Markets extend fall

The Indian stock market continued to fall during the week, marked by volatile sessions, with the Sensex and Nifty losing 2.1% each. The market ended the week on a negative note, following concerns on high inflation and the ongoing Egypt crisis. Food inflation continued to remain high at 17.1%, compared to 15.6% in the previous week. BSE mid-cap and small-cap indices underperformed compared to large-cap indices during the week, falling 2.4% and 2.5%, respectively. On the sectoral front, the BSE FMCG was the biggest loser, falling 6.4%, followed by the BSE Realty index, down 3.5%. However, the BSE Metal index outperformed the others, gaining 0.7%.

Margins pressure and Egypt crisis drag FMCG index

The BSE FMCG index underperformed the Sensex by losing 6.5% during the week. Heavyweight ITC (weightage of 51.7%) led the fall, losing 9.2% over the week, despite strong 3QFY2011 results. Amongst our universe, Colgate, Nestle, Marico and GCPL shed their gains by 4-12%, impacted by 3QFY2011 results, which saw shaving off their gross margins on account of raw-material price inflation. Moreover, the ongoing Egypt crisis acted as a further dampener to FMCG stocks. Dabur and GSKCHL outperformed the FMCG index by gaining 1.3% and 3%, respectively, while HUL remained flat.

Inside This Weekly

DB Corp - Event Update: DB Corp has announced its entry into Maharashtra with a Marathi daily, while postponing its entry into Bihar till the end of FY2012. While we have not factored the launch into our numbers as we await more details, we are confident on management's track record of successful new launches. **We maintain Buy on the stock with a Target Price of ₹358, based on 21x FY2013E earnings.**

J&K Bank - 3QFY2011 Result Update: For 3QFY2011, J&K Bank registered healthy net profit growth of 19.9% yoy to ₹168cr, above our estimates of ₹121cr, primarily on account of lower-than-estimated provisioning expenses. We were conservatively penciling in higher NPA provisions to create a margin of safety considering the political disturbances in J&K during 9MFY2011. **We maintain Buy on the stock with a Target Price of ₹987.**

Maruti Suzuki - 3QFY2011 Result Update: Maruti Suzuki reported its 3QFY2011 results, which were marginally below our estimates largely due to adverse product mix, drop in average net realisation and one-time expenses related to employee costs. We have revised our earnings estimates marginally downwards to factor in lower-than-expected performance during 3QFY2011. **Owing to the recent correction in the stock price, we recommend Buy on the stock.**

NTPC - 3QFY2011 Result Update: NTPC's 3QFY2011 top line grew by 19.3% yoy to ₹13,964cr, aided primarily by higher fuel costs, which led to higher tariffs. Operating profit grew by 10.5% yoy to ₹4,300cr. Adjusted net profit increased by 11.0% yoy to ₹2,319cr, aided by higher PAF leading to higher incentives. **We maintain Buy on the stock with a Target Price of ₹230.**

FII activity

As on	Cash (Equity)	Futures	(₹ cr) Net Activity
Jan 28	(592)	(733)	(1,325)
Jan 31	(901)	(759)	(1,660)
Feb 01	(426)	733	307
Feb 02	(46)	1,538	1,492
Feb 03	662	(307)	355
Net	**(1,303)**	**472**	**(831)**

Mutual Fund activity (Equity)

As on	Purchases	Sales	(₹ cr) Net Activity
Jan 27	594	1,009	(415)
Jan 28	928	513	415
Jan 31	421	644	(223)
Feb 01	915	449	466
Net	**2,858**	**2,615**	**243**

MF data for 2nd Feb. not updated by Sebi

Global Indices

Indices	Jan. 28, 11	Feb. 04, 11	Weekly (% chg)	YTD
BSE 30	18,396	18,008	(2.1)	3.1
NSE	5512	5396	(2.1)	3.7
Nasdaq	2,687	2,769	3.1	22.0
DOW	11,824	12,092	2.3	16.0
Nikkei	10,360	10,544	1.8	(0.0)
HangSeng	23,617	23,909	1.2	9.3
Straits Times	3,230	3,211	(0.6)	10.8
Shanghai Composite	2,753	2,799	1.7	(14.6)
KLSE Composite	1,522	1,532	0.7	20.4
Jakarta Composite	3,488	3,496	0.2	38.0
KOSPI Composite	2,108	2,072	(1.7)	23.1

Sectoral Watch

Indices	Jan. 28, 11	Feb. 04, 11	Weekly (% chg)	YTD
BANKEX	11,987	11,841	(1.2)	18.0
BSE AUTO	8,842	8,571	(3.1)	15.3
BSE IT	6,466	6,259	(3.2)	20.7
BSE PSU	8,637	8,643	0.1	(9.3)

DB Corp. - Buy

Price - ₹251
Target Price - ₹358

Event Update

Announces foray into Maharashtra

Management announces foray into Maharashtra with a Marathi daily: DB Corp has announced its entry into Maharashtra with a Marathi daily while postponing its entry into Bihar till the end of FY2012. This has come as a surprise, though it is a positive development due to the following reasons: 1) Maharashtra is the third largest state with an average GDP growth rate of 14.5%, 2) per capita income of the state stands at a healthy ₹79,515, 3) the state has a high literacy rate of 77% and a penetration gap of 71%, and 4) the state ad-market is estimated at ~₹700cr (excl. Mumbai) and growing at 15% per annum.

About the launch: Maharashtra is a lucrative market in terms of advertisement with an ad-market of ~₹700cr compared to Bihar, which has an ad market of ~₹200cr and is under penetrated as well. Maharashtra's top-three Marathi dailies viz., Lokmat, Sakal and Pudhari have an average issue readership (AIR) of ~0.8cr, 0.5cr and 0.3cr, respectively (Source: IRS Survey Q3 2010). While management refrained from giving details about the launch strategy and numbers, we expect DB Corp to command ad market share of ~2% and garner net revenues of ~₹22cr in FY2012 in Maharashtra. However, the edition(s) are likely to drag down the company's operating profit. We estimate combined operating loss for the Jharkhand and Maharashtra editions at ~₹37cr in FY2012.

Exhibit 1: New launches to drag EBITDA by ~₹37cr in FY2011E

	FY2012E	FY2013E
Maharashtra matrix		
Ad market size (₹cr)	805	926
Growth (%)	*15.0*	*15.0*
Advertising revenue (₹ cr)	16.1	40.3
Market share (%)	*2.0*	*4.3*
Copies per day (mn)	0.3	0.7
No. of Copies sold per year (mn)	80.9	241.4
Avg. Realisation per copy	0.7	0.7
Circulation revenue (₹ cr)	5.4	17.6
Maharashtra and Jharkhand matrix		
Advertising revenue (₹ cr)	27.1	52.5
Circulation revenue (₹ cr)	7.3	19.6
Total Revenue (₹ cr)	**34.4**	**72.1**
Total RM cost (₹cr)	46.5	90.3
Opex (₹cr)	25.0	35.0
Total Expenses (₹ cr)	**71.5**	**125.3**
EBITDA (₹ cr)	**(37.1)**	**(53.2)**

Source: Angel Research

Outlook and Valuation

We are enthused with the news that DB Corp's ad-focused business model would benefit from the larger ad-market in Maharashtra vis-a-vis Bihar. We have however, not factored the launch into our numbers as we await more details. Nonetheless, we re-iterate our confidence on management's track record of successful new launches (launched the Gujarati paper, *Divya Bhaskar* in 2003, which became number one on the first day of its launch). However, we remain cautious on the company's pace of the launch. At the CMP of ₹251, DBCL is trading at 17.1x FY2013E consolidated EPS of ₹17. **We maintain a Buy on the stock with a Target Price of ₹358 based on 21x FY2013E earnings.** Downside risks to our estimates include - 1) sharp rise in newsprint prices, 2) intensifying competition, and 3) higher-than-expected losses/ increase in breakeven period of its new launches.

Key Financials (Consolidated)

Y/E March (₹ cr)	FY2010	FY2011E	FY2012E	FY2013E
Net sales	**1,051**	**1,225**	**1,393**	**1,587**
% chg	*10.7*	*16.6*	*13.8*	*13.9*
Net profit	**183**	**242**	**265**	**315**
% chg	*283.9*	*32.3*	*9.6*	*18.8*
EBITDA (%)	31.5	33.3	32.0	32.7
EPS (₹)	**9.9**	**13.1**	**14.3**	**17.0**
P/E (x)	26.3	19.4	17.1	14.6
P/BV (x)	7.3	5.9	4.8	3.9
RoE (%)	40.3	33.0	29.1	28.1
RoCE (%)	30.7	33.2	32.0	32.8
EV/Sales (x)	4.7	4.0	3.4	2.9
EV/EBITDA (x)	14.9	12.0	10.6	8.8

Source: Company, Angel Research, Price as on February 4, 2011

Research Analyst - Chitrangda Kapur/Sreekanth P.V.S

Auto Sector Update - January 2011

Driving strong

Automakers started the new year with a strong performance, as domestic demand remained buoyant and consumer sentiment stayed upbeat. The strong performance was despite the fact that major automakers had increased prices in January 2011 to offset the impact of rising raw-material costs. Among the majors, Maruti Suzuki (Maruti), Mahindra & Mahindra (M&M) and Hero Honda (HH) reported better-than-expected volumes during the month. Overall, sales maintained the strong growth momentum; however, the recent product price and fuel price increases coupled with higher interest rates are the expected headwinds going ahead.

Tata Motors (TML)

- TML reported strong 15.2% yoy and 11.8% mom growth in sales to 75,423 units (65,478), led by better-than-expected volumes in the PV segment.
- The CV segment reported 15.8% yoy growth, in line with our expectations, aided by 11.4% and 19.2% yoy growth in the M&HCV and LCV segments, respectively.
- The PV segment posted slightly better-than-expected volume numbers, with 14.3% yoy growth, and reported its highest sales for the current fiscal.
- Nano volumes maintained their momentum, registering 67.5% yoy and 15.9% mom growth to 6,703 units (4,001) in January.
- The Indigo and Indica range of cars reported strong 61.6% and 78.8% mom growth respectively, during the month; however, sales of Indica declined by 7.5% on a yoy basis.

Exhibit 1: Tata Motors - Sales trend

Segment	January			YTD		
	2011	2010	%chg	FY11	FY10	%chg
Total sales	**75,423**	**65,478**	***15.2***	**642,359**	**498,107**	**29.0**
M&HCV	18,570	16,666	*11.4*	168,186	127,082	32.3
LCV	26,221	22,003	*19.2*	228,007	185,651	22.8
Total CV	**44,791**	**38,669**	***15.8***	**396,193**	**312,733**	**26.7**
Utility vehicles	4,523	3,621	*24.9*	33,542	26,139	28.3
Cars	26,109	23,188	*12.6*	212,624	159,235	33.5
Total PV	**30,632**	**26,809**	***14.3***	**246,166**	**185,374**	**32.8**
Export (Included above)	4,948	3,276	*51.0*	47,608	26,798	77.7

Source: Company, Angel Research

Maruti Suzuki (Maruti)

- Maruti reported a slightly better-than-estimated 14.7% yoy and 10.6% mom growth in total volumes to 109,743 units (95,649), owing to the strong demand momentum in the domestic market.
- The company posted robust 23.8% yoy and 12.2% mom growth in domestic volumes, while exports continued to remain sluggish and fell by 36% yoy.
- Maruti maintained its strong volume momentum in the A2, A3 and C segments, posting 23.8%, 32.6% and 27.7% yoy growth, respectively, in January 2011.
- In the B segment, sales grew by 42.2% yoy.

Exhibit 2: Maruti Suzuki - Sales trend

Segment	January			YTD		
	2011	2010	%chg	FY11	FY10	%chg
Total sales	**109,743**	**95,649**	***14.7***	**1,037,408**	**826,592**	***25.5***
A1 M800	1,876	2,494	*(24.8)*	20,858	27,088	*(23.0)*
C Omni, Versa, Eeco	13,945	10,923	*27.7*	132,674	79,782	*66.3*
A2 Alto, WagonR, Zen, Swift, A-Star, Ritz	72,479	58,540	*23.8*	658,002	518,047	*27.0*
A3 SX4, D-zire	11,930	8,995	*32.6*	104,348	78,608	*32.7*
Total domestic PC	**100,230**	**80,952**	***23.8***	**915,882**	**703,525**	***30.2***
B: MUV's Gypsy, Grand Vitara	192	135	*42.2*	4,890	2,970	*64.6*
Total domestic PV	**100,422**	**81,087**	***23.8***	**920,772**	**706,495**	***30.3***
Exports	9,321	14,562	*(36.0)*	116,636	120,097	*(2.9)*

Source: Company, Angel Research

Mahindra & Mahindra (M&M)

- M&M reported strong monthly sales growth of 21.7% yoy and 13.5% mom to 57,217 units (47,028).
- The tractor segment grew by strong 21.4% yoy and 25.5% mom, with domestic tractor sales surging by 22% yoy and 28.4% mom. Tractor exports registered decent 12.1% yoy growth. Tractor sales continued to benefit from the easing supply constraints during the month.
- The automotive segment grew by robust 21.8% yoy and posted its highest-ever monthly volumes during January 2011. Volume growth was driven by strong sales performance by the Logan, four-wheeler pick-up, LCV and three-wheeler segments. Logan continued to witness growth

Exhibit 3: Mahindra & Mahindra - Sales trend

Segment	January			YTD		
	2011	2010	%chg	FY11	FY10	%chg
Total sales	**57,217**	**47,028**	***21.7***	**480,927**	**383,237**	***25.5***
Passenger utility vehicles	16,088	14,443	*11.4*	138,615	123,655	*12.1*
Four-wheel pick up	10,193	8,673	*17.5*	84,165	57,675	*45.9*
LCV	1,023	801	*27.7*	9,298	7,989	*16.4*
Logan	1,120	555	*101.8*	7,840	4,444	*76.4*
Three-wheelers	6,177	4,516	*36.8*	50,648	36,426	*39.0*
Exports	2,117	1,161	*82.3*	15,597	8,499	*83.5*
Total automotive sales	**36,718**	**30,149**	***21.8***	**306,163**	**238,688**	***28.3***
Domestic tractor sales	19,430	15,925	*22.0*	164,922	137,453	*20.0*
Exports tractor sales	1,069	954	*12.1*	9,842	7,096	*38.7*
Total tractor sales	**20,499**	**16,879**	***21.4***	**174,764**	**144,549**	***20.9***

Source: Company, Angel Research

Auto Sector Update - December 2010

traction and registered 101.8% yoy growth (on a low base).

- The four-wheeler pick-up segment grew by healthy 17.5%, backed by good momentum in the sales of Maxximo and Gio. The three-wheeler and LCV segments posted sales growth of 36.8% and 27.7% yoy, respectively.
- During the month, M&M launched Genio - a pick-up vehicle based on the Xylo platform priced at ₹4.99lakhs (BS3 variant, ex-showroom Navi Mumbai).
- Management has indicated its plan to launch 8-10 new products across segments by March 2012.

Bajaj Auto (BAL)

- BAL reported overall sales growth of 17.9% yoy and 13.3% mom to 313,583 units (266,018), in line with our estimates.
- The motorcycle segment posted strong 18.3% yoy and 13.1% mom growth during January 2011 with Pulsar and Discover accounting for ~68% of the overall motorcycle sales.
- The three-wheeler segment recorded 15.1% yoy and 14.6% mom growth to 37,961 units (32,969).
- Exports also registered strong yoy growth of 44.4%.
- Going forward, with the addition of 130 new dealers from April 2011, management expects the monthly run-rate to increase to 350,000 units from the current 300,000 units.

Exhibit 4: Bajaj Auto - Sales trend

Segment	January			YTD		
	2011	2010	%chg	FY11	FY10	%chg
Total sales	**313,583**	**266,018**	**17.9**	**3,189,317**	**2,309,721**	***38.1***
Motorcycles	275,622	232,939	18.3	2,825,972	2,027,394	*39.4*
Scooters	-	110	-	27	4,703	*(99.4)*
Total two-wheelers	**275,622**	**233,049**	**18.3**	**2,825,999**	**2,032,097**	***39.1***
Three-wheelers	37,961	32,969	15.1	363,318	277,624	*30.9*
Export (included above)	103,526	71,695	44.4	1,031,401	748,322	37.8

Source: Company, Angel Research

Hero Honda (HH)

- HH reported robust 19.7% yoy growth in sales volume, selling 466,524 units (389,802), led by strong momentum across all the segments. On a sequential basis, volumes declined by 6.9% on account of high base in December 2010.
- Refreshed product ranges, new product launches and innovative branding and marketing initiatives continued to drive the company's performance on the volume front. New Super Splendor and Splendor Pro launched in September 2010 also helped the company in posting better volumes.

Exhibit 5: Hero Honda - Sales trend

Segment	January			YTD		
	2011	2010	%chg	FY11	FY10	%chg
Total sales	466,524	389,802	19.7	4,414,537	3,803,396	16.1

Source: Company, Angel Research

TVS Motor (TVS)

- TVS Motor reported marginally lower-than-expected 29.7% yoy growth in volumes to 165,152 units (127,288), led by a 31% yoy increase in domestic sales to 145,654 units (111,214).
- Overall two-wheeler volumes jumped by 28.8% yoy, owing to impressive 59.7% yoy growth in scooter sales (40,736 units) and a 23.8% yoy increase in motorcycle volumes (67,721 units).
- Three-wheeler sales continued to report strong performance and registered 100.4% yoy growth in sales to 3,427 units (1,710).

Exhibit 6: TVS Motor - Sales trend

Segment	January			YTD		
	2011	2010	%chg	FY11	FY10	%chg
Total sales	**165,152**	**127,288**	**29.7**	**1,678,111**	**1,245,025**	***34.8***
Motorcycles	67,721	54,698	23.8	685,717	513,424	*33.6*
Scooters	40,736	25,509	59.7	383,274	253,980	*50.9*
Mopeds	53,268	45,371	17.4	577,830	467,318	*23.6*
Total two-wheelers	**161,725**	**125,578**	**28.8**	**1,646,821**	**1,234,722**	***33.4***
Export (Included above)	19,498	16,074	21.3	183,396	126,206	*45.3*
Three-wheelers	**3,427**	**1,710**	***100.4***	**31,290**	**10,303**	***203.7***

Source: Company, Angel Research

Outlook

We remain positive on the Indian auto sector. Overall, we estimate auto volumes to register a ~13% CAGR over FY2010-12E, aided by the improved business environment for the sector. Over the long term, comparatively low penetration levels, a healthy economic environment and favourable demographics supported by higher per-capita income levels are likely to help the auto companies in sustaining their top-line growth. However, higher input costs and interest rates are the anticipated headwinds that could affect the sector's volume and earnings growth. We expect rising input costs to restrict profitability, despite having a positive view on demand. We prefer stocks where strong and improving fundamentals could deliver positive earnings surprises. **We continue to prefer companies in the four-wheeler space over companies in the two-wheeler space, considering reasonable valuations and volume growth visibility.**

Research Analyst - Yaresh Kothari

Cipla - Buy

Price - ₹324
Target Price - ₹388

3QFY2011 Result Update

Performance highlights

Y/E March (₹ cr)	3QFY11	2QFY11	% chg qoq	3QFY10	% chg yoy
Net sales	**1,501**	**1,580**	***(5.0)***	**1,344**	***11.7***
Other income	78	52	*49.7*	112	*(30.2)*
Gross profit	806	831	*(3.1)*	719	*12.0*
Operating profit	266	331	*(19.7)*	286	*(6.9)*
Net profit	**233**	**263**	***(11.5)***	**289**	***(19.4)***

Source: Company, Angel Research

Results impacted by higher employee costs: Cipla reported net sales of ₹1,501cr (₹1,334cr) in 3QFY2011, below our estimates of ₹1,552cr, led by higher-than-expected increase in the employee costs. The Indore SEZ (₹900cr invested) is expected to contribute from FY2012 which would boost the company's overall growth and margins. The domestic formulations segment grew by 11.3% to ₹734cr (₹659cr).

On the exports front, despite the 4% appreciation in the rupee, which impacted realisations, overall exports increased by 12% to ₹782cr (₹699cr); however, this was below our estimates of ₹832cr. The formulations segment reported 11.7% yoy growth in export sales to ₹643cr (₹576cr) and API sales reported 12.8% growth to ₹139cr (₹123cr).

The technical know-how fees also dropped by 78.5% yoy to ₹15.1cr (₹70.3cr) on account of the higher comparative base yoy, which included one-time fees reported in 3QFY2010.

OPM drops due to Indore SEZ commercialisation costs: Cipla's OPM dropped to 17.7% (21.2%) during the quarter, on account of increased factory overheads at the Indore SEZ, with employee costs increasing by 52% to ₹135cr (₹92cr) and other expenses increasing by 17.3% to ₹405cr (₹345cr). The company indicated that it has incurred ₹25cr-30cr as overheads (excluding salary cost) on Indore SEZ for the quarter without any commensurate revenue flow.

Net profit impacted by lower technical know-how fees: Cipla reported net profit of ₹233cr (₹289cr), down 19.4% yoy, during the quarter. This was on the back of lower-than-expected technical know-how fees, which declined by 78.5% yoy to ₹15cr (₹70.3cr). Going forward, the company expects the technical know-how fees to increase with the commercialisation of products that are currently in the pipeline for the regulated markets, though at a slower pace compared to the past. Also, depreciation expenses increased by 43% to ₹65cr (₹46cr), factoring the addition of fixed assets on account of the Indore SEZ commercialisation.

Outlook and valuation

For FY2011, Cipla has guided for 8-10% overall revenue, including domestic growth of 8-10% and export growth of 10-12%. The company expects to maintain its current OPM of 20% (excluding the tech fees) for FY2011 also. Our FY2011 revenue estimates are higher than the company's guidance as we factor in higher revenue growth on the domestic front. Further, post the commencement of revenue flow from Indore SEZ in FY2012, we expect OPM (ex technical know-how fees) to expand from 20.2% to 22.4% in FY2012. As a result, we now estimate net sales to post a 14.4% CAGR to ₹7,009cr and EPS to record a 14.4% CAGR to ₹17.6 over FY2010-12E. The stock is trading at 24.9x and 18.4x FY2011E and FY2012E earnings, respectively. **We recommend Buy on the stock with a Target Price of ₹388.**

Key financials (Consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011E	FY2012E
Net sales	**4,961**	**5,358**	**6,006**	**7,009**
% chg	*23.7*	*8.0*	*12.1*	*16.7*
Net profit	**771**	**1,081**	**1,047**	**1,415**
% chg	9.9	40.2	(3.1)	35.1
EPS (₹)	**9.9**	**13.5**	**13.0**	**17.6**
EBITDA Margin (%)	19.1	19.9	20.2	22.4
P/E (x)	32.7	24.1	24.9	18.4
RoE (%)	24.8	19.2	16.6	19.5
RoCE (%)	16.1	15.6	15.3	17.5
P/BV (x)	5.8	4.4	3.9	3.3
EV/Sales (x)	5.3	4.8	4.3	3.7
EV/EBITDA (x)	27.5	24.4	21.4	16.4

Source: Company, Angel Research; Price as on February 4, 2011

Research Analyst - Sarabjit Kour Nangra /Poonam Sanghavi

Bharti Airtel - Accumulate

Price - ₹323
Target Price - ₹360

3QFY2011 Result Update

Performance Highlights

(₹ cr)	3QFY11	2QFY11	% chg (qoq)	Angel est.	Var. (%)
Net sales	**15,756**	**15,215**	**3.6**	**15,787**	**(0.2)**
EBITDA	4,982	5,121	(2.7)	5,399	(7.7)
EBITDA margin (%)	31.6	33.7	(210)bp	34.2	(260)bp
PAT	**1,303**	**1,661**	**(21.6)**	**1,535**	**(15.1)**

Source: Company, Angel Research

Steady revenue growth: For 3QFY2011, Bharti Airtel reported consolidated revenue of ₹15,756cr with steady growth of 3.6% qoq (v/s our estimate of ₹15,787cr). This was on the back of a marginal decline in minutes of usage (MOU) to 449min in Mobile-India and South Asia business. This was the second full quarter of Zain's consolidation, with revenue increasing to ₹4,053cr due to strong 7% qoq growth in MOU to 120min v/s 112min in 2QFY2011, but ARPM fell by 7.6% qoq to 0.061US$/min. Other segments such as enterprise services and passive infrastructure grew by 0.8% and 3.8% qoq, respectively; however, the telemedia services declined by 0.5% qoq.

EBITDA margins slip due to one-time rebranding cost: During the quarter, the company's consolidated EBITDA margins declined by 210bp to 31.6% on the back of one-time rebranding cost. The standalone India business posted a robust performance, reporting EBITDA margins of 33.5%. Margins of the Africa business stood at 20.8%.

Investment arguments

Competition easing off: The decline in ARPU run rate over the past few quarters has abated to a great extent. The company's ARPU witnessed a ~₹25 qoq decline in absolute terms till 3QFY2010, post which the decline run-rate settled down at lower ~₹10 qoq. This envisages that the hyper competition intensity, which haunted the industry, is abating. Going forward, we expect MOU to hold on and ARPMs to marginally decline from current levels as the improving VAS share will arrest its downside.

Strong cash flows from the organic business to help debt management: The Mobile - India and South Asia business along with other businesses such as telemedia and passive infrastructure is operationally strong, contributing more than 85% to the company's EBITDA. Easing competition in the Mobile - India and South Asia business and improving operating metrics due to lower NOE will drive the strong operating cash flows. Also, with Telcos looking at cutting cost via sharing of passive infrastructure, the scope for improvement in tenancy ratio as well as an uptick in sharing revenue per sharing operator per month will aid margins. Also, capex, which had peaked in 1HFY2011, will drop down to ~₹11,500cr from FY2012. Hence, we expect the strong operational cash flow from the India business to help the company to deleverage its balance sheet from the current debt-to-equity of 1.2x to 0.9x in FY2012.

Turnaround in Africa to aid profitability: The company is focussing on growing this business via exploiting the high-price elasticity nature of the African market. Also, the company has undertaken various outsourcing initiatives to cut down on Zain-Africa's network operating expenses as well as employee cost. We expect Zain's EBITDA to scale up to 26.6% in FY2012.

Outlook and valuation

We expect the Indian mobile subscriber base for the company to grow at an 18.5% CAGR over FY2010-12E to 179mn subscribers and revenue to grow at an 11% CAGR. For the Africa business, we expect decent subscriber net additions, taking the subscriber base to 53mn in FY2012 from the current 42mn. **We recommend Accumulate on the stock with a Target Price of ₹360, valuing the stock at EV/EBITDA of 7x FY2012E.**

Key financials (Consolidated, IFRS)

Y/E March (₹ cr)	FY2009	FY2010	FY2011E	FY2012E
Net sales	**36,962**	**44,995**	**59,902**	**72,000**
% chg	*36.8*	*21.7*	*33.1*	*20.2*
Net profit	**8,615**	**12,166**	**6,134**	**8,525**
% chg	*27.3*	*41.2*	*(49.6)*	*39.0*
EBITDA margin (%)	41.4	44.3	33.9	35.0
EPS (₹)	**22.7**	**32.0**	**16.4**	**22.5**
P/E (x)	14.3	10.1	19.7	14.4
P/BV (x)	4.0	2.9	2.6	2.2
RoE (%)	33.1	33.5	13.7	16.6
RoCE (%)	26.7	26.0	11.3	11.4
EV/Sales (x)	3.6	2.9	2.9	2.3
EV/EBITDA (x)	8.7	6.5	8.6	6.6

Source: Company, Angel Research; Price as on February 2, 2011

Research Analyst - Naitik Mody

Blue Star - Buy

Price - ₹341
Target Price - ₹477

3QFY2011 Result Update

Performance Highlights

Y/E March (₹ cr)	3QFY11	2QFY11	% chg (qoq)	3QFY10	% chg (yoy)
Net sales	**613**	**695**	**(11.7)**	**589**	**4.2**
EBITDA	47	67	(29.7)	58	(18.1)
EBITDA (%)	7.7	9.7	(197)bp	9.8	(210)bp
PAT	**22**	**39**	**(42.1)**	**42**	**(47.2)**

Source: Company, Angel Research

For 3QFY2011, Blue Star reported a weak performance. The top line increased by mere 4.2% yoy to ₹613cr (₹589cr), against our expectation of ₹705cr. OPM declined by 210bp yoy to 7.7% (9.8%), again much below our estimates. Consequently, PAT declined by 47.2% yoy to ₹22cr (₹42cr). During the quarter, the company slowed down the pace of revenue billing, given its high debtor position. This was the primary reason for the company's lower-than-expected performance in 3QFY2011. During the quarter, the business environment was disappointing as well. The expected pick-up in demand from the commercial real estate market did not materialise during this quarter and seems to have been delayed by a couple of quarters. Owing to weaker-than-anticipated business outlook, we have revised our top-line estimates for FY2011 and FY2012 downwards by 7.1% and 9.9% to ₹2,938cr and ₹3,594cr, respectively, and PAT estimates by 19.5% and 20.0% to ₹173cr and ₹226cr, respectively.

Poor order execution: During 3QFY2011, order billing took a hit as the company was bogged down by a large number of debtors and the business scenario did not pick up as expected. Consequently, order inflows were also low at ₹682cr (₹660cr), while the order book stood at ₹2,703cr, compared to ₹1,998cr at the end of 2QFY2011.

Segment-wise performance: The electromechanical projects and packaged air-conditioning systems (EMPPACS) segment of the company posted a 4.9% yoy decline in the top line to ₹434cr (₹457cr). The segment was hit by weak order execution, as well as a delay in demand pick-up. As a result of lower revenue, EBIT margins declined by 411bp yoy to 6.7% (10.8%).

The cooling products segment performed well on the sales front, posting an increase of 34.8% yoy to ₹128cr (₹95cr). The segment witnessed strong demand in the room air-conditioner market. However, due to a substantial increase in input costs, EBIT margins for this segment declined by 76bp to 7.9% (8.7%).

The professional electronics and industrial systems (PEIS) segment grew by 29.3% during the quarter to ₹45cr (₹35cr). EBIT margins for the segment came in at 26.1% (25.3%), an improvement of 79bp yoy.

Outlook and Valuation: The expected pick-up in demand from the commercial real estate market seems to have been delayed by a couple of quarters. Consequently, the company is currently witnessing a more challenging environment than that anticipated earlier, as reflected in weaker-than-expected 3QFY2011 numbers. However, things are expected to improve in FY2012, when demand picks up. Moreover, the cooling products business of the company continues to perform well. Overall, we expect the company to report a 19.3% CAGR over FY2010-12E in its top line to ₹3,594cr, while PAT is estimated to grow at a 3.3% CAGR to ₹226cr.

At ₹341, the stock is trading at 17.7x and 13.6x its FY2011E and FY2012E EPS. **We maintain Buy on the stock with a revised Target Price of ₹477 (₹596).**

Key Financials (Consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011E	FY2012E
Net sales	**2,503**	**2,525**	**2,938**	**3,594**
% chg	*12.7*	*0.9*	*16.4*	*22.3*
Net profit	**188**	**212**	**173**	**226**
% chg	*5.7*	*15.0*	*(18.2)*	*30.6*
EBITDA (%)	10.4	10.9	9.4	9.8
EPS (₹)	**20.5**	**23.5**	**19.2**	**25.1**
P/E (x)	16.7	14.5	17.7	13.6
P/BV (x)	8.4	6.2	5.6	4.9
RoE (%)	59.5	49.3	33.4	38.7
RoCE (%)	67.3	53.8	43.6	48.7
EV/Sales (x)	1.2	1.2	1.0	0.9
EV/EBITDA (x)	11.9	11.1	11.2	8.8

Source: Company, Angel Research; Price as on February 2, 2011

Research Analyst - Jai Sharda

Greenply Industries - Buy

Price - ₹184
Target Price - ₹266

3QFY2011 Result Update

Performance Highlights

(₹ cr)	3QFY11	3QFY10	*% chg yoy*	2QFY11	*% chg qoq*
Net Sales	**316.9**	**218.9**	***44.8***	**289.1**	***9.6***
EBITDA	28.2	28.2	*(0.0)*	22.5	*25.3*
EBITDA Margin (%)	8.9	12.9	*(398)bp*	7.8	*111bp*
Net Profit	**7.2**	**13.9**	***(48.4)***	**1.6**	***353.9***

Source: Company, Angel Research

Greenply Industries (GIL) registered strong top-line growth in 3QFY2011. Net sales grew 44.8% yoy and 9.6% qoq to ₹317cr. However, GIL reported a (398)bp contraction in OPM to 8.9% (12.9%) mainly due to higher other expenditure during the quarter. Net profit declined 48.4% yoy to ₹7.2cr (₹13.9cr). Nonetheless, we believe that the company is well placed to benefit from its laminates capacity expansion, commencement of the MDF plant (which is expected to achieve 45% capacity utilisation in 4QFY2011) and expansion in the plywood segment. Hence, we maintain a Buy on the stock.

Revenues up 44.8% yoy on strong realisations: For 3QFY2011, top-line reported 44.8% yoy growth to ₹317cr (₹289cr) mainly on the back of the laminate capacity expansion, higher capacity utilisation and increase in realisations during the quarter. The plywood segment reported 119% capacity utilisation and realisation increased to ₹217/sq mt from ₹205/sq mt qoq and ₹184/sq mt yoy. The laminate segment reported an average of 94% capacity utilisation. Average realisation of laminates increased to ₹488/sheet in 3QFY2011 from ₹466/sheet in 2QFY2011 and ₹416/sheet in 3QFY2010. On a qoq basis also, the company managed to post strong growth of 9.6% in revenues fueled by better capacity utilisation and increase in realisation.

OPM contracts yoy but improves qoq: OPM contracted by 398bp yoy on back of increase in other expenditure on account of the new MDF and new laminate units. OPM however, improved by 111bp qoq to 8.9% (7.8%) largely due to better capacity utilisation of plywood and laminate segments and marginal contribution from the MDF segment of ₹14cr.

Bottom-line declines on high depreciation and interest cost: Net profit declined 48.4% yoy to ₹7.2cr (₹13.9cr) largely due to higher depreciation and interest cost on the new MDF unit, which hardly contributed to sales during the quarter, as well as lower OPM. Depreciation increased 91.1% yoy to ₹10.4cr, while interest cost moved up 52% yoy to ₹9.3cr during the quarter. The MDF unit is expected to contribute to revenues in 4QFY2011, which will result in better NPM.

Outlook and Valuation:

We believe that the company is well placed to benefit from its laminates capacity expansion (which increased nearly two-folds in FY2010), commencement of the new MDF plant at Uttarakhand, which will contribute to revenues in 4QFY2011E as well as expansion of its plywood capacity by 3.75mn sq ft, which is expected to contribute ~₹45cr to FY2012 top-line. We have revised downwards our OPM estimates to factor in the decline during 9MFY2011 as well as the delayed commencement of the MDF unit. **At ₹184, the stock trades at 5.5x FY2012E earnings. We maintain a Buy on the stock, with a Target Price of ₹266, valuing the stock at 8x FY2012E EPS.**

Key Financials

Y/E March (₹ cr)	FY2009	FY2010	FY2011E	FY2012E
Net Sales	**725**	**871**	**1,127**	**1,418**
% chg	*33.8*	*20.2*	*29.4*	*25.8*
Net Profit	**37.3**	**49.6**	**34.5**	**80.3**
% chg	*(3.7)*	*32.9*	*(30.4)*	*132.9*
FDEPS (₹)	**21.9**	**20.5**	**14.3**	**33.3**
EBITDA Margin (%)	10.9	11.6	11.0	12.5
P/E (x)	8.4	8.2	12.8	5.5
P/CEPS (x)	5.7	5.7	5.8	3.6
RoE (%)	22.7	21.9	11.6	22.4
RoCE (%)	15.8	13.7	11.4	17.7
P/BV (x)	1.7	1.5	1.4	1.1
EV/Sales (x)	0.8	0.9	0.7	0.5
EV/EBITDA (x)	7.1	8.0	6.8	4.4

Source: Company, Angel Research; Price as on January 31, 2011

Research Analyst - Sharan Lillaney

Jammu and Kashmir Bank - Buy

Price - ₹742
Target Price - ₹987

3QFY2011 Result Update

Performance Highlights

(₹ cr)	3QFY11	2QFY11	% chg (qoq)	3QFY10	% chg (yoy)
NII	**373**	**366**	***1.9***	**244**	***52.9***
Pre-Prov Profit	284	288	*(1.3)*	221	*28.5*
PAT	**163**	**145**	***12.3***	**134**	***21.6***

Source: Company, Angel Research

For 3QFY2011, J&K Bank registered healthy net profit growth of 19.9% yoy to ₹168cr, above our estimate of ₹121cr, primarily on account of lower-than-estimated provisioning expenses. We were conservatively penciling in higher NPA provisions to create a margin of safety considering the political disturbances in the state of J&K during 9MFY2011.

Strong credit growth; multiple levers to improve it further: During 3QFY11, the bank showed strong traction in business. Advances grew by 9.4% qoq and 22% yoy compared to growth of 0.6% qoq and 9.8% yoy in 2QFY11. Deposits grew by 21.4% yoy on the back of strong growth in savings account deposits of 29.2% yoy. However, on account of the 6.9% yoy decline in current account deposits, overall CASA deposits growth was lower at 16.8% yoy. The faster credit growth aided the improvement in credit-to-deposit ratio to 62.1% from 58.4% in 2QFY11.

To leverage the low CD ratio, the bank plans to increase exposure outside J&K state. The bank plans to open 10 branches p.a. outside J&K state , in the commercial centres and in southern tier-II and tier-III cities for increasing its advances and exploiting its specialisation in agricultural lending, respectively.

NIM improves due to falling cost of deposits and rising yield on investments: Reported NIMs for 3QFY2011 improved both sequentially and on a yoy basis to 3.70% from 3.66% in 2QFY2011 and 3.28% in 3QFY2010. The sequential expansion in NIM came on the back of the 9bp qoq fall in cost of deposits and 43bp improvement in yield on investments. Yield on advances declined sequentially by 29bp to 10.71%. Improvement in NIMs led to a healthy 32.7% yoy growth in net interest income (NII) to ₹390cr.

Going forward, the bank's yield on advances is likely to improve on account of utilisation of ~₹2,300cr of proposed loan repayment by the J&K government for higher yielding advances. Management is targeting to maintain a NIM of ~3.5% for 4QFY2011, which is 20bp lower than that of 3QFY2011.

Robust asset quality: The bank continued to maintain robust asset quality with gross NPAs declining by 1.7% qoq and net NPAs dipping by 65.7% qoq to a marginal ₹11cr. Consequently, the gross NPA ratio improved to 1.95% from 2.17% in 2QFY2011 and the net NPA ratio improved to 0.04% from 0.13% in 2QFY2011. Provision coverage ratio, which was already the best in the industry, further improved to 98.4% from 95.5% in 2QFY2011.

Attractive valuations: At ₹742 the stock is trading at 0.9x FY2012E ABV vis-à-vis its historic range of 0.8-1.4x and 5-year median of 1.1x. We maintain a positive view on the stock considering the bank's strong deposit mix, dominant regional market share and healthy track record in asset quality. We believe that this provides sufficient margin of safety from the risks of political disturbances in J&K, especially in light of the bank's steady performance even during past crises.

Even taking into account the inherently lower-than-national average growth (in GDP, deposits, credit) in J&K, at just 0.9x FY2012E P/ABV and with sustainable RoEs of at least 17%, the stock is still inexpensive. Moreover, immediate levers in the form of increase in CD ratio from the current low 62.1% as well as re-deployment of state government loans into higher yielding advances are likely to provide near-term higher momentum to NII growth for the bank relative to other mid-sized banks. Further, with 40% CASA ratio, the bank is also more favourably placed than its peers to handle NIM pressures from rising deposit rates. Hence, **we maintain a Buy on the stock, with a Target Price of ₹987.**

Key Financials

Y/E March (₹ cr)	FY2009	FY2010	FY2011E	FY2012E
NII	**1,000**	**1,119**	**1,518**	**1,618**
% chg	*23.4*	*11.9*	*35.7*	*6.6*
Net Profit	**410**	**512**	**614**	**670**
% chg	*13.8*	*25.0*	*19.8*	*9.2*
NIM (%)	2.9	2.9	3.4	3.2
EPS (₹)	**84.5**	**105.7**	**126.6**	**138.2**
P/E (x)	8.8	7.0	5.9	5.4
P/ABV (x)	1.5	1.2	1.0	0.9
RoA (%)	1.2	1.3	1.3	1.3
RoE (%)	17.4	18.2	18.9	18.0

Source: Company, Angel Research; Price as on February 1, 2011

Research Analyst - Vaibhav Agrawal/Shrinivas Bhutda

Jagran Prakashan - Buy

Price - ₹123
Target Price - ₹185

3QFY2011 Result Update

Performance Highlights

(₹ cr)	3QFY11	3QFY10	% yoy	2QFY11	% qoq
Revenue	**278.7**	**222.9**	***25.0***	**276.9**	***0.7***
EBITDA	82.4	61.3	*34.5*	90.8	*(9.2)*
OPM (%)	29.6	27.5	*208bp*	32.8	*(323)bp*
PAT	**52.6**	**39.7**	***32.5***	**54.9**	***(4.0)***

Source: Company, Angel Research

Sequentially circulation rev. growth heartening, ad-rev. came in flat: JPL reported top-line growth of 25% yoy/~1% qoq to ₹279cr (₹223cr/₹277cr), aided by 32% yoy/~1% qoq growth in advertising revenue to ₹195cr (₹148cr/₹193cr) and 7% yoy/ 4% qoq increase in circulation revenue. The advertising revenue came in flat sequentially, partially impacted by lower ad-spend by the government during the Bihar elections. However, considering consolidation of festivals in 3QFY2011, and 2QFY2011 being a low base impacted by floods in UP and Ayodhya verdict, the sequential growth was still disappointing. However, the yoy as well as qoq growth in circulation revenue to ₹57cr (₹53cr/₹55cr) on account of uptick in circulation volumes (~10-11% yoy growth) is heartening indicating renewed focus in company's core markets (UP and Bihar-Jharkhand; volume growth equally split between these two markets). Management has guided for increase in circulation volumes by 8-10% for FY2011-12. The company's other businesses (event, outdoor and digital businesses) continue to show strong traction with revenues growing 30% yoy/23% qoq to ₹27cr (₹21cr/₹22cr).

Management expects ad revenue growth of ~20% in FY2011 aided by - 1) increase in national advertisement, and 2) uptick in advertisement volumes.

Margins expand yoy as JPL keeps strict check on other expenses: At the operating level, Jagran delivered expansion of 208bp yoy/contraction of 323bp qoq in OPM, resulting in robust growth of 34.5% yoy/ decline of 9% qoq in EBITDA to ₹82cr (₹61cr/ ₹91cr) largely on account of gross margin contraction (however, in-line with expectation) as 3QFY2011 was the first full quarter to get impacted by increase in newsprint cost (3QFY2010 saw bottoming out of the newsprint prices) and higher circulation volumes. While on a yoy basis, other expenses including staff cost (down 60bp) and other expenses (down 224bp) declined (though they were marginally lower than our estimates), while sequentially these costs increased by 26bp and 94bp respectively.

Jagran reported robust earnings growth of 32.5% yoy, aided by margin expansion and higher other income (up 17.5% yoy to ₹13cr), though sequentially impacted by margin contraction.

Outlook and Valuation:

We expect JPL to post 14% CAGR in top-line over FY2010-13 driven by the 16% CAGR in advertising revenues and 4% CAGR in circulation revenues. The other businesses (OOH, event management and SMS services) are estimated to record CAGR of 17% during the mentioned period on better traction. In terms of earnings, we expect JPL to report a CAGR of 19% over FY2010-13E (after adjusting for the ₹8cr foreign exchange gains in FY2010). **We maintain a Buy on the stock, with a Target Price of ₹185, based on 20x FY2013E (in line with its historical valuations).**

We have not factored Mid-Day deal into our numbers. However, we believe the deal is EPS accretive by ~2-3% in FY2011E. Integration of the Mid-Day numbers pose an upside risk to our estimates. The downside risks to our estimates include - 1) higher than anticipated increase in newsprint prices and 2) increased competitive intensity.

Key Financials

Y/E March (₹ cr)	FY2010	FY2011E	FY2012E	FY2013E
Net Sales	**942**	**1,097**	**1,237**	**1,384**
% chg	*14.4*	*16.4*	*12.8*	*11.8*
Net Profit (Adj)	**176**	**205**	**231**	**280**
% chg	*92.0*	*16.4*	*12.7*	*21.3*
EBITDA (%)	30.0	30.2	30.0	30.8
EPS (₹)	**5.8**	**6.8**	**7.7**	**9.3**
P/E (x)	20.9	18.0	16.0	13.2
P/BV (x)	6.0	5.5	5.1	4.5
RoE (%)	30.0	31.9	33.1	36.4
RoCE (%)	30.0	34.1	36.9	39.8
EV/Sales (x)	4.0	3.4	3.0	2.7
EV/EBITDA (x)	13.2	11.3	10.1	8.8

Source: Company, Angel Research; Price as on January 31, 2011

Research Analyst - Chitrangda Kapur/Sreekanth P.V.S

Lakshmi Machine Works - Buy

Price - ₹2,125
Target Price - ₹2,891

3QFY2011 Result Update

Performance Highlights

Y/E March (₹ cr)	3QFY11	2QFY11	% chg yoy	3QFY10	% chg qoq
Net sales	**491**	**429**	***14.4***	**328**	***49.7***
EBITDA	76	64	*18.2*	55	*37.1*
EBITDA %	15.4	14.9		16.8	
PAT	**46**	**46**	***(0.1)***	**31**	***50.2***

Source: Company, Angel Research

For 3QFY2011, Lakshmi Machine Works (LMW) reported top-line growth of 49.7% yoy to ₹491cr (₹328cr), which was 2.8% below our estimates of ₹505cr. OPM fell by 141bp to 15.4% (16.8%), which was below our estimates of 16.5%. On account of strong top-line growth , PAT grew by robust 50.2% yoy to ₹46cr (₹31cr). For FY2011 and FY2012, we have revised our top-line estimates marginally downwards by 1.1% and 1.4% to ₹1,863cr and ₹2,453cr, respectively, and PAT estimates by 1.5% and 2.9% to ₹156cr and ₹223cr, respectively.

Segment-wise performance

LMW's textile machinery division reported sales growth of 46.0% yoy during the quarter to ₹425cr (₹291cr). The division reported EBIT margin of 10.7% during the quarter compared to 11.1% in 3QFY2010. The other divisions recorded sales growth of 49.4% yoy to ₹70cr (₹47cr). EBIT of the other divisions stood at ₹6.3cr.

Top line maintains strong growth momentum during the quarter: In 3QFY2011, LMW continued to report high top-line growth, which it has been witnessing in the past few quarters. The company's top line has grown rapidly from ₹181cr in 4QFY2009, when it was hit by the financial crisis, to ₹491cr in 3QFY2011. Going ahead, we expect the strong growth momentum to continue.

OPM continues to be robust: LMW reported strong OPM of 15.4% in 3QFY2011, a sequential improvement of 50bp. The company's margins have also followed the growth trend of the top line, improving from (1.4%) in 4QFY2009 to 15.4% in 3QFY2011. Thus, going ahead, we expect the company's margins to remain robust.

PAT grows 50.2% yoy to ₹46cr: PAT increased to ₹46cr during the quarter, backed by strong top-line growth and high margins. Sequentially, margins were flat, mainly because of lower other income.

Outlook and valuation

We remain positive on the outlook of the company, given the strong demand situation in the user industry of textiles. The order book of the company has swelled to ₹4,100cr. The company is currently quoting a delivery time of 12-14 months, which further reinforces our positive view. On the back of this strong order book position and sustained high demand, we expect sales to post a 47.3% CAGR over FY2010-12E to ₹2,453cr. We expect PAT to report a 49.6% CAGR to ₹223cr over the same period. Currently, the stock is trading at 16.9x and 11.8x its FY2011E and FY2012E EPS, respectively. **Owing to the recent correction in the stock price, we upgrade the stock to Buy (Accumulate) with a revised Target Price of ₹2,891/ share**

Key Financials (Consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011E	FY2012E
Net sales	**1,338**	**1,131**	**1,863**	**2,453**
% chg	*(39.3)*	*(15.5)*	*64.8*	*31.6*
Net profit	**107**	**100**	**156**	**223**
% chg	*(55.9)*	*(6.6)*	*55.9*	*43.5*
EBITDA (%)	13.8	14.2	13.9	14.6
EPS (₹)	**86.5**	**80.7**	**125.9**	**180.7**
P/E (x)	24.6	26.3	16.9	11.8
P/BV (x)	3.1	2.9	2.5	2.2
RoE (%)	13.4	11.3	15.9	20.0
RoCE (%)	8.0	7.0	16.0	22.5
EV/Sales (x)	1.5	1.7	1.0	0.6
EV/EBITDA (x)	10.8	11.8	7.0	4.3

Source: Company, Angel Research; Price as on February 1, 2011

Research Analyst - Jai Sharda

Maruti Suzuki - Buy

Price - ₹1,234
Target Price - ₹1,515

3QFY2011 Result Update

Performance Highlights

Y/E March (₹ cr)	3QFY11	3QFY10	% chg (yoy)	Angel est.	% diff
Net sales	**9,494**	**7,503**	***26.5***	**9,708**	***(2.2)***
EBITDA	902	1,134	*(20.5)*	1,009	*(10.6)*
EBITDA margin (%)	9.5	15.1	*(561)bp*	10.4	*(89)bp*
PAT	**565**	**688**	***(17.8)***	**601**	***(6.0)***

Source: Company, Angel Research

Maruti Suzuki (Maruti) reported its 3QFY2011 results, which were marginally below our estimates largely due to adverse product mix, drop in average net realisation and one-time expenses related to employee costs. We broadly maintain our volume estimates; however, we have revised our earnings estimates marginally downwards to factor in lower-than-expected performance during 3QFY2011. **Owing to the recent correction in the stock price, we recommend Buy on the stock.**

Drop in average net realisation restricts top-line growth: Maruti reported 26.5% yoy top-line growth to ₹9,494cr, which was marginally below our expectation of ₹9,708cr. Growth was driven largely by a ~28.2% yoy jump in volumes. Top-line performance was also aided by a substantial ~29.3% yoy increase in other operating income at ₹168cr (₹130cr). During the quarter, average net realisation marginally declined by 1.3% yoy at ₹2.81lakh (₹2.84lakh), due to adverse product mix and currency (Euro) impact on export revenue, which stood at ₹839cr (₹992cr in 2QFY2011 and ₹1,314cr in 3QFY2010), while average export realisation declined by ~20.3% yoy to ₹2.69lakh (₹3.36lakh in 3QFY2010).

Subdued performance at the operating front: For 3QFY2011, Maruti's EBITDA margin came in 89bp below our estimates at 9.5%, a decline of 561bp yoy, largely owing to a 353bp yoy increase in raw-material cost to 76.6% (73.1%) of net sales. Further, higher other expenditure and employee costs impacted yoy EBITDA margins during the quarter. The higher employee cost included one-time cost of ₹51cr related to restructuring of employee compensation structure (recurring impact of ~20bp and one-time impact of ~55bp). Overall, operating profit declined by 20.5% yoy to ₹902cr (₹1,134cr).

Net profit declines 17.8% yoy: Maruti reported net profit of ₹565cr, down 17.8% yoy, as against our estimate of ₹601cr, led by weak operating performance despite a higher-than-expected increase in other income during 3QFY2011. Moreover, lower tax outgo during 3QFY2011 restricted the further fall in net profit.

Outlook and Valuation:

We broadly maintain our volume estimates; however, we have revised our earnings estimates marginally downwards to factor in the lower-than-expected performance during 3QFY2011. We model a 19.2% volume and 9.8% earnings CAGR for the company for FY2010–12E.

At ₹1,234, Maruti is trading at 16.1x and 12.2x FY2011E and FY2012E earnings of ₹76.6 and ₹101, respectively. **Owing to the recent decline in the stock price, we recommend Buy on the stock with a Target price of ₹1,515, at which level it would trade at 15x FY2012E earnings.**

Key Financials

Y/E March (₹ cr)	FY2009	FY2010	FY2011E	FY2012E
Net Sales	**20,454**	**29,099**	**35,135**	**41,359**
% chg	*14.3*	*42.3*	*20.7*	*17.7*
Net profit	**1,521**	**2,419**	**2,214**	**2,918**
% chg	*(11.3)*	*59.0*	*(8.4)*	*31.8*
EBITDA margin (%)	9.2	11.8	9.2	10.4
EPS (₹)	**37.1**	**83.7**	**76.6**	**101.0**
P/E (x)	33.2	14.7	16.1	12.2
P/BV (x)	3.8	3.0	2.4	2.1
RoE (%)	18.2	18.6	17.4	16.0
RoCE (%)	11.9	22.7	15.7	18.5
EV/Sales (x)	1.3	0.9	0.7	0.6
EV/EBITDA (x)	21.8	8.5	8.7	6.2

Source: Company, Angel Research; Price as on January 31, 2011

Research Analyst - Vaishali Jajoo/Yaresh Kothari

NTPC - Buy

Price - ₹185
Target Price - ₹230

3QFY2011 Result Update

Performance Highlights

Y/E March (₹ cr)	3QFY11	2QFY11	% chg (qoq)	3QFY2010	% chg yoy
Net sales	**13,964**	**13,350**	**3.7**	**11,709**	**19.3**
Operating profit	4,300	3,371	27.6	3,891	10.5
OPM (%)	30.8	25.3	554bp	33.2	(243bp)
Adj. Net profit	**2,319**	**1,845**	**25.7**	**2,090**	**11.0**

Source: Company, Angel Research

For 3QFY2011, on a standalone basis NTPC reported 11.0% yoy increase in adjusted net profit to ₹2,319cr, aided by higher plant availability factor (PAF) leading to higher incentives. Other income however, declined due to lower interest rates and redemption of tax-saving bonds.

Top-line growth at 19.3% yoy: NTPC's 3QFY2011 top-line grew 19.3% yoy to ₹13,964cr aided primarily by higher fuel costs, which led to higher tariffs. However, the energy sent out (ESO) rose only by a marginal 0.8% (despite the 6.7% increase in capacity) on account of lower PLF due to the backing down by the SEB's. Operating profit grew 10.5% yoy to ₹4,300cr. Adjusted net profit increased 11.0% yoy to ₹2,319cr aided by higher PAF leading to higher incentives. Lower depreciation charges as per the new depreciation policy also aided bottom-line growth.

Operational highlights: During the quarter, the company's generation volumes grew 0.5% yoy to 54.7BU (54.5BU), ESO grew 0.8% yoy to 51.3BU. The PLF for NTPC's coal and gas stations stood at 87.2% (90.5%) and 66.3% (73.6%), respectively. The PLF was affected due to the backing down by the SEB's in Uttar Pradesh and other Eastern states, as well as due to the grid restrictions. However, PAF of both the coal and gas-based stations improved. PAF of the coal-based plants stood at 93.4%, up by 239bp yoy, while the gas-based plants registered PAF of 95.6%, up by 251bp yoy.

Capacity addition to drive future growth: NTPC, currently has capacity of 33,194MW. Having the best execution capability in the industry, management has an ambitious target of adding 22,300MW during the Eleventh Plan, thus taking its installed capacity to 50,000MW. However, the company has managed to add only 5,700MW since the beginning of the plan period. In all, the company expects to add ~12,500MW for the plan period, which is well below the original target.

Earnings protected by the regulated return model: NTPC, being a central public utility (CPU), is governed by the regulated return model. The CERC's regulations for FY2010-14 increased the cap on RoE to 15.5% (on a pre-tax basis, grossed up for tax) from the earlier 14% (on a post-tax basis), which is a positive for NTPC. Going ahead, with the commissioning of new capacities, the company would fall under the MAT bracket and will have to pay tax of 19.95% as against the marginal tax rate of 33.2%. This would in turn suppress the company's pre-tax RoE to 19.4% as against the earlier 23.2%,.

NTPC to generate stable cash flows: NTPC has 85% of its overall output tied up under the long-term PPA route (regulated returns), which ensures power off-take and stable cash flows thereof.

Outlook and Valuation: NTPC has signed PPA's for a cumulative capacity of 1,00,000MW, which provides assured off-take for its future projects. At the CMP of ₹185, the stock is trading at 2.2x FY2011E and 2.0x FY2012E P/BV and ₹4.1cr FY2012E EV/MW. Considering its regulated business model, assured RoE and strong cash flow visibility, we have assigned EV/MW of ₹5.25cr and 2.3x P/BV on FY2012 estimates. We maintain a Buy on the stock, with a Target Price of ₹230.

Key Financials (Consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011E	FY2012E
Net Sales	**44,245**	**48,238**	**52,030**	**58,751**
% chg	*14.5*	*9.0*	*7.9*	*12.9*
Net Profits	**8,092**	**8,837**	**8,540**	**9,405**
% chg	*8.3*	*9.2*	*(3.4)*	*10.1*
OPM (%)	23.8	27.1	28.3	28.4
EPS (₹)	**9.8**	**10.7**	**10.4**	**11.4**
P/E (x)	18.9	17.3	17.9	16.2
P/BV (x)	2.5	2.4	2.2	2.0
RoE (%)	14.2	14.2	12.7	13.0
RoCE (%)	8.8	9.8	10.3	10.2
EV/Sales (x)	3.9	3.7	3.5	3.3
EV/EBITDA (x)	16.5	13.8	12.5	11.6

Source: Company, Angel Research; Price as on February 1, 2011

Research Analyst - Rupesh Sankhe/V Srinivasan

Market at 61.8 % retracement level

Sensex (18008) / Nifty (5396)

In our previous Weekly report, we had mentioned that the indices have closed well below the 200-day SMA, which indicates weakness and expected market to test the multiple support levels of 17820 / 5350 or even 17373 / 5200 levels in the coming weeks. The week opened on a pessimistic note, traded with extreme choppiness and made a fresh low of 17926 / 5369 which was close to the mentioned multiple support levels of 17820 / 5350. The Sensex and Nifty ended with net loss of 2.1% vis-à-vis the previous week.

Pattern Formation

- On the **Weekly chart**, the prices have retraced 61.8% of previous impulse move from 15960 to 21109 / 4786 to 6339 levels, which indicates probability of near-term support.

Future Outlook

The coming week is likely to witness volatility. On the **Weekly** chart, as mentioned in the pattern formation, we are observing that prices have retraced 61.8% of previous impulse move. However, the Daily charts indicate a strong lower-top lower-bottom cycle. Any weekly close below 17820 / 5350 levels could lead the indices to test lower levels of 17374 - 17157 / 5200 - 5150 in the coming weeks. On the upside, 18542 / 5560 and 200-day SMA (18740 / 5626 levels) are near-term resistance for the indices.

Exhibit 1: Sensex Weekly chart

Source: Falcon

Weekly Pivot Levels For Nifty 50 Stocks

SCRIPS	R2	R1	PIVOT	S1	S2
SENSEX	18,774	18,391	18,159	17,776	17,544
NIFTY	5,628	5,512	5,440	5,324	5,253
BANK NIFTY	10,917	10,676	10,531	10,289	10,144
A.C.C.	1,021	998	977	954	933
ABB LTD.	775	733	710	668	645
AMBUJACEM	134	127	123	117	113
AXISBANK	1,290	1,257	1,234	1,200	1,178
BHARAT PETRO	675	632	601	558	528
BHARTIARTL	366	349	327	310	288
BHEL	2,302	2,245	2,181	2,124	2,059
CAIRN	343	333	326	316	310
CIPLA	342	333	328	319	313
DLF	265	251	233	219	200
GAIL	488	471	460	443	433
HCL TECHNOLO	513	497	487	471	462
HDFC BANK	2,122	2,070	2,033	1,981	1,944
HERO HONDA	1,733	1,635	1,570	1,472	1,407
HINDALCO	269	253	235	219	201
HINDUNILVR	290	281	274	266	258
HOUS DEV FIN	666	635	618	587	569
ICICI BANK	1,056	1,026	1,008	978	960
IDEA	77	73	69	66	62
IDFC	155	147	142	133	128
INFOSYS TECH	3,217	3,132	3,079	2,995	2,942
ITC	174	163	158	147	141
JINDL STL&PO	693	665	647	618	600
JPASSOCIAT	92	88	83	79	75
KOTAK BANK	407	383	370	346	333
LT	1,701	1,636	1,597	1,531	1,492
MAH & MAH	742	706	683	647	625
MARUTI	1,327	1,255	1,203	1,131	1,078
NTPC	197	187	181	171	165
ONGC CORP.	1,279	1,236	1,189	1,145	1,099
PNB	1,171	1,115	1,083	1,027	995
POWERGRID	103	100	97	94	91
RANBAXY LAB.	566	545	533	513	500
RCOM	129	122	118	111	107
REL.CAPITAL	550	522	505	477	461
RELIANCE	978	949	919	890	860
RELINFRA	747	712	692	658	638
RPOWER	142	135	131	124	120
SIEMENS	909	879	854	824	800
STATE BANK	2,769	2,707	2,634	2,572	2,499
STEEL AUTHOR	171	166	161	156	151
STER	185	177	167	158	149
SUN PHARMA.	467	442	426	401	386
SUZLON	52	50	49	47	45
TATA POWER	1,277	1,231	1,203	1,157	1,130
TATAMOTORS	1,262	1,206	1,135	1,079	1,008
TATASTEEL	671	653	635	617	598
TCS	1,229	1,189	1,159	1,119	1,088
UNITECH LTD	54	49	45	40	37
WIPRO	459	448	436	424	412

Technical Research Team

We suggest to cover short positions in Nifty futures

Nifty spot has closed at **5396** this week, against a close of **5512** last week. The Put-Call Ratio has decreased from **1.31** to **1.11** levels and the annualized Cost of Carry (CoC) is negative **2.96**%. The Open Interest of Nifty Futures increased by **25.94**%.

Put-Call Ratio Analysis

The Nifty PCR OI decreased from 1.31 to 1.11 levels. Over-the-week huge build up was observed in the 5400 and 5500 call options and the 5500 strike has highest open interest. Among put options, 5400 and below strikes continued to add open interest. During the week market was showing support around 5400 levels and closed around the same level. The 5400 put still has highest open interest and it is not suggesting any significant correction in the market from current levels.

Open Interest Analysis

Total open interest of the market is ₹1,35,388cr against ₹1,11,738cr last week and the stock futures open interest increased from ₹31,377cr to ₹32,638cr. During the week mainly Oil and Gas and Metal stocks were showing some strength among nifty stocks. Positional traders can form long positions in BAJAJ-AUTO as stock added significant open interest around support and CoC is also positive. Few liquid stocks where open interest increased significantly are ONGC, ITC, SIEMENS, HINDALCO and NATIONALUM. Stocks where open interest decreased significantly are INDIACEM, TATASTEEL, ANDHRABANK, WELCORP and HDIL.

Futures Annual Volatility Analysis

Historical volatility of Nifty has increased from 22.74% to 25.86%. Despite a sharp correction in the market, IV of at-the-money options is almost at the same levels of 21.50%, which is also not indicating major correction. Few liquid counters where HV has increased significantly are SIEMENS, JISLJALEQS, INDIACEM, UNITECH and ITC. Stocks where HV has decreased significantly are STERLINBIO, RUCHISOYA, ULTRACEMCO, COREPROTEC and MOSERBAER.

Cost-of-Carry Analysis

The Nifty February futures closed at a discount 8.75 of points against a premium of 24.40 points last week and the March futures closed at a premium of 8.30 points. Few liquid stocks where Cost-of-Carry turned from negative to positive are AREVAT&D, CROMPGREAV, ABB, NAGARCONST, VIDEOIND and TATASTEEL. Stocks where Cost-of-Carry turned from positive to negative are UNIONBANK, DLF, BHEL, DABUR and ONGC.

Derivative Strategy

Scrip : NTPC | **CMP : ₹176.95/-** | **Lot Size : 1000** | **Expiry Date (F&O) :** 24th Feb, 2011

View: Mildly Bullish | **Strategy: Covered Call Writing**

Buy/Sell	Qty	Scrip	Strike Price	Series	Option Type	Rate (₹)
Buy	1000	NTPC	Fut.	Feb	-	176.00
Sell	1000	NTPC	180	Feb	Call	3.00

BEP: ₹173.00/-

Max. Risk: Unlimited
If NTPC continues to trade below BEP

Max. Profit: ₹7,000.00/-
If NTPC closes on or above ₹180 on expiry.

NOTE: Profit can be booked before expiry if NTPC moves in the favourable direction and time value decays.

Expected Payoff

Closing Price	Expected Profit/Loss
₹165.00	(₹8.00)
₹170.00	(₹3.00)
₹175.00	₹2.00
₹180.00	₹7.00
₹185.00	₹7.00
₹190.00	₹7.00

Reliance Gold Savings Fund - NFO Analysis

Fund Features **NFO Date: - 14th Feb to 28th Feb 2011**

Scheme Objective	The investment objective of the Scheme is to seek to provide returns that closely correspond to returns provided by Reliance Gold ETF		
Type of Fund	An Open Ended Fund of Fund Scheme		
Bench Mark Index	The Scheme's performance will be benchmarked against the price of physical gold.		
Min. Investment	₹5000 & in multiples of Re. 1 thereafter		
Min. Additional Amt.	₹1000 and in multiples of Re 1 thereafter		
Entry Loads	NIL		
Exit Loads	2% If redeemed or switched out on or before completion of 12 months from the date of allotment of units. Nil If redeemed or switched out after the completion of 12 months from the date of allotment of units.		
Plans/Options	Growth Plan: Growth & Bonus Option Dividend Plan: Dividend Payout & Dividend Reinvestment Option		
Fund Manager	Mr. Hiren Chandaria		
Asset Allocation	**Instruments**	**% of Net Assets**	**Risk Profile**
	Units of Reliance Gold ETF (RGETF)	95% - 100%	Medium to High
	Reverse repo and /or CBLO and/or short-term fixed deposits and/or Schemes which invest predominantly in the money market securities or Liquid Schemes*	0% - 5%	Low to Medium

**The Fund Manager may invest in Liquid Schemes of Reliance Mutual Fund. However, the Fund Manager may invest in any other scheme of a mutual fund registered with SEBI, which invest predominantly in the money market securities.*

Positioning of the Fund

- Reliance Gold Savings Fund is the first fund of fund in the industry which opens a new panorama for investing in gold as an asset class.
- The fund seeks to provide returns that closely correspond to the returns provided by Reliance Gold Exchange Traded Fund, which in turn invest in physical gold.
- It is a passively managed fund which would enable an investor to save for gold in a convenient manner either through lump sum investment or through systematic investment - the mutual fund way from a long term perspective.
- It will give investors the opportunity to participate in the bullion market in a relatively cost effective and convenient way.

Investment Approach

- A modern way of accumulating "Gold" the mutual fund way.
- An investment opportunity which enables an investor to allocate gold a foundation asset to his portfolio in a systematic way.
- This fund would enable investor to add the yellow metal which is considered as a safe haven, hedge to inflation and diversify portfolio in a convenient way.
    - Passively managed Fund of Fund investing in Open-ended Reliance Gold Exchange Traded fund
    - Invests exclusively in Reliance Gold Exchange Traded Fund which in turn invests in physical gold which shall be of fineness(or purity) of 995 parts per 1000 (99.5 %) or higher
    - Portfolio focused on providing returns that closely correspond to the returns provided by Reliance Gold Exchange Traded Fund

Benefits of Investing in Reliance Gold Savings Fund

- **Open door for non - demat a/c holders:**
  Investors can invest in this fund through the physical mode across the country thereby making it easily available and convenient for non demat a/c holders
- **Systematic Investment Plan (SIP):**
  A long term disciplined investment technique under which investor can invest a fixed sum of money on a monthly or quarterly basis in the scheme at the prevailing NAV.
- **Availability of add-on facilities:**
  Ease of availing add on facilities like STP/SWP/SIP/auto switch/ trigger facility etc.
- **Liquidity:**
  An investor of Reliance Gold Savings Fund can subscribe and redeem units on all business days directly from the AMC, while purchase and sale of gold ETF units is a factor of liquidity on the exchange.
- **Ease of investing:**
  The investor can directly subscribe/ redeem units through the physical mode at the various designated investor service centre across the country thereby making it easily accessible and convenient.
- **Cost Effective:**
  Investing in gold through Reliance Gold Savings Fund enables the investor to invest in a low cost manner as the investor does not have to incur charges like annual maintenance charges for demat account , delivery brokerage charges, transaction charges incurred for investing through the dematerialized mode.

Reliance Gold ETF

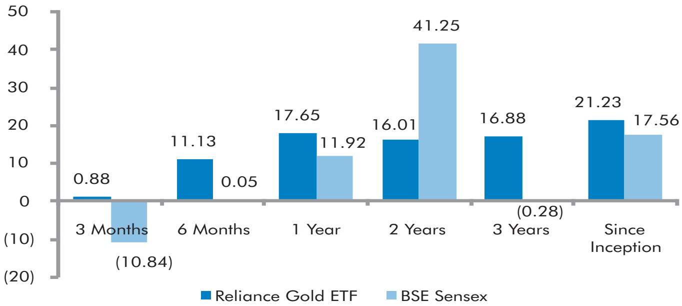
Scheme Objective

The scheme aims to provide returns that closely correspond to returns provided by price of gold through investment in physical Gold (and Gold related securities as permitted by Regulators from time to time). However, the performance of the scheme may differ from that of the domestic prices of Gold due to expenses and or other related factors.

Fund at a Glance

Face Value	₹100
NAV (3-Feb-11)	₹1879.47
52-Week High (7-Dec-10)	₹1976.70
52-Week Low (5-Feb-10)	₹1525.43
Fund Category	Exchange Traded Fund (ETF)
Type	Open Ended
Entry / Exit Load	NIL
Minimum Inv.	₹ 5000
Inception Date	21st November, 2007
Benchmark Index	Physical Price of Gold
Fund Manger	Mr. Hiren Chandaria
Expense Ratio	1%

Performance comparison with Sensex (% Returns)



Note: Returns as on 3rd February, 2011 on CAGR basis

Diversification with Gold - Why Invest Now

- Hedge against inflation.
- Hedge against a declining dollar: Strong Negative Correlation.
- Safe haven in times of geopolitical and financial market instability.
- Commodity based on gold's supply and demand fundamentals.
- Store of value.
- Portfolio diversifier; gold can act as portfolio insurance.
- Due to rise in demand of gold, gold prices have increased thus causing a rally in stocks of gold mining companies.
- Since there is a negative correlation between the equity markets and gold it can act as hedge against the down fall in equity markets.

Why Reliance Gold ETF?

- **Safety & Security**
  - Zero concerns about physical security, theft or adulteration when faced with the tasks of custody and spot transactions.
  - Safeguard in the form of electronic mode in case of unforeseen circumstances where you have lost all the physical wealth
- **Long Term Commitments**

  It is a cost effective and convenient way to invest in gold through an instantaneous exposure to physical gold. For example it helps to accumulate gold for daughter's wedding
- **Purity**

  All gold bullion held in the scheme's allocated account with the custodian will be of fineness (or purity) of 995 parts per 1000 (99.5%) or higher
- **Transparency & Liquidity**

  Its units can be traded like a share and therefore it provides the ability to buy and sell them quickly at the ruling market price and therefore highly liquid
- **Diversification**

  An efficient diversification for the portfolio of the investor
- **Cost Effective**

  The expenses incurred in buying and selling units and the schemes ongoing expenses will be less than the costs associated with buying and selling of gold and storing and insuring gold bullion in a traditional gold bullion market.

Reliance Gold ETF vs. Other Form of Investment

Parameters	Reliance Gold ETF	Jewelers	Banks
Form	Demat Form	Bar or Coin	Bar or Coin
Security	Taken care by Fund	Investor's Concern	Investor's Concern
Transparency	Very High	Very Low	High
Impurity Risk	Nil	High	Nil
Pricing	Transparent. Will be traded at NSE	Neither standard nor transparent	Not standard. Huge Markup, 10- 15% ideally
Selling Back	Sell back on exchange	Conditional and uneconomical	Restricted
Bid Ask Spread	Very Low	Very High	Can't Sell back
Denomination	1 gram and in multiples of 1 gram	Available in Standard denomination.	Available in Standard denomination.

Ideal for Investors

- Investors looking for diversification
- **Investment Horizon:** Long Term
- **Risk Appetite:** Low to Medium

Currencies Weekly Performance Snapshot

The last week was mainly driven by the ongoing concerns in Egypt which affected the global equities and other financial markets. The Egyptian concerns escalated as protests turned violent after the opposition demanding an immediate exit of President Hosni Mubarak. Despite the President saying that he would exit from the post in September and won't take part in the coming elections, angry protestors refused to accept the offer. The US dollar which was weak in the initial part of the week gained strength as investors quit equities towards safer investments. Moreover, positive economic updates from the US cemented the fact the world's largest economy was picking up steam. The DX pared major losses and ended on a flat note w-o-w, after declining as much as 2% in the first two sessions. Weekly jobless claims in the US fell 42,000 in the last week as against expectations of a decline of 35,000. The ISM Non-Manufacturing PMI rose to 59.4 in January 2011 as against expectations of 57.2. In December 2010, the index had reported figure of 57.1. Factory orders increased 0.2% in the last month of 2010 as against expectations of decline of 0.2%. The unemployment rate of the US unexpectedly declined to 9.0% in January 2011 as against 9.4% in December 2010.

Exhibit 1: Currencies Performance

Currency Pair	WTD %	MTD %
NSEINR/$ Feb'11 Futures	-0.4	-0.8
NSEINR/Euro Feb'11 Futures	-0.7	-5.7
NSEINR/GBP Feb'11 Futures	-2.4	-5.6
NSEINR/JPY Feb'11 Futures	-0.8	-2.3

Source: Reuters

Nifty closes near five-month low in the last week: The Indian equities continued to decline with the Nifty touching its five-month low of 5,369 on Friday. Inflationary concerns continued to affect market sentiments as India's food inflation increased for a second consecutive week as per data released on Thursday. Food price index increased 17.05% y-o-y in the w/e January 22nd as against 15.57% in the earlier week. The fuel price index also increased 11.61% y-o-y in the same week as against 10.81% in the prior week. This is reiterating that the headline inflation will also continue to remain at elevated levels and the Reserve Bank of India (RBI) will continue to tighten liquidity in the coming months. In its last monetary policy review on January 25th, the central bank had raised repo as well as reverse repo rate by 25 basis points. The Prime Minister of India, Dr. Manmohan Singh in his speech on Friday stated that inflation poses a major threat to the country's growth and some immediate steps need to be undertaken. Apart from this, the arrests of India's ex-telecom minister A. Raja and two other officials in the 2G spectrum scam also led to investor concern. But the Indian Spot Rupee appreciated marginally last week after touching a low of above 46.00 levels in the week.

Exhibit 2: Indian Rupee Weekly Price Chart

Source: Telequote

European Central Bank (ECB) leaves interest rates unchanged at 1.00%: The ECB in its monetary policy review on Thursday left interest rates unchanged at 1.00%. But, the ECB President, Trichet in his speech said that inflation remains firmly anchored within the central bank's targets. This eased hopes of an interest rate hike by the ECB in the near-term and led to depreciation in the Euro. The currency declined 0.2% against the dollar last week.

Fundamental and Technical Outlook: In this week, the global markets will continue to be influenced by the ongoing issues in Egypt. Apart from that the US Federal Reserve Chairman, Ben Bernanke's testimony and trade balance figures of US and China also remain a crucial watch. The DX is expected to strengthen taking cues from a weak and much-extended geopolitical scenario in Egypt. The Rupee is expected to trade with a depreciation bias on FII outflows, weak equities and strong dollar.

Exhibit 3: Technical Levels

Currency	Support	Resistance
USD/INR(Feb'11)	45.47/45.15	46.10/46.40
Euro/INR(Feb'11)	61.90/61.20	62.80/63.50
GBP/INR(Feb'11)	73.20/72.50	74.20/ 72.80
JPY/INR(Feb'11)	55.60/55.00	56.30/56.80

Source: Telequote

Research Analyst (Commodity) - Reena Walia Nair/Naser Parkar

Commodities Update

Exhibit 1: Commodities Weekly Performance

	5th Feb. 2011	28st Jan. 2011	% Change
Non Agri- Commodities (MCX)			
Top Gainers			
Zinc	113.80	106.75	6.6
Nickel	1289.70	1224.30	5.3
Copper	463.50	442.65	4.7
Top Losers			
Natural Gas	198.7	202.6	(1.9)
Crude Oil	4090	4107	(0.4)
Agri Commodities (NCDEX)			
Top Gainers			
Kapas	1030.5	902	14.25
Guar gum	5167	4720	9.47
Castor Seed	8291	7670	8.1
Top Losers			
Mentha	1044.3	1171	(10.82)
Cardamom	1330	1438.5	(7.5)

International Perspective: Commodity prices witnessed a mixed performance last week, with base metals and bullion ending in the green, while energy prices witnessing downside. The US Dollar Index (DX) ended on a flat note last week, to close at 78.18 on Friday. The dollar had depreciated in the initial part of the week but appreciated sharply mainly on the back of unrest in Egypt and favorable economic US data. On the domestic front, Spot Rupee appreciated around 0.7 % last week, to close at 45.56 on Friday.

On the weekly basis, Nymex crude oil prices were down 0.3 % and closed at $89.03/bbl on Friday. Till Thursday, oil prices traded higher by around 1.4 % last week. But profit booking emerged on news that the Egyptian President Hosni Mubarak, could step down. On the MCX, crude oil prices (February futures contract) declined around 0.5 % and touched a low of ₹4055/bbl last week. Appreciation of the Indian exerted pressure on the oil prices to decline further on the domestic bourses in the last week.

Favorable economic data from US and Euro Zone released in the last week led base metal prices to trade in the positive territory. The metal prices took cues especially from the improved employment data last week. The unemployment rate of the US declined to 9 % in January 2011 as against 9.4% in December 2010.

In the precious metals pack, **Spot Gold** prices gained around 1% w-o-w, and touched a high of $1357.93/oz on Friday. Egyptian concerns that escalated in the middle of the week, made gold to look attractive from a safe-haven perspective for the investors. However, appreciation of the domestic currency exerted pressure on the gold prices on the MCX last week. Hence, this made gold prices to trade on a flat note on the Indian platform last week.

Agri Perspective: Kapas continued to add to the gains for the sixth straight week surging 14.3% tracking firmness in the international market owing to lower global stocks and rising demand, particularly from China, causing concerns of insufficiency in the fiber this year. **Castor seed** traded higher the previous week touching new historical high of Rs.5,383/qtl owing to better demand from the overseas buyers amidst lower supplies in the domestic market. **Guar gum** prices surged 9.47% and touched new highs of Rs. 8,408 per qtl. Increased demand from the Guargum manufacturers amidst rising export enquiries led guargum futures to strengthen. According to market sources, since the first week of January, there has been an increase in overseas enquiries, especially from the US and China, which has prompted local stockiest and processors to increase buying of guar seed. **Mentha** prices ended lower 10.8% declining the most the previous week owing to weak overseas demand at higher levels and reports of better sowing in the domestic market which commences in the last week of February. **Cardamom** ended weak 7.5% due to long liquidation by the market participants.

Exhibit 2: Major Economic Data Releases this week

Date	Country	Indicator	Forecast	Previous
Feb 9	US	Fed Chairman Bernanke Testifies	-	-
Feb 10	China	Trade Balance	10.3B	13.1B
	UK	Manufacturing Production m/m	0.5%	0.6%
	UK	Official Bank Rate	0.50%	0.50%
	US	Unemployment Claims	411K	415K
Feb 11	UK	PPI Input m/m	1.3%	3.4%
	US	Trade Balance	-40.4B	-38.3B
	US	Prelim UoM Consumer Sentiment	74.6	74.2

Outlook: The Chinese markets will reopen on Wednesday after a week-long holiday. Commodity prices will be driven by economic updates from the US and other major economies. Base metal prices are expected to trade in the positive territory mainly taking cues from favorable performance in the job market of the US. Crude oil prices would take cues from the developments from Egypt in the coming sessions. If issues escalate, prices may take support on supply concerns from Suez Canal. Gold prices are also expected to gain on the back of safe-haven demand as investors continue to remain skeptical over Egyptian issues.

Among Agri commodities Turmeric prices may witness selling pressure owing to improved arrivals and lacklustre demand at the domestic market. Chana and Guar complex may continue to trade firm due to lower arrivals and improved demand from the local stockists.

Research Analyst (Commodity) - Nalini Rao/ Pallavi Munankar

Base Metals

The base metals complex delivered good performance on the LME last week. Prices were driven by favorable economic data from the US and Euro Zone released in the last week. Positive economic data from the US job sector provided support by the second-half of the week. a major positive movement in prices was witnessed after release of unemployment rate by the US on Friday which showed a came in at 9 percent for the month of January as against 9.4 percent in December. Apart from positive economic data from the US which indicated improvement in US economic recovery, prices also took cues from developments on the crisis in Egypt. This has led to major concern in the global financial markets and sharp gains further were capped on the back of these worries. The US Dollar Index (DX) closed on a flat note in the last week. Base metals on the LME gained more than that on the Indian platform as appreciation in the Spot Rupee capped sharp rise in prices. Spot Rupee appreciated around 0.7 percent last week, to close at 45.56 on Friday.

Base metals Weekly Prices Performance

	4th Feb'11	28th Jan'11	% chnage
Copper	10055	9554	5.2
Zinc	2496	2330	7.1
Nickel	28300	26700	6.0
Lead	2574	2447	5.2
Aluminium	2530.5	2470	2.4

Source: Reuters

Zinc rises on supply concerns: Zinc was the top performer in the last week, as the metal rallied, gaining more than 7 percent on the LME. Prices touched a high of $2515/tonne and closed at $2495.50/tonne on Friday. Rise in prices was mainly driven by supply concerns. An accident that had occurred earlier last week at Lisheen lead-zinc mine in central Ireland made Anglo to suspend its operations. The mine is subjected to a full investigation after this incident. Lisheen is one of Europe's biggest zinc mines producing around 175,000 tonnes per year of contained zinc and 20,000 tonnes per year on contained lead. Zinc prices also took cues from positive economic data on Friday as prices gained almost 1 percent in a single-day movement. During the week, LME zinc inventories did not show sharp movement as it declined only by 850 tonnes to 710,075 tonnes. On the MCX, zinc prices surged around 6.6 percent last week and hit a high of ₹114.40/kg. in this case too, prices didn't rise in tandem with movement in the international markets as appreciation in the Rupee spoiled the show.

LME Zinc Price Performance Chart

Source: Telequote

Copper: Copper prices on the LME touched an all-time high of $10,100/tonne on Friday. The red metal prices rallied more than 5 percent on the LME last week and closed above the psychological level of $10,000/tonne on Friday. Factors that influenced copper prices - positive economic data from the US and Euro Zone released in the last week, falling LME inventories and supply tightness in the copper market. Copper inventories declined around 1 percent w-o-w on the LME warehouse to reach 394,150 tonnes on Friday. On the MCX, copper prices gained almost 5 percent and touched a high of ₹465.30/kg in the last week. Cyclone Yasi forced Australia's Mt Isa copper refinery to shut as it began pounding the northeast coast on Wednesday. The Mt Isa copper mining and smelting unit is set to start operations by the weekend, but it was still unable to say when its 300,000-tonnes-a-year Townsville copper refinery, which is being checked for damage, would restart.

Outlook: Base metal prices are expected to trade in the positive territory this week, mainly taking cues from the favorable employment data from the US last week. As copper prices have surged due to supportive fundamental reasons in the last week, we do not expect prices to sustain above the level of $10,000/tonne in the coming trading sessions. Copper prices are expected to witness profit- booking at higher levels in the coming week. Nickel prices are expected to come under pressure mainly on account of easing supply concerns from Yabulu in Australia. But a major factor that can affect movement in base metals will be developments on the Egypt front. If concerns persist then sharp gains in base metals will be capped.

Sr. Research Analyst (Commodity) - Reena Walia Nair/Pallavi Munankar

Commodity Technical Report

MCX APRIL GOLD

Last week, gold prices opened the week at Rs.20,222 per 10 grams, initially moved lower but found strong support at 19952 levels. Later prices surged higher and made a high of 20390 levels and finally closed the week at Rs.20,270 with a gains of Rs.102 as compared with previous week's close of Rs.20,168.

Trend : SIDEWAYS (MCX GOLD Weekly Chart)

Source: Telequote

Key Levels For Week :

S1 - 20,000	R1 - 20,500
S2 - 19,765	R2 - 20,640

Recommended Strategy: Neutral

MCX March Silver

Last week, silver prices opened the week at Rs.43,170 per kg, initially moved slightly lower but found strong support at 42782 levels. Later prices surged sharply higher and touched a high of 44774 levels and finally ended the week at 44516 with huge gains of Rs.1517 per kg as compared with previous week's close of Rs.42999 per kg.

Trend : UP (MCX SILVER Weekly Chart)

Source: Telequote

Key Levels For Week :

S1 - 43,800	R1 - 45,270
S2 - 43,200	R2 - 46,000

Recommended Strategy: Buy MCX March Silver in the range of 43800-43850 with strict stop-loss below 43,200 Targeting initially 45,270 and then 46,000.

MCX February Copper

Last week, copper prices opened the week at Rs.442.30 per kg and moved sharply higher from there and touched a high of Rs 465.30 per kg, finally managed to close the week at Rs.464.50 per kg with a gains of Rs.22.95 per kg as compared with previous week's close of Rs.421.55.

Trend : UP (MCX COPPER Weekly Chart)

Source: Telequote

Key Levels For Week :

S1 - 455.00	R1 - 472.00
S2 - 449.00	R2 - 480.00

Recommended Strategy: Buy MCX February Copper in the range of 455-457 with strict stop-loss below 449 Targeting initially 472 and then 480.

MCX February Crude

Last week, crude oil prices opened the week at 4125 levels initially moved higher and found strong resistance of 4247 levels. Later prices fell sharply and touched a low of 4055 levels, finally ended the week at Rs.4088 with a loss of Rs.29 per barrel as compared with previous week's close of Rs.4117 per barrel.

Trend : SIDEWAYS (MCX CRUDEOIL Weekly Chart)

Source: Telequote

Key Levels For Week :

S1 - 4000	R1 - 4205
S2 - 3924	R2 - 4300

Recommended Strategy: Neutral

Sr. Research Analyst (Commodity) - Badruddin

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