	102.45	111.00	120.00	97.00	91.00	Downtrend
SBIN	1887.85	2025.00	2163.00	1808.00	1728.00	Downtrend
SESAGOA	203.80	221.00	238.00	194.00	183.00	Downtrend

SIEMENS	853.75	881.00	909.00	833.00	812.00	Downtrend
STER	122.10	128.00	135.00	118.00	114.00	Downtrend
SUNPHARMA	465.35	481.00	497.00	450.00	434.00	Uptrend
TATAMOTORS	698.50	733.00	767.00	679.00	659.00	Downtrend
TATAPOWER	1013.15	1074.00	1135.00	979.00	944.00	Downtrend
TATASTEEL	422.30	463.00	504.00	400.00	377.00	Downtrend
TCS	948.45	991.00	1034.00	904.00	859.00	Uptrend
WIPRO	319.75	334.00	349.00	310.00	300.00	Uptrend

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