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A Weekly Update from SMC  
(For private circulation only)

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## From The Desk Of Editor

Most of the world markets rallied in the week gone by on the buzz of further quantitative easing by U.S. Without giving details about the strategies on how the central bank will act its Nov. 2-3 meeting, Federal Reserve Chairman Bernanke said additional monetary stimulus may be warranted because inflation is too low and unemployment is too high. Fed is considering ways for raising inflation expectations to encourage people to believe that prices will start rising at a faster pace so that they would spend more of their money now. Retail sales in U.S. climbed more than forecast as purchases rose 0.6 percent following a 0.7 percent gain in August and manufacturing in the New York region expanded in October at a faster pace than anticipated.

China's Shanghai Composite Index saw gains of 8.5 percent on the anticipation that China's banks show strong earnings growth this quarter as the lending has beaten the forecast. Moreover the strong exports growth of 25.1 percent in September mirrors the strong underlying economic momentum. The country's foreign-exchange reserves, the world's largest, surged by a record to \$2.65 trillion at the end of September.

India's wholesale price index rose to 8.62 percent in September from a year earlier after an 8.5 percent gain in August. Manufactured product inflation and Food price inflation rose by 0.3 percent and 1.6 percent respectively in September from the previous month. RBI Chief Subbarao said that inflation in India is being "quite stubborn," a sign that controlling prices remains the central bank's priority.

Reserve Bank Deputy Governor Subir Gokarn signaled the central bank may intervene in the currency markets to shield exporters from the strengthening rupee. The capital account showed a surplus of \$17.5 billion in the quarter to June 30, compared with a record shortfall of \$13.7 billion in its current account. Foreign investors have so far poured approximately \$23 billion in stocks and 10 billion in debt this year. Industrial production expanded by 5.6 percent in August after seeing an expansion of 15.2 percent in July.

Going next week the main attraction for retail investors would be the primary market with Mega IPO of Coal India slated to open on 18th October. As Infosys has already rung the bell with positive surprise in terms of earning growth, the investors would now look forward to numbers of companies like L&T, HDFC, Bajaj Auto, etc that are scheduled to announce numbers next week. Nifty has support between 5870-5950 and Sensex between 19200-19640 levels.

With expecting second round of monetary easing, investors dumped dollar and endowed other investment avenues. Commodities extended a rally to the highest in two years and CRB closed near the mark of 300. The dollar fell to its lowest in 10 months against a basket of currencies and breached the mark of 77. Five week continuous downfall enhanced metals and agricultural commodities. Gold gave heroic performance and made another life time high. It rose more than 25% in 2010. Silver is also trading near 30 year high. However, being prudent investors, one should book profit in gold and silver, considering safe trading. Base metals are expected to trade in a range. Crude oil should trade in range \$80-85 in short run on mixed fundamental. OPEC has decided to keep the production quota unchanged in last meeting. Agro commodities should trade with high volatility ahead of expiry of October contract.

*Saurabh Jain*

(Saurabh Jain)

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**SAFE HARBOR STATEMENT:** Some forward statements on projections, estimates, expectations, outlook etc are included in this update to help investors / analysts get a better comprehension of the Company's prospects and make informed investment decisions. Actual results may, however, differ materially from those stated on account of factors such as changes in government regulations, tax regimes, economic developments within India and the countries within which the Company conducts its business, exchange rate and interest rate movements, impact of competing products and their pricing, product demand and supply constraints. Investors are advised to consult their certified financial advisors before making any investments to meet their financial goals.

## NEWS

### DOMESTIC NEWS

#### Economy

- Food inflation rose marginally to 16.37 per cent for the week ended October 2, on the back of higher prices of cereals, fruits, select vegetables and milk. Food inflation was 16.24 per cent for the week ended September 25.

#### Power

- Reliance Power said that the Bombay High Court has approved the merger of Reliance Natural Resources (RNRL) and other group companies with itself. The court approval follows shareholders' consent to the merger of Reliance Futura and its arms, and group company RNRL with Reliance Power. Reliance Futura's subsidiaries being merged with Reliance Power are – Atos Trading, Atos Mercantile, Coastal Andhra Power Infrastructure and Reliance Prima.
- National Thermal Power Corporation (NTPC), is struggling to acquire land for its two proposed super thermal power projects (STPP) in Orissa- 4800 MW plant at Darlipalli in Sundergarh district and 3200 MW plant at Gajmara in Dhenkanal district.

#### Packaging

- Jindal Poly Films Ltd has approved the expansion in capacities of Bopet Film, BOPP Film and Metalizer lines at an estimated project cost of ₹ 1600.00 crore.

#### Mining & Minerals

- Gujarat NRE Coke would invest \$450 million in its coal mines in Australia to take its total annual production capacity to six million tonnes in the next five years, besides creating 150 new jobs.

#### Shipping

- ABG Shipyard, a domestic ship manufacturing and repairing company, announced that it has received orders worth Rs 370 crore (approximately \$82.5 million) from two different customers. The first order is worth \$65 million from Qatar-based Halul Offshore, which is being jointly promoted by Qatar Shipping Company and Qatar Navigation. The second order, of \$17.50 million, is from Italian shipping company, Marnavi Spa, which is operating on the world chemical-product and foodstuff market.

#### Pharmaceuticals

- Cadila Healthcare has launched generic Pramipexole tablets, used for treating Parkinson's disease, in the American market. The company's subsidiary Zydus Cadila has launched the Pramipexole tablets in the strengths of 0.125 mg, 0.25 mg, 0.5 mg, 1 mg and 1.5 mg.

#### Textile

- Raymond's plans to develop a realty project on its 126-acre Thane unit seems to be getting closer to fructifying with the company close to reaching an out-of-court settlement with its labour union representing 1,885 employees working in the unit.

### INTERNATIONAL NEWS

- U.S. trade deficit increased to \$46.3 billion from \$42.3 billion in July. The latest trade gap came in wider than the median market forecast for a \$44.3 billion deficit. Exports edged up 0.2 percent, following a 2.0 percent gain in July. Imports rebounded 2.1 percent, following a 2.1 percent decline in July. Non-oil goods imports in August rebounded 2.2 percent, following a 3.0 percent decrease the month before.
- US Producer price inflation was mixed for September as food prices kept upward pressure on the headline number with energy also contributing. The overall PPI growth rate remained elevated at 0.4 percent in September, matching the August rise and substantially topping the median forecast for a 0.1 percent increase. At the core level, the PPI remained sluggish with a 0.1 percent gain-the same as in August and equaling expectations.
- US retail sales in September advanced 0.6 percent, following a 0.7 percent gain in August (revised up from 0.4 percent) and a 0.5 percent increase in July (previously 0.3 percent). The September figure came in above the market expectation for a 0.5 percent increase. Excluding autos, sales rose 0.4 percent, following a 1.0 percent boost in August (previously 0.4 percent) and matching analysts' median forecast. Sales excluding autos and gasoline rose 0.4 percent, following a 0.9 percent surge in August.
- Eurozone Trade deficit widened to EUR 1.4 billion in August from EUR 0.2 billion shortfall in July. Trade balance has been in deficit since May. Economists had forecast a deficit of EUR 0.8 billion. Exports rose 1% month-on-month, recovering from a 0.2% drop in July. On the other hand, imports picked up by 1.8% following a 1.3% drop.

## TREND SHEET

STOCKS	CLOSING PRICE	TREND	DATE	RATE	S1	R1	S2	R2	CL. S/L
			TREND CHANGED	TREND CHANGED					
SENSEX	20125	UP	18.06.10	17571	19640		19200		18800
S&P NIFTY	6063	UP	18.06.10	5263	5950		5870		5750
CNX IT	6730	UP	09.09.10	6288	6500		6350		6150
CNX BANK	12346	UP	09.07.10	9714	12050		11500		11100
ACC	996	UP	20.08.10	871	960		940		900
BHARTIARTEL	334	UP	23.07.10	314	325		315		305
BHEL	2525	UP	30.09.10	2479	2470		2430		2370
CIPLA	332	UP	30.09.10	322	320		310		300
DLF	374	UP	17.09.10	353	350		335		320
HINDALCO	213	UP	06.08.10	164	200		190		180
ICICI BANK	1125	UP	23.07.10	913	1095		1060		1020
INFOSYS	3075	UP	09.09.10	2880	2950		2910		2875
ITC	172	UP	21.05.10	135	165		160		155
L&T	1989	UP	18.06.10	1799	1940		1910		1880
MARUTI	1519	UP	24.09.10	1482	1450		1420		1370
NTPC	204				SIDEWAYS				
ONGC	1340	UP	28.05.10	1129	1310		1280		1250
RELIANCE					SIDEWAYS				
SAIL	220	UP	30.09.10	205	210		204		198

#### NOTES:

- These levels should not be confused with the daily trend sheet, which is sent every evening by e-mail in the name of evening buzzer equity.
- S1 & S2 indicates first support & second support respectively & R1 & R2 indicates first resistance and second resistance respectively.
- Sometimes you will find the stop loss to be too far but if we change the stop loss once, we will find more strength coming into the stock. At the moment, the stop loss will be far as we are seeing the graphs on weekly basis and taking a long-term view and not a short-term view.

## FORTHCOMING EVENTS

Ex DATE	SYMBOL	PURPOSE
18/10/2010	SESAGOA	UN-AUDITED FINANCIAL RESULTS
18/10/2010	HDFC	UN-AUDITED FINANCIAL RESULTS
18/10/2010	LT	UN-AUDITED FINANCIAL RESULTS
18/10/2010	NIITTECH	RESULTS/OTHERS
19/10/2010	BAJAJ-AUTO	UN-AUDITED FINANCIAL RESULTS
19/10/2010	CONCOR	UN-AUDITED FINANCIAL RESULTS
19/10/2010	HDFCBANK	UN-AUDITED FINANCIAL RESULTS
19/10/2010	POLARIS	AUDITED FINANCIAL RESULTS
20/10/2010	ASHOKLEY	UN-AUDITED FINANCIAL RESULTS
20/10/2010	HCLTECH	RESULTS/DIVIDEND
20/10/2010	CANBK	UN-AUDITED FINANCIAL RESULTS
20/10/2010	KOTAKBANK	UN-AUDITED FINANCIAL RESULTS
20/10/2010	POWERGRID	UN-AUDITED FINANCIAL RESULTS
21/10/2010	ACC	UN-AUDITED FINANCIAL RESULTS
21/10/2010	TCS	RESULTS/DIVIDEND
22/10/2010	BIOCON	UN-AUDITED FINANCIAL RESULTS
23/10/2010	DRREDDY	UN-AUDITED FINANCIAL RESULTS
25/10/2010	TITAN	UN-AUDITED FINANCIAL RESULTS
25/10/2010	IDEA	UN-AUDITED FINANCIAL RESULTS
25/10/2010	PETRONET	UN-AUDITED FINANCIAL RESULTS

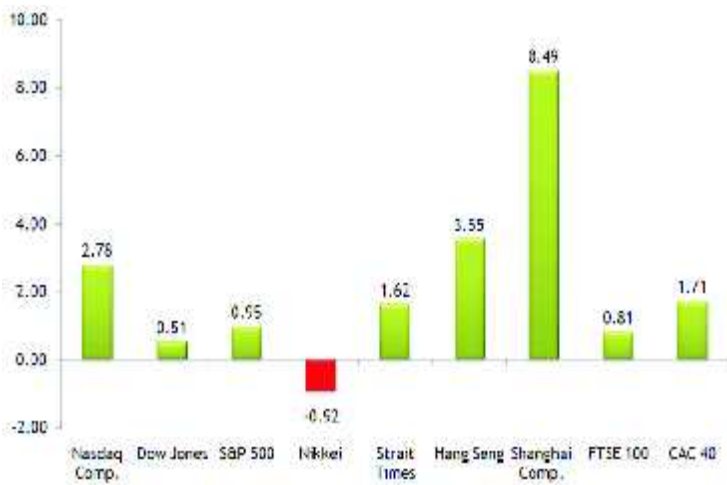
# EQUITY

## INDIAN INDICES (% Change)



SMC Trend  
 ▲ Nifty ▲ Sensex ▲ BSE Midcap ▲ BSE Smallcap ▲ Nifty Junior ▲ S&P CNX 500

## GLOBAL INDICES (% Change)



SMC Trend  
 ▲ Nasdaq ▲ Nikkei ▲ Hang Seng ▲ FTSE 100  
 ▲ Dow Jones ▲ Strait times ▲ Shanghai ▲ CAC 40  
 ▲ S&P 500

## BSE SENSEX TOP GAINERS & LOSERS (% Change)

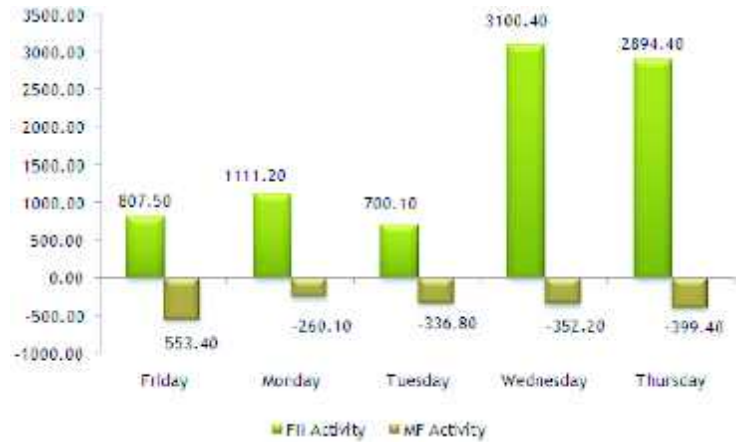


## SECTORIAL INDICES (% Change)



SMC Trend  
 ▲ Auto ▲ Cap Goods ▲ FMCG ▲ IT ▲ Oil & Gas  
 ▲ Bank ▲ Cons Durable ▲ Healthcare ▲ Metal ▲ Power  
 ▲ Realty

## INSTITUTIONAL ACTIVITY (Equity) (₹ Crore)



## NSE NIFTY TOP GAINERS & LOSERS (% Change)



▲ -UP ▼ -DOWN ◌ -SIDEWAYS

## Beat the street - Fundamental Analysis

### UNITED PHOSPHORUS LIMITED

#### Business Profile

United Phosphorus Limited (UPL) was established in 1969. The company is engaged in the research, manufacture and distribution of crop protection products, speciality chemicals and other industrial chemicals and seeds. UPL is one of the top-five companies in the world under the generic agrochemical domain. Within India, the company is the largest producer of crop protection products. The company's agrochemical products are exported to more than 100 countries. The company has built a strong distribution network through acquisitions, strategic alliances and subsidiaries in various parts of the world such as Europe, Asia Pacific, Australia, Africa and the USA.

#### Investment Rationale

- UPL has bought the global fungicide business (non-mixture mancozeb) of US Chemical giant DuPont in the last quarter. The acquisition provides the company an opportunity to strengthen its fungicide business across emerging markets like South and Central America. Acquisition will entitle the company to existing inventory, manufacturing and formulation production facilities in Colombia.
- Revenue of the company is well distributed across geographies ensuring stable growth going forward. In FY10 three-fourth of the total revenue came from the international market and one-fourth from the domestic market. Out of the total international sales 22% of the sales

come from North America, 29% from Europe and remaining 27% is from other countries.

- First quarter result was disappointing mainly due to lower international business which fell by 15%, however the domestic business witnessed a growth of 10%. International business was down on account of lower realization; volume during the quarter was up by 4%. For the year ended FY11 management expect revenue growth of 10-15% and an EBITDA margin of 21% with a resultant EBITDA growth of 15% plus.
- The company is exploring inorganic growth opportunity aggressively as it has excellent capacity to address inorganic growth opportunity due to reduced debt and improved operational cash flow. Borrowing as on June 2010 stood at ₹3200 crore of which 60% of the debt is denominated in US\$. The cash in the book as on June 2010 is ₹2000 crore.

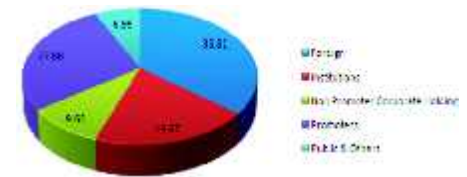
#### Stock Chart



#### VALUE PARAMETERS

Current Mkt.Price (₹)	190.7
Face Value (₹)	2
52 Week High/Low	199.95 / 133.15
M.Cap (₹ Cr.)	8408.92
EPS (₹)	11.85
P/E Ratio (times)	16.10
P/B Ratio (times)	2.79
Dividend Yield (%)	1.05
Stock Exchange	BSE

#### % OF SHARE HOLDING



Particular	QE Jun'10	QE Jun'09	Var.(%)	TTM
Total Income	1487.19	1644.18	-9.50	5358.89
Net Sales	1430.21	1615.40	-11.50	5104.85
Expenditure	1180.00	1333.22	-11.50	4337.27
PBDIT	307.19	310.96	-1.20	1021.62
PBDT	206.83	253.17	-18.30	785.26
PAT	142.35	176.24	-19.20	495.70

### CENTURY TEXTILES & INDUSTRIES LIMITED

#### Business Profile

The BK Birla Group firm Century Textiles and Industries Ltd. was incorporated in 1897 as a Public Limited Company with its Registered Office at Mumbai. Till 1951, the Company operated only one Cotton Textile Mill in Mumbai. The company operates in three segments: textiles, cement, century pulp and paper. Textile products include rayon yarn, pot spun yarn, continuous spun yarn, rayon tyre yarn and tyre cord. The Company's textile mill, Birla Century, manufactures cotton products, such as elite shirtings, range of suitings, fancy and finer fabrics, and dress materials, and a range of bed linen. The Company sells its textile products under the brand, Cottons by Century. The Company's pulp and paper products include duplex board, copier paper and tissue paper. The Company's Yarn Division situated at Satrati, near Indore, (Madhya Pradesh) is equipped with 24960 spindles for manufacture of Yarn.

#### Investment Rationale

- The company proposes to spend ₹2,975 crore towards capital expenditure in the next 2-3 years across various divisions, including cement, paper and pulp and real estate. This includes ₹850-crore investment in developing commercial properties at Mumbai, ₹1,600 crore for cement capacity expansion at its Manikgarh facility and ₹425 crore on the cement grinding unit at Sagardighi in West Bengal.
- The company will re-enter the shipping business five years after its exit. It will foray into the business by acquiring oil tankers and

carriers. The company had run a shipping division for nearly two-decades till it closed down the business in 2005 in the wake of uncertain prospects.

- Its textile business is trying out strategies like further cost cutting, developing new markets and at the same time maintaining the quality of its fabrics and trying to create a customer delight. The Company's ready to wear products under the brand name "Cottons by Century" are now well known among leading national brands. With the new super fine fabrics on offer from "Birla Century", the Apparel Division is poised to create its own niche in the high-end customers.
- Net profit of company declined 29.08% to ₹100.43 crore in the quarter ended June 2010 as against ₹141.62 crore during the previous quarter ended June 2009. Sales declined 0.56% to ₹1115.42 crore in the quarter ended June 2010 as against ₹1121.72 crore during the previous quarter ended June 2009.

#### Stock Chart



#### VALUE PARAMETERS

Current Mkt.Price (₹)	513.40
Face Value (₹)	10.00
52 Week High/Low	595.00 / 405.00
M.Cap (₹ Cr.)	4776.67
EPS (₹)	34.89
P/E Ratio (times)	14.72
P/B Ratio (times)	2.72
Dividend Yield (%)	1.07
Stock Exchange	BSE

#### % OF SHARE HOLDING



Particular	QE Jun'10	QE Jun'09	Var.(%)	TTM
Total Income	1132.39	1139.04	-0.60	4538.04
Net Sales	1115.42	1121.72	-0.60	4446.60
Expenditure	907.42	860.77	5.40	3737.39
PBDIT	224.97	278.27	-19.20	800.65
PBDT	203.23	253.58	-19.90	707.46
PAT	100.43	141.62	-29.10	298.28

Above calls are recommended with a time horizon of 1 year.

## Beat the street - Technical Analysis

### ENGINEERS INDIA LIMITED



The stock closed at ` 359.05 on 15th October 2010. It made a 52-week low at ` 177.17 on 04th November 2009 and 52-week high of ` 538.00 on 07th May 2010. The 200 days Exponential Moving Average (EMA) of the stock on the weekly chart is currently at ` 197.

With the major fall in broader index, it plunged from the high of 214 levels resultant loss of almost 75 percent from the top. After testing the monthly support zone around 50 levels, it witnessed fresh buying that lead to the reversal and scaled to new fifty two weeks high around 540 levels. Due to lack of sustainability at those levels, it retraced to retest the support zone around 295 levels. It went sideways afterward and consolidated further for a fresh move. In the past few weeks, spurt in volume in line with the price move indicating the potential of further up move in the near term so one can accumulate in the range of 355-358 with closing below stop loss of 349 levels for the targets of 375-385 levels.

### GUJARAT NARMADA VALLEY FERTILIZER COMPANY LIMITED (GNFC)



The stock closed at ` 128.65 on 15th October 2010. It made a 52-week low at ` 87.10 on 04th Nov 2009 and 52-week high of ` 138.10 on 06th August 2010. The 200 days Exponential Moving Average (EMA) of the stock on the weekly chart is currently at ` 104.

In line with other fertilizer stocks, it made top in the first quarter of 2008 & took a sharp downturn with fall in the broader index. However it took a pause around 48 levels and started consolidation between 50-65 levels prior to reversal. With the breakout from that zone, it witnessed the strong rebound & halted around the resistance zone of 200 EMA on the weekly chart i.e. around 100 levels. After the six months of consolidation around 100 levels, it managed to overcome that resistance zone and sustaining above the same as well. In the last traded week, it has formed the fresh buying pivot on the weekly chart so one can accumulate in a range of 124-127 levels with closing below stop loss of 120 levels for the targets of 145-155 levels.

### GUJARAT ALKALIES AND CHEMICALS LIMITED



The stock closed at ` 130.70 on 15th October 2010. It made a 52-week low at Rs. 106.00 on 21st May 2010 and 52-week high of ` 155.80 on 22nd January 2010. The 200 days Exponential Moving Average (EMA) of the stock on the weekly chart is currently at ` 122.

In line with decline in broader index, it fell steeply from the high of around 272 levels and consolidate thereafter till the first quarter of 2009. It formed double bottom pattern lead to the reversal in the declining trend. The resultant break from the neckline area cleared the path for sharp rally which paused around 200 EMA on the weekly chart i.e. 121 levels. It is hovering around the same value zone since then but now sustaining above that zone in last five weeks. Keeping in mind the price formation and positive indication from the oscillators, we may see extension of northward move in the near future so one can accumulate in a range of 126-128 levels with closing below stop loss of 121 levels for the targets of 142-150 levels.

# DERIVATIVES

## WEEKLY VIEW OF THE MARKET

The overall market cost-of-carry ended positive. Nifty future closed at a premium of 20 points indicating long carry forward. The Nifty is expected to remain in the range of 6000-6250 levels this week. The options concentration continues to be at the 6000-strike put option with an open interest of above 85 lakh shares. This is followed by the 5900-strike put option with above 58 lakh shares. Among call options the 6200-strike holds the highest open interest of above 73 lakh shares followed by the 6300-strike call with above 68 lakh shares. The put-call ratio of open interest decreased and closed at 1.29 levels indicating put liquidation. The implied volatility (IV) of call options closed marginally higher at 21.27% on Friday, while the average IV of put options ended at 21.89%. Nifty VIX has increased towards the weekend and is expected to remain volatile in the short term. The index may find intermediate support around 6000 levels and resistance near 6160 level

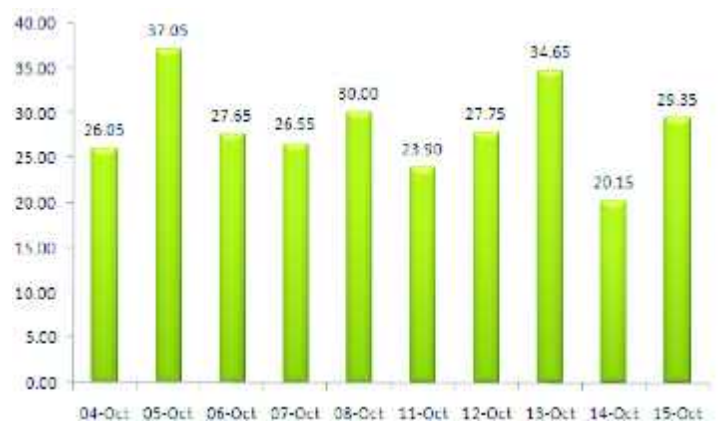
## DERIVATIVE STRATEGIES

	BULLISH STRATEGIES	VOLATILITY STRATEGIES	
OPTION STRATEGY	<b>PATNI</b> Buy Oct. 460. CA 15.00 Sell Oct. 480. CA 10.00  Lot size: 500 BEP: 465.00 Max. Profit: `7500.00(15.00*500) Max. Loss: `2500.00 (5.00*500)	<b>HDFCBANK</b> Buy Oct. 2400. CA 45.00 Buy Oct. 2350. PA 13.60  Lot size: 125 Upside BEP: 2458.60 Downside BEP: 2291.40 Max. Profit: Unlimited Max. Loss: `7325.00(58.60*125)	<b>RELCAPITAL</b> Buy Oct. 840. CA 25.30 Buy Oct. 800. PA 11.75  Lot size: 500 Upside BEP: 877.05 Downside BEP: 762.95 Max. Profit: Unlimited Max. Loss: `18525.00(37.05*500)
FUTURE STRATEGY	<b>PTC (October Future)</b> Buy: Above `125 Target: `131 Stop loss: `123	<b>SESAGOA (October Future)</b> Buy: Above `375 Target: `385 Stop loss: `371	<b>SUNTV (October Future)</b> Sell: Below `512 Target: `500 Stop loss: `517

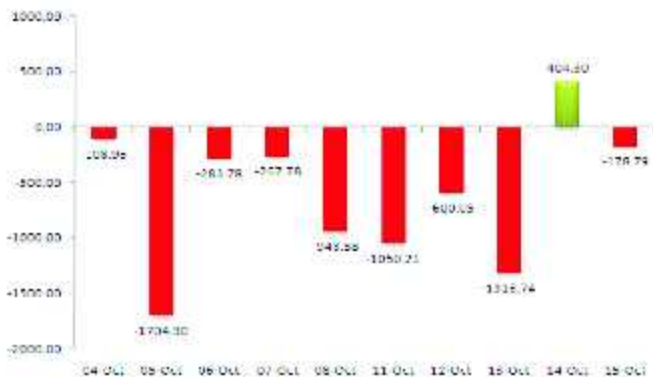
## NIFTY TOTAL OPEN INTEREST (in share)



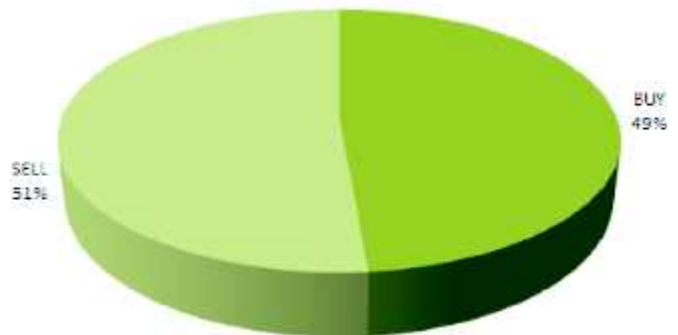
## BASIS GAP IN NIFTY



## FII'S ACTIVITY IN F&O IN LAST TEN SESSIONS (Derivative segment) ` (Cr)



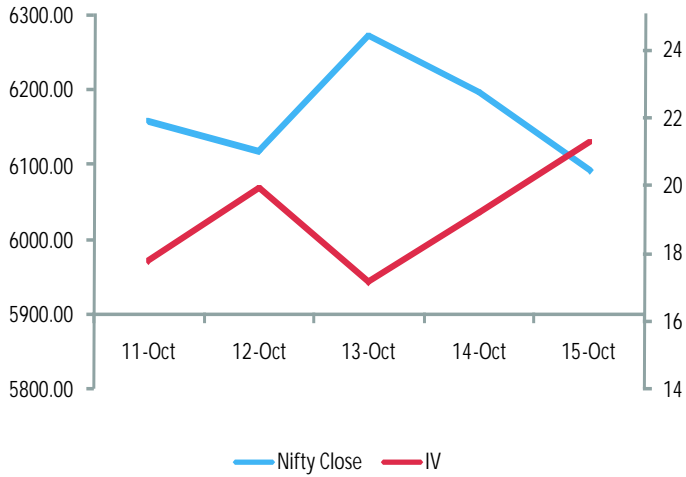
## FII'S ACTIVITY IN F&O IN LAST WEEK (Derivative segment)





# DERIVATIVES

## NIFTY & IV CHART



## NIFTY ANALYSIS

**Put Call Ratio Analysis :** The Put-Call open interest ratio of Nifty has decreased to 1.29 from 1.41. At the end of week, the maximum stocks had a negative trend of change in put call open interest ratio.

**Implied Volatility Analysis :** The Implied Volatility (IV) for Nifty futures this week has increased to 21.27% from 19.48%. The IV of the stock futures has changed this week ranging from -7.79% to 13.33%.

**Open Interest Analysis :** The open interest for the index at the end of this week has increased by 1.35% as compared to the previous week. All future stocks saw changes in their open interest ranging from -10.70 to 25.32. RANBAXY has the maximum increase in open interest as compared to other stocks.

### Statistical Analysis-

Open	6182.00	High	6317.80
Low	6076.10	Close	6092.00

## IMPORTANT INDICATORS OF NIFTY AND OTHER ACTIVE FUTURE CONTRACTS

SCRIPTS	OPEN INTEREST			PCR RATIO			IMPLIED VOLATILITY		
	PREV. WEEK	CURRENT WEEK	% CHANGE	PREV. WEEK	CURRENT WEEK	CHANGE	PREV. WEEK	CURRENT WEEK	CHANGE
BHARTI	16701000	19454000	16.48	0.30	0.30	0.00	40.55	46.62	6.07
DLF	12929000	14219000	9.98	0.56	0.48	-0.08	48.01	54.23	6.22
HINDALCO	20034000	21914000	9.38	0.88	0.80	-0.08	42.90	43.24	0.34
HINDUNILVR	13006000	11675000	-10.23	0.36	0.37	0.01	32.21	30.97	-1.24
ICICIBANK	12804500	11434500	-10.70	0.57	0.62	0.05	32.93	42.13	9.20
IDEA	19948000	21076000	5.65	0.15	0.15	0.00	32.97	39.22	6.25
INFOSYSTCH	3578375	3766125	5.25	0.27	0.22	-0.05	20.52	33.85	13.33
ITC	25184000	25480000	1.18	0.22	0.25	0.03	34.12	31.91	-2.21
JPASSOCIAT	29634000	31504000	6.31	0.29	0.21	-0.08	43.92	39.89	-4.03
NTPC	18602000	21630000	16.28	0.21	0.18	-0.03	29.93	28.35	-1.58
ONGC	2741750	3197250	16.61	0.28	0.29	0.01	36.22	32.70	-3.52
RANBAXY	4522500	5667500	25.32	0.28	0.42	0.14	39.13	48.52	9.39
RCOM	29986000	30324000	1.13	0.22	0.20	-0.02	48.63	40.84	-7.79
RELIANCE	7513000	7499000	-0.19	0.33	0.37	0.04	36.99	41.27	4.28
RNRL	33324000	33808000	1.45	0.14	0.12	-0.02	44.99	41.19	-3.80
S&P CNX NIFTY	26471050	26828750	1.35	1.41	1.29	-0.12	19.48	21.27	1.79
SAIL	7255000	7665000	5.65	0.51	0.47	-0.04	44.46	40.57	-3.89
SBIN	3453500	3262375	-5.53	1.20	0.94	-0.26	21.06	32.34	11.28
SUZLON	86996000	89496000	2.87	0.21	0.24	0.03	54.01	55.22	1.21
TATASTEEL	21780000	21540500	-1.10	0.29	0.29	0.00	40.85	42.58	1.73
UNITECH	62940000	62344000	-0.95	0.32	0.28	-0.04	54.81	53.29	-1.52

## OUTLOOK

### SPICES

Pepper futures (Nov) contract may remain volatile in the range of 18500-19500. The intrinsic fundamentals of Brazil reaching the harvesting season & Indonesia in a continuous process of aggressive marketing by reducing their prices may threaten the export sales from the nation. The expanded area numbers in turmeric are something the market will certainly be looking at & keep the trade cautious in the range of 12400-13500 in November contract. As per seasonal trend, trade in the yellow spices enters a lean period from mid- October. As per the crop coverage report on 12th Oct. from Government of Andhra Pradesh, area sown under turmeric is at 64666 hectares, a spurt by 102% compared to last season. Jeera futures (Nov) seem to have come off their lows and could be in for some rebound for 13700 levels later on this week. Flattened open interest signals that the trend is waning and is probably near its end. However, buying sentiments from exporters may remain nervous as long as rupee continues to trade stronger which is mainly being supported by strong foreign exchange inflows. Cardamom futures may show a slower pace of gains as peak period of the harvesting in the current season is about to end.

### OTHER COMMODITIES

Guar seed futures (Nov) can take advantage of new crop quality concerns & could give some fresh news to sustain upward price movement for 2180 levels. Moreover, investors increasing the participation in mid months contract as compared to the near month contract is serving as an early signal of price direction. Chana futures (Nov) is expected to remain balanced & trade in the range of 2340-2435, as the stockists have already built up their inventories for festive season. Moreover, the expectation of increasing in MSP of chana could lend some support to the nuts. Going by the weekly chart, mentha oil may consolidate in the range of 930-990 levels before moving further higher. Bullish fundamental factors of heating demand from China, EU and US alongwith increasing domestic consumption of menthol-tobacco products may continue to supplement the additional buying in the counter. The spot prices of mentha oil have touched new season high of Rs. 1045-1050 per kg at Chandausi mandi. Potato futures may feel a renewed selling pressure as West Bengal govt. State government has decided to opt for direct selling by various agencies to potato traders and cold storages across the State at a pre-determined price.

### BULLIONS

Bullions counter continue to extend its upside momentum but as prices have gone up very swiftly so profit booking can be seen at higher levels. Gold last week tested the psychological level of 20000 and silver 37000 in MCX. The recent amazing surge in the bullions is mainly due to steep fall in greenback which is plunging due to fed announcement of monetary stimulus in order to boost the economy. FOMC minutes also solidified expectations that the central bank would soon embark on another round of quantitative easing, or special measures that effectively pump more cash into the economy. This week key data of US industrial production, housing starts and jobless claim data will influence the movement of dollar index. Meanwhile silver has also outperformed gold recently as mentioned in earlier. The gold /silver ratio also declined to below 55 recently as silver outperformed gold in recent upturn. The massive surge in prices will have significant impact on the physical demand in India.

### OIL AND OILSEEDS

Analyzing the weekly charts, soybean futures coming out of the consolidation phase is excellently positioned to make a run for 2370 levels in November contract. As regards fundamental factors paving the way for the counter, Indian soya crushing margin is turning into positive which may prompt crushers to buy more of beans. Strong soya meal export demand from South East Asian countries may prompt crushers to buy is proving to be a major supporting factor for the market. As per latest report from USDA, for 2010/11, Indian soybean meal exports are seen rising to 3.2 million tonnes from 2.95 million in 2009/10. Caution may creep into U. S soybean futures as soybean weekly export sales were down 46% from the previous week. Mustard futures (Nov) may not be changing their way & continue to trade within a larger portion of 550-565 levels. Demand for rapeseed meal declining by 16.70% during the tenure April-Sept, 2010 as compared to same period last year didn't appear to be a big deal in news coverage list. Edible oil prices may feel renewed pressure as China is going to release 300,000 tonnes of rapeseed oil from state reserves on Oct 20, 2010 to rein in the recent run-up in prices.

### ENERGY COMPLEX

Crude oil prices will trade on volatile path on mixed fundamentals. Crude have key resistance at \$84 in NYMEX and 3800 in MCX. The physical demand of crude is declining in west and that factor is keeping the prices in check. U.S. demand for petroleum products fell to the lowest level in nearly a year. Last week OPEC decided again to keep its production policy unchanged. OPEC has adamantly refused to raise production to meet what it believes are speculative increases in the price of crude. It prefers to argue that the market is well supplied. The EIA reported a modest 400,000 barrel drop in crude oil inventories for the week ended Oct. 8. Recently the fall in greenback and inventories gave support to the prices but the upside looks limited. Robust supplies and below average demand have give bears upper hand in the natural gas as November contract may test 160 in near term. High supplies and some forecasts for warmer than normal temperatures in October and November will keep the prices on back foot.

### FERROUS AND NON-FERROUS METALS

Last week base metal pack remained on higher side as falling dollar index supported prices along with firm equity markets and stimulating economic data. Industrial production in the Euro zone increased by 1.0% in August as against expectations of 0.7% while, economic data from Japan indicated that core machinery orders increased by 10.1% in August as against 8.8% in the previous month. In this week we expect that prices may trade sideways ahead of mixed fundamentals. Any bounce back in greenback may take prices towards south while a few delighted economic data from U.S or Euro can further support the prices up to some extent. Further on rising inventories of nickel along with any other base metal may also pressurize the prices or gauge the direction to the market.

# COMMODITY

## TREND SHEET

EXCHANGE	CONTRACT	CLOSING PRICE*	TREND	DATE TREND CHANGED	RATE TREND CHANGED	S1	R1	S2	R2	CLOSING STOP LOSS
NCDEX	GUAR SEED (NOV)	2098.00	DOWN	07.08.10	2287.00	-	2150.00	-	2250.00	2300.00
NCDEX	SOYABEAN (NOV)	2230.00	UP	15.10.10	2230.00	2100.00	-	2000.00	-	1900.00
NCDEX	TURMERIC (NOV)	12892.00	UP	08.10.10	12454.00	12500.00	-	11500.00	-	11000.00
NCDEX	JEERA (NOV)	13026.00	DOWN	15.10.10	13026.00	-	14000.00	-	14500.00	15000.00
NCDEX	PEPPER (NOV)	18726.00					SIDEWAYS			
NCDEX	RED CHILLI (NOV)	4931.00					SIDEWAYS			
NCDEX	RM SEED (NOV)	555.20	UP	24.09.10	549.70	530.00	-	520.00	-	510.00
MCX	MENTHA OIL (OCT)	956.90	UP	12.08.10	748.60	880.00	-	830.00	-	780.00
MCX	CARDAMOM (NOV)	995.80	DOWN	30.07.10	1415.70	-	1150.00	-	1250.00	1325.00
MCX	SILVER (DEC)	36106.00	UP	27.08.10	30344.00	34000.00	-	32000.00	-	31000.00
MCX	GOLD (DEC)	19835.00	UP	12.08.10	18550.00	19200.00	-	18800.00	-	18400.00
MCX	COPPER (NOV)	374.80	UP	23.07.10	330.65	355.00	-	350.00	-	340.00
MCX	ZINC (OCT)	105.75	UP	07.08.10	97.35	98.00	-	96.00	-	92.00
MCX	CRUDE OIL (NOV)	3653.00					SIDEWAYS			
MCX	DOLLAR (OCT)	44.21	DOWN	16.09.10	45.91	-	45.25	-	45.75	46.25

\*Closing price as on 15.10.10

- NOTES :
- 1) Buy / Sell 25% of Commodity at S1/R1 respectively & rest 75% at S2/R2 respectively.
  - 2) S1 & S2 indicates first support & second support & R1 & R2 indicates first resistance & second resistance.
  - 3) Sometimes you will find the stop loss to be too far but if we change the stop loss once, we will find more strength coming into the commodity. At the moment, the stop loss will be far as we are seeing the graphs on weekly basis and taking a long-term view and not a short-term view.
  - 4) These levels should not be confused with the daily trend sheet, which is sent every evening by e-mail in the name of evening buzzer commodity.

## TECHNICAL RECOMMENDATIONS

### PEPPER NCDEX (NOVEMBER)\*



PEPPER NCDEX (NOVEMBER) contract closed at ` 18722.00 on 15th October '10. The contract made its high of ` 22358.00 on 22nd July '10 and a low of ` 16600.00 on 4th June '10. The 18-day Exponential Moving Average of the commodity is currently at ` 18977.

On the daily chart, the commodity has Relative Strength Index (14-day) value of 40.18. One can buy in the range of 18700-18800 with the stop loss of ` 18435 for a target of ` 19500.

### COPPER MCX (NOVEMBER)\*



COPPER MCX (NOVEMBER) contract closed at ` 371.75 on 15th October '10. The contract made its high of ` 377.30 on 14th October '10 and a low of ` 291.00 on 7th June '10. The 18-day Exponential Moving Average of the Commodity is currently at ` 366.74.

On the daily chart, the commodity has Relative Strength Index (14-day) value of 62.72. One can buy in the range of 369-370 with the stop loss of ` 364 for a target of ` 384.

### USD/INR (OCTOBER)\*



USD/INR (OCTOBER) contract closed at ` 44.2275 on 15th October '10. The contract made its high of ` 48.50 on 12th August '10 and a low of ` 44.08 on 15th October '10. The 18-day Exponential Moving Average of the Commodity is currently at ` 44.95.

On the daily chart, the commodity has Relative Strength Index (14-day) value of 25.55. One can sell in the range of 44.30-44.35 with the stop loss of ` 44.56 for a target of ` 43.70.

\*Note: Closing price as on 15.10.10

## NEWS DIGEST

- CME Group plans to expand in Asia with commodity contracts that allow physical delivery.
- Cotton reached the highest price since the commodity began trading in New York 140 years ago.
- Cotton export registrations have reached 55 lakh bales on 11th October 2010. The Centre on September 28 deferred cotton exports from October 1 to November 1.
- Turnover of 23 commodity bourses rose by 41.13 % to ₹8,95,613 crore in September this year, buoyed by energy and metal trade, according to FMC.
- India's first nationalized regional exchange and known for castor trading in the commodities markets, Ahmedabad Commodity Exchange (ACE) will start operations by going live on October 26th with five agro commodities.
- India's castorseed output is likely to see a quantum jump in 2010-11. Industry players estimate castor production to be more than 10 lakh tonnes in 2010-11.
- The area under potato cultivation in Punjab would remain more or less same this year, as compared to 83,117 hectares last year.
- FCI signed an agreement with the National Spot Exchange (NSE), a Financial Technologies-promoted spot commodity platform, for liquidating wheat stocks online.
- Bajaj Holdings and Investment (Bajaj Holdings) on Wednesday picked up a 12.82 % stake in the Ahmedabad-based National Multi Commodity Exchange of India (NMCE) for ₹25 crore.
- The U.S. Environmental Protection Agency announced it now will allow up to 15% ethanol to be blended with gasoline in motor fuel -- but only for use in cars and trucks built since 2007. The current allowable limit is 10%.

## WEEKLY COMMENTARY

Once again new highs had been tested by the shiny metal last week as international gold prices soars towards \$1380 on COMEX division. The greenback is currently hovering near 8-month low versus the euro and 15-year low against the yen which supported the gold and silver futures. With the frightening outlook for the US economy and possible intervention by the Fed, the dollar is expected to face more downside pressure. Moreover, physical demand from India, the world's biggest gold buyer, and other Asian economies amid the festival season that will end in November may take prices above \$1400 mark. Base metals extended gains last week except nickel which ended in red. Weakness in the US Dollar Index (DX) acted as a supportive factor for the base metal prices while metal also took cues from the sentiments in the equity markets and positive economic data. In energy counter crude oil remain sideways during the week on mixed fundamentals.

Most of the agricultural commodities rallied too along with metals. Weaker dollar boosted up the demand as alternative assets. Bulls were more active in spices counter on festive fever. Bargain buying at lower levels amid firm spot demand supported jeera futures but upside was limited. There are lower stocks of jeera in the domestic market till the fresh arrivals expected in the month of March. Lower levels attracted pepper traders and it closed the week on positive note after nonstop four week declines. Cardamom, turmeric and chilli also moved northward on festive demand. On CBOT, U.S. soyabean futures climbed to 14-month top. Back at home, similar to overseas market oil seeds and edible oil counter gave terrific performance on cocktail of factors viz; firm global markets, firm soy meal export demand and crop damage in biggest producer in the country Madhya Pradesh. Waning carryover stocks of around 10-11 lakh bags in the current year resulted in fresh buying in guarseed and guar gum. Strong domestic and overseas demand amid receding stocks assisted mentha to scaled new high in future market.

## NCDEX TOP GAINERS & LOSERS (% Change)



## MCX TOP GAINERS & LOSERS (% Change)



## WEEKLY STOCK POSITIONS IN WAREHOUSE (NCDEX)

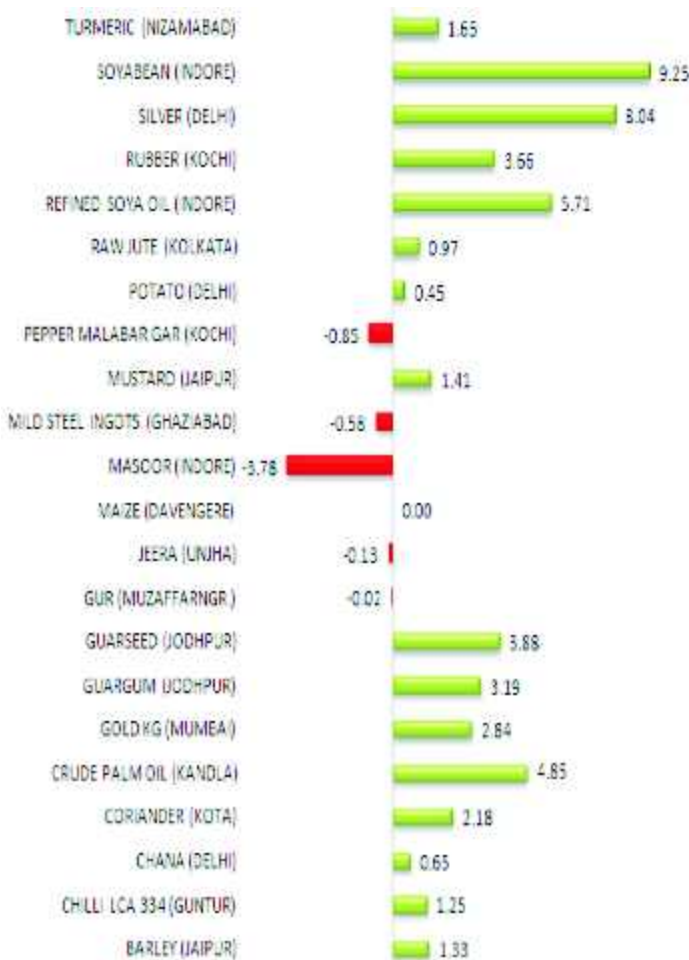
COMMODITY	UNIT	07.10.10 QTY.	14.10.10 QTY.	DIFFERENCE
CHANA	MT	35455.00	35462.00	7.00
CHILLI	MT	707.00	702.00	-5.00
GUAR SEED	MT	24813.00	32921.00	8108.00
GUAR GUM	MT	18483.00	18570.00	87.00
JEERA	MT	5893.00	6387.00	494.00
PEPPER	MT	3827.00	3795.00	-32.00
POTATO	MT	0.00	0.00	0.00
RAPE MUSTARD SEED	MT	118422.00	119780.00	1358.00
STEEL LONG	MT	74463.00	74273.00	-190.00
TURMERIC	MT	4393.00	4528.00	135.00

## WEEKLY STOCK POSITIONS IN WAREHOUSE (MCX)

COMMODITY	UNIT	07.10.10 QTY.	14.10.10 QTY.	DIFFERENCE
CARDAMOM	MT	8.40	8.30	-0.10
MENTHA OIL	KGS	1781836.04	1771430.07	-10405.97
CHANA	MT	31223.26	30538.87	-684.38
GOLD	KGS	108.00	99.00	-9.00
SILVER	KGS	18726.41	8674.21	-10052.20
GOLD MINI	KGS	55.10	48.50	-6.60

# COMMODITY

## SPOT PRICES (% change)



## WEEKLY STOCK POSITIONS IN LME (IN TONNES)

COMMODITY	STOCK POSITION ON 08.10.10	STOCK POSITION ON 15.10.10	DIFFERENCE
COPPER	372000	371025	-975
ALUMINIUM	4331600	4313975	-17625
NICKEL	123222	124056	834
ZINC	611725	608250	-3475
LEAD	198400	197700	-700
TIN	12275	12525	250

## PRICES OF METALS IN LME/ COMEX/ NYMEX (in US \$)

COMMODITY	EXCHANGE	CONTRACT	08.10.10	15.10.10	CHANGE%
COPPER	LME	3 MONTHS	8115.00	8371.00	3.15
ALUMINIUM	LME	3 MONTHS	2349.50	2404.00	2.32
ZINC	LME	3 MONTHS	2261.00	2401.50	6.21
NICKEL	LME	3 MONTHS	23755.00	24295.00	2.27
TIN	LME	3 MONTHS	26100.00	26900.00	3.07
LEAD	LME	3 MONTHS	2225.00	2404.00	8.04
GOLD	COMEX	DEC	1345.30	1372.00	1.98
SILVER	COMEX	DEC	23.11	24.29	5.12
LIGHT CRUDE OIL	NYMEX	NOV	82.66	81.25	-1.71
NATURAL GAS	NYMEX	NOV	3.65	3.54	-3.18

## Turmeric.....Golden spice

Turmeric is a very important spice in India from ancient times. India is the biggest producer with account of nearly 90% of the world's total production and consume 80% of it. Turmeric, basically a tropical plant of ginger family is the rhizome or underground stem

### Global Trade and production

The main producing countries of turmeric are India, Pakistan, Bangladesh, Sri Lanka, Taiwan, China, Burma (Myanmar) and Indonesia. The total yearly consumption of Turmeric all around the globe is approximately 38 Lakh bags to 40 Lakh bags. India is largest exporter (approximately 90%) of Turmeric. Taiwan, Thailand and other Southeast Asian countries are other exporter. United Arab Emirates (UAE) is the major importer accounting for 24.06 % of the total exports followed by United States of America (USA) with 12.93 %. Japan, Sri Lanka, Iran, United Kingdom and Middle Eastern countries are other major Importers of Turmeric.

### Production of Turmeric in India

Generally, India produces almost 7 to 9 lakh ton per annum. The important varieties produced in India are: 'Alleppey Finger' (Kerala) and 'Erode and Salem turmeric' (Tamil Nadu), 'Rajapore' and 'Sangli turmeric' (Maharashtra) and 'Nizamabad Bulb' (Andhra Pradesh).

As per latest Statistics last year India has 185320 hectares under turmeric cultivation with a total production of 7.01 lakh tonnes. Andhra Pradesh topped both in area and production. Andhra Pradesh contributes nearly 31 per cent of the area under turmeric. Acreage under turmeric in the State has increased to 0.65 lakh hectares as on October 13th this year. Tamil Nadu is second largest producer state. In Tamil Nadu, the area under turmeric is expected to increase 9 per cent to 0.43 lakh hectares.

India exports about 10% e.g. 40,000 to 50,000 tons of turmeric per annum. Turmeric is the third-largest spice exported from India. In terms of quantity and value, it accounts about 12% and 5% respectively. USA, Malaysia and china are major importer of Indian turmeric. Turmeric exports were lower in the April-August 2010 quarter with a slip of 13% in volume to 22,500 tonnes compared to 25,500 tonnes in same period of last year.

### Prices seasonality

Turmeric prices will be hovering lower between January and June. This could be mainly attributed to supply pressure due to new crop arrivals. From June onwards prices will start moving up as the market approaches lean season. Prices peak during October and December month of every year. As per seasonal trend, words of caution may enter into turmeric prices, as the trade may remain in a broader range with some bulk buying & festive season demand. Generally, the new crop hits the market during February-March. But this year it is expected to arrive a little early. Farmers will bring the crop early due to high returns earned last year. Therefore, increased arrivals at spot market will put pressure on the prices next year.



### Turmeric update

- Turmeric production in 2010-11 is expected to improve by 43-45 per cent to 65-70 lakh bags compared with 48 lakh bags in 2009-10.
- Turmeric production in Andhra Pradesh in 2010/11 is expected to jump by 40 percent to 368,000 tonnes compared to 263,000 tonnes, the state horticulture department data showed.
- Farmers considerably increased the area under the spice as prices were remunerative
- The total stocks of turmeric are currently at 11 lakh bags against 7 lakh bags reported last in the same period.
- The price of turmeric soared to an all time high of ` 15,500 a quintal in the Erode market.

## INTERNATIONAL COMMODITY PRICES

Commodity	Exchange	Contract	Unit	08.10.10	15.10.10	Change (%)
Soya	CBOT	Nov	Cent per Bushel	1135.00	1185.00	4.41
Maize	CBOT	Dec	Cent per Bushel	528.20	563.00	6.59
CPO	BMD	Dec	MYR per MT	2760.00	2930.00	6.16
Sugar	LIFFE	Dec	10 cents per MT	677.60	696.20	2.74

**Issue Highlights**

Industry	Mining
Issue Size (Cr.)	14211.82-15475.09
Price Band (`)*	225-245
Offer Date	18-Oct-10
Close Date(QIBs)	20-Oct-10
Close Date(Retail & NIBs)	21-Oct-10
Face Value	10
Lot Size	25
IPO Grade	ICRA, CRISIL, CARE IPO Grade 5
	Indicating strong fundamentals

\*5% discount to retail investors on allotment

**Issue Composition**

	In shares
Total Issue	631,636,440
Employee Reservation	63,163,644
Net issue	568,472,796
QIB	284,236,398
NIB	85,270,919
Retail	198,965,479

**Shareholding Pattern (%)**

Particulars	Pre-issue	Post issue
Promoters&promotersgroup	100	90.00
QIB	-	4.50
NIB	-	1.35
Retail	-	4.15
Total	100	100

Book Running Lead Manager  
 Enam Securities Private Ltd.  
 Kotak Mahindra Capital Company Ltd.  
 DSP Merrill Lynch Ltd.  
 Morgan Stanley India Pvt. Ltd.  
 Deutsche Equities (India) Private Ltd.  
 Citigroup Global Markets India Private Ltd.

Name of the registrar  
 Link Intime India Pvt. Ltd.

Objects of the Issue  
 Divestment by Government of India (GOI)

**Business Profile**

Coal India Limited (CIL) is one of the “Navratna” companies of GOI with its six subsidiaries enjoying “Mini Ratna” status. Established in 1973, the company is engaged in the business of producing non-coking coal and coking coal of various grades for diverse applications. CIL's operations are primarily carried out through its nine subsidiaries in India.

As of March 31, 2010, it operated 471 mines in 21 major coalfields across eight states in India, including 163 open cast mines, 273 underground mines and 35 mixed mines (which include both open cast and underground mines).

Non-coking coal represents a substantial majority of its raw coal production, and represents 91% of the company's total production approximately. The company sells all of the raw coal being produced by it in the Indian market. Its customers include large thermal power generation companies, steel and cement producers and other industrial companies in the public and private sector and have long-standing relationships with these companies.

CIL has established a wholly-owned subsidiary in Mozambique, Coal India Africana Limitada (“CIAL”), to pursue coal mining opportunities in Mozambique and have acquired prospecting licenses for two coal blocks in Mozambique. Also, it has established a joint venture as 'International Coal Ventures Private Limited' (“ICVL”) with SAIL, NTPC, NMDC and Rashtriya Ispat Nigam Limited (“RINL”), for the acquisition of coal assets outside India.

**Strengths**

World's largest coal producer and reserve holder: CIL is the largest coal producing company in the world based on raw coal production of 431.26 million tons in FY 2010 which accounted for 81.9% of coal production in India. With large scale of operations, the company enjoys economies of scale in production, procurement and sales. The company owns largest reserves of coal in the world. According to the audited reserve and resource estimates carried out by SRK classified in accordance with the JORC Code, CIL had a total of 18,862.9 million tons of Total Reserves, comprising 10,595.1 million tons of Proved Reserves and 8,267.8 million tons of Probable Reserves, respectively, and a total of 64,218.0 million tons of Total Resources, comprising 51,326.3 million tons, 9,924.4 million tons and 2,967.3 million tons of Measured Resources, Indicated Resources and Inferred Resources, respectively, as of April 1, 2010.

Cost efficient operations: CIL enjoys cost competitiveness with other international coal producers. The coal prices of the company is lower than the price of coal sold in international markets and the landed cost of imported coal in India, even on adjustment for respective Gross Calorific Values(GCV). The company majorly produces coal from its open cast mines and accounts 88-89 % of its total production. Average cost of production from open cast mines for FY10 and June qtr was ` 519.96 and ` 581.74 and from underground mines it comes to ` 2795.61 and ` 3230.97 for the same periods. On an aggregate basis, In FY 10 and Qtr ending June 2010, the average production cost of the company was ` 744.99 and ` 847.93, respectively.

Strong research and development capabilities: Central Mine planning & Design Institute Limited (CMPDIL), the wholly-owned subsidiary of the company is an established exploration and coal mine design and planning institute in India that provides technical and consultancy services to its parent company as well as to third party clients for geological exploration and drilling, mine planning and design, coal beneficiation and utilization, allied engineering services, human resource development, environmental engineering, information and communication technology, research and development and laboratory and field services. CMPDIL has significant knowledge of geological and geo-mining conditions in India and is a repository of information relating to coal blocks in India. The strong research and development capabilities and technical expertise of CMPDIL has facilitated CIL with sustained growth production and operating efficiencies along with identification and formulation of new projects.

## Strategies

**Capacity expansion:** CIL intends to steadily increase its existing mine capacities and develop new mines. As of March 31, 2010, the company has received relevant investment approvals for 45 expansion and new projects and were in various stages of mine planning and development: (i) 25 projects, with an aggregate estimated capacity of 47.51 mtpa, were at various stages of implementation and are expected to become operational by the end of FY 2012 and (ii) 20 projects, with an aggregate estimated capacity of 33.27 mtpa involve longer gestation periods and are expected to become operational during the 12th Five-Year Plan (fiscal 2013-2018).

**Increase productivity of the undermines:** It also aims to increase production from its underground mines (production from which presently accounts to only 10-11% of the total production), including large reserves below 300 meters depth, by deploying advanced production equipment and technologies. The company also proposes to re-work mining operations at 18 underground mines that were abandoned in the past primarily because of safety issues and due to lack of adequate technology. For this, it has entered into an agreement with Damodar Valley Corporation (DVC) and BEML for the acquisition of the assets of Mining and Allied Machineries Corporation ("MAMC") at Durgapur, which intends to manufacture a range of mining equipment specifically for underground mines.

**Expand beneficiated coal infrastructure:** CIL intends to capitalize the increasing demand of the beneficiated coal that commands higher prices than raw coal by developing an additional 20 coal beneficiation facilities with an aggregate additional proposed feedstock capacity of 111.10 mtpa from the present capacity of 39.40 mtpa with 17 coal beneficiation facilities. The company also proposes to pursue market driven pricing mechanisms in order to achieve better realizations for coal. In this connection, it has started operating spot and forward electronic auction scheme known as "E-Auction scheme" for providing a source of coal to all kinds of customers.

**Enhance operating and cost efficiencies:** The company plans to introduce modern mine planning technologies for its underground mines, deeper open cast mines and mines with high quality thin seams. It intends to increase the use of higher capacity surface miners for efficient coal recovery from open cast mines and advanced equipment such as "PSLWs" and "continuous miners" for underground mines as per the geo-mining conditions. It also intends to integrate its transportation and logistics infrastructure through the increase of mechanized rapid loading facilities and the implementation of automated truck dispatch systems for efficient fleet management for internal coal transportation. The company is in the process of evaluating proposals for the development of dedicated berths for coal unloading facilities at the Vishakhapatnam port in Andhra Pradesh. The facility is expected to be used for coastal shipment of domestic coal from the Talcher and Ib Valley coalfields to its customers in the southern and south-eastern regions of India resulting in reduction of transportation time and costs. It intends to enter into strategic JVs for the establishment of such dedicated berths.

## Risks

**Relatively lower selling price:** The price of coal has significant ramifications on the Indian economy and the thermal power sector in particular. Although pricing of coal in India is completely deregulated, the coal sold by the company under Fuel Supply Agreement (FSAs) does not fully reflect market prices for coal in India or in international coal markets. In addition, in the event of increase in production costs or other costs associated that are payable by its customers, such as transportation cost and statutory levies, the quantum of coal price increase may not offset any such increases.

**Lower quality coal:** The quality of Indian coal is considered lower in comparison to coal from some other countries, primarily due to its higher ash content and lower GCV. Most of the coal available in India, including its reserves, is lower quality non-coking or thermal coal, used primarily in the power generation sector. In case of any governmental or environmental regulations, its customers, particularly thermal power generation companies, are required to upgrade their power generation facilities for use of higher value coal with lower ash content and higher GCV values, which could have adverse impact on the company.

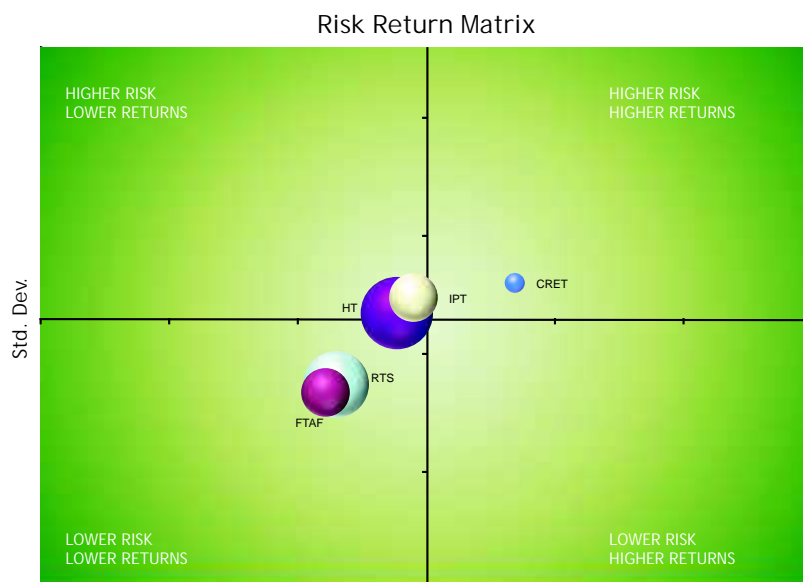
## Industry Overview

The world coal reserves as per the rate of production in 2009 are estimated to suffice for the next 119 years (Source: BP Statistics). According to CRISIL Coal Outlook, India is the third largest coal producing country in the world after China and United States. In addition, India is the third largest consumer of coal in the world. As of April 2010, the geological resource of Indian coal was 276.81 billion tons. As projected by the Planning Commission of the Govt in the Integrated Energy Policy, 2006, coal is projected to meet over 50.0% of the primary commercial energy requirement by fiscal 2032. The coal sector in India is primarily dominated by the PSUs under the central and the state governments, as more than 90.0% of the coal produced in India in fiscal 2009 was by government owned companies. Coal meets 52.4% of the energy needs in India. Approximately 77.0% of the total coal in India was consumed only by the power sector during fiscal 2009, for generation of electricity in the country. In addition coal is also used in other industries such as steel, cement, fertilizers, bricks manufacturing, textiles and chemicals. Demand of coal from captive plants is projected to grow at a high rate, thereby increasing its share in total demand by fiscal 2014. The primary energy consumption in India has grown by approximately 700.0% in the last four decade and is expected to rise to around 450 kgoe/year in 2010.

## Valuation

Pre-issue and post issue, the stock is priced at P/E of 14.45x on the lower price band and 15.74x on the higher price band of its FY10 earnings of ₹ 15.57 per share. Pre and post issue the P/B of the stock is 5.99x on the lower price band and 5.50x on the higher price band, with its pre and post issue book value of ₹ 40.92.

Funds	SMC RANKING
• HDFC Tax saver	★★★★★
• Canara Robeco Equity Tax saver	★★★★★
• ICICI Prudential Taxplan	★★★★
• Reliance Tax Saver (ELSS) Fund	★★★★
• Fidelity Tax Advantage Fund	★★★★



Average Rolling Returns - 2Year (Period 7days)

1. Canara Robeco Equity Tax saver (CRET) 2. Fidelity Tax Advantage Fund (FTAF) 3. ICICI Prudential Taxplan (IPT)  
4. Reliance Tax Saver (RTS) 5. HDFC Tax saver (HT)

### Key Details

Scheme Name	Canara Robeco Equity Tax saver	Fidelity Tax Advantage Fund	HDFC Tax saver	ICICI Prudential Taxplan	Reliance Tax Saver	S&P Nifty	BSE 200	CNX500
NAV	28.22	23.85	254.97	152.60	23.62	6103.45	2578.42	5032.65
Launch Date	31-Mar-93	27-Feb-06	13-Jun-96	19-Aug-99	22-Sep-05	-	-	-
Corpus (in Crs)	225.58	1231.71	2945.27	1296.5	2492.91	-	-	-
Expense Ratio	2.48	2.01	1.89	2	1.88	-	-	-
Fund Manager	Anand Shah	Sandeep Kothari	Vinay Kulkarni Anand Laddha	S Naren Rajat Chandak	Ashwani Kumar Viral Belawala	-	-	-

#### Return (%) - Point to Point

3 Months	12.98	15.77	15.95	14.12	16.72	15.23	14.66	13.75
6 Months	17.85	23.59	21.68	17.73	23.58	15.06	15.58	14.86
1 Year	37.87	40.04	41.60	43.10	42.71	22.01	24.07	23.97
2 Years	55.99	46.09	47.09	51.40	46.39	31.80	37.98	36.68
3 Years	17.90	14.03	13.34	15.14	11.64	6.27	6.73	6.25
Since Inception (P2P)-C	16.76	20.74	33.21	27.70	18.69	-	-	-

#### Volatility & Risk Adjusted Return

Beta	0.67	0.78	0.67	0.71	0.78	-	-	-
Sharpe	0.30	0.31	0.35	0.34	0.31	-	-	-
Treynor	0.90	0.85	1.02	0.96	0.91	-	-	-
Jensen	0.32	0.33	0.40	0.39	0.39	-	-	-
Std. Dev.	1.99	2.13	1.93	2.04	2.30	-	-	-

#### Sector Exposure (% of Net Asset)

Auto	3.72	3.95	4.57	8.77	12.25	-	-	-
Banks	23.3	16.90	19.59	10.76	12.31	-	-	-
Engineering & Cap. Goods	-	5.46	5.56	6.05	2.65	-	-	-
FMCG	2.81	5.61	3.57	-	1.71	-	-	-
HFC	-	4.28	3.08	-	-	-	-	-
Media & Entertainment	9.05	5.40	4.91	0.98	2.83	-	-	-
NBFC	-	3.24	0.81	2.97	2.49	-	-	-
Non Ferrous metals	0.91	1.17	-	4.72	-	-	-	-
Petroleum	11.9	12.42	8.21	8.24	9.05	-	-	-
Pharma	7.87	8.73	10.93	10.12	6.00	-	-	-
Power	3.02	3.20	4.35	3.81	-	-	-	-
Power Generation	3.34	1.95	3.42	3.59	3.39	-	-	-
Software & Consultancy	6.62	9.16	7.96	8.26	5.16	-	-	-
Steel & Ferrous Metal	0.88	1.55	0.03	1.96	6.20	-	-	-
Telecom Services	5.06	0.77	3.73	5.02	--	-	-	-
Utilities - Gas, Power	1.71	-	1.15	3.09	1.82	-	-	-

#### Market Capitalisation

Small Cap (%)	5.6	4.54	0.93	8.61	7.15	-	-	-
Mid Cap (%)	17.9	14.80	28.69	26.08	31.87	-	-	-
Large Cap (%)	68.13	77.98	66.87	52.22	50.09	-	-	-
Other (%)	0	1.47	0.99	3.15	6.36	-	-	-
Debt & Cash (%)	8.37	1.19	2.52	9.91	4.52	-	-	-





## RED HERRING PROSPECTUS: A CAREFUL EXERCISE



Shilpi Agarwal  
Research Analyst (Equity)

Initial Public Offering (IPO) is an exercise done by a company for raising capital by going *public*. IPO is raised generally in two ways either through fixed price or through Book Building. Generally, most of the companies follow the book building process. For this purpose, the company assigns the Merchant Banker as a Book Running Lead Manager (BRLM) for the IPO to handle the responsibility of Book Building Process. Book Building is a mechanism through which a consensus price of IPO can be determined on the basis of bids received from the informed investors such as Qualified Institutional Buyers (QIBs), Non-Institutional Buyers (NIBs) and Retail Investors. The process helps in making a correct evaluation of a company's potential and the price of its shares. In most of the IPOs generally the allocation of the total issue into these 3 categories comprises of 50%, 15%, 35% of the total issue respectively. However when the dilution of the promoters stake is less than 25% the minimum allocating proportion for these categories changes to 60%, 10%, 30% of the total issue, respectively. The company aspiring to be public, files Red Herring Prospectus (RHP), framed by merchant banker, to the regulatory body SEBI that is supposed to cover all the important information about the company, its promoters and its businesses with due diligence. RHP is supposed to be the most important document for the company as it acts as a medium of imparting all the critical information regarding the issuer company to the public.

Generally prospectus spreads over 300-400 pages. However, investors can concentrate on few key chapters to have the overall understanding of the public issue. Industry Overview, Company Overview, Capital Structure, Objects of the issue, Financial Information and Management discussion and Analysis are some of the chapters that one should necessarily focus on. Let's understand the relevance of each of these topics one by one:

**Industry Overview:** This chapter covers the prevailing market scenario of the industry in which the company operates. We get to know that how much the particular industry contributes to the growth of the country's economy. That is the behavior of the industry with respect to the growth momentum of the country's economy. Moreover it entails the government plans and initiatives, budgetary allocation in accordance with five year plans for the industry. This gives the picture of potential opportunity in the industry and its key drivers. It also includes the various linkages regarding the relation of industry to the domestic and global economy.

**Business Overview:** This compasses all the information related to the business domain of the company - how the business commenced its operations, grown over the period. The product details of the company and where does it lies in the value chain of the industry. The product scope, how the distribution channel works, the marketing strategy, raw material procurement, details about the vendors, clients and their relation with the company, the revenue generation process, target market, location of operation. All these information helps in knowing the strengths and weaknesses of the company. It also gives information regarding the future aspects of the company. How the company is expecting to expand its business, strategies to increase the market share of the company.

**Capital Structure:** It tells us about the shareholding pattern of the company. The constituents of the present equity capital of the company, since inception to the present pattern of the shareholding. The details of the how it has raised its capital under the due period. It gives us the details about who are the stakeholders along with their respective stake in the company.

**Objects of the Issue:** This chapter assumes high degree of significance in the RHP as it answers the very first question that comes to the mind of the investors that for what reason the company is going public. It entails the objectives of the issue as where and how the company is going to deploy the funds raised from the issue. At times the company induces the fund requirements from the internal accruals that can be from the present business profits of the company or through the debt syndication from banks along with the issue proceeds. Company sometimes also utilize the issue proceeds to repay its debt so as to reduce its interest burden. Thus, it contains the purposes of the issue with their respective amount being required.

**Financial Information:** This includes all the financial statements of the company on the standalone and consolidated basis viz. Profit and loss statement, balance sheet, fund flow statement. These statements show the performance of the company from past 4-5 years along with the annexure that details various heads of these statements. Financial Statements helps the investors in knowing the health of the company in numbers. Various ratios and multiples are arrived with the help of these statements.

**Management Discussion and Analysis:** This chapter summarizes the company businesses and its development in due course of time. Year-on-year financial comparison is explained in this part of the document. This helps us in knowing the management's efficiency to grow a company. Certain important events, factors affecting the operations of the company or some specific strategies of the company are explained in this part of the document.

To sum up, RHP being the formal document of the company plays an integral role in assessing the company's business prospects and thus helps investors in taking decision for subscribing an IPO or otherwise. However, it is generally perceived as a lengthy exercise by some section of investors. This can be achieved by going through the above discussed topics that can impart all the relevant information of the company leading to a wise investment decision. After all, "Moneywise Be wise".



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