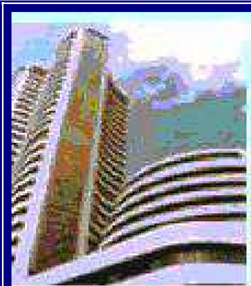

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Vol.14.23 **15th Jan 2010**

MARKET COMMENTARY

Oil and Gas heavyweights enabled the markets to keep up the positive momentum. Inflation figures further heightened the fears of imminent RBI action on the monetary front. This played on the stocks movement of interest rate sensitive like financials, Realty and Autos. But IT continued to be in a strongly positive zone as Wipro surged to fresh highs. IT mid caps were also in great demand as strong gains were seen in OFSS, Polaris and other mid caps. However, it were RIL and ONGC that propped up the indices as both posted strong gains. Some of the top gainers were TTML, REC, Polaris, Punj Lloyd, Bharat Forge, KFA, BRFL, Rcom, ABB, PFC, Sesa Goa, GSPL and Wipro. The losers included Hind Lever, Tata Power, Colgate, Suzlon, Union bank, Renuka and Reliance Capital.

Nifty closed above 5250 but was unable to climb beyond 5280. RIL has closed around 1120 and it could provide strong momentum to Nifty if it were to consistently trade above 1120. In such scenario RIL could target 1170-75. ONGC is also looking positive and might add another 5-7% in coming sessions. Punj Lloyd has seen a breakout from almost 3 months of consolidation. It is likely to target 236-37 and even 251-253 in coming sessions. Rolta, Bharat Forge and Polaris have also given breakouts on daily charts and are likely to target 220-24, 318-320 and 210-212 respectively. The financials continue to drag indices and the heavyweights like SBI and HDFC are not looking positive. SBI is very precariously placed around current levels as it could breakdown below 2130 with potential lower targets of around 2010-2030. Capital Goods are looking positive as stocks like ABB, Siemens and Bhel could head higher. Some other stocks that have positive bias are Aurobindo, KFA, TTML, PFC, GSPL, JSW Steel, ALL, JP Associates and Yes Bank.

Nifty has support around 5210 and then around 5160-70 while above 5285 fresh momentum is likely.

All experienced investors know that earning power exerts a far more potent influence over stock prices than does property value. The worth of a business is measured not by what has been put into it, but what can be taken out of it. - Benjamin Graham

EQUI QUICKPICK

LOW RISK / LOW RETURN

NOTE : IN CASES WHERE CASH LEVELS ARE GIVEN, BUY/SELL FUTURES WHEN THE CASH PRICE CROSSES THE BUY ABOVE/SELL BELOW LEVEL IN CASH

SCRIP	*STRATEGY*	*STOP LOSS*	*TARGET*	*HOLDING PERIOD*
KLG SYSTEL CASH	BUY ABOVE Rs.228	-	236/244	4-5 DAYS
BRIGADE ENTERPRISES	BUY ABOVE Rs.151	-	158/164	3-4 DAYS
PUNJ LLOYD CASH	BUY ABOVE Rs.224	216	230/242	6-7 DAYS

DERIVATIVE PICK

MEDIUM RISK / MEDIUM RETURN

NOTE : IN CASES WHERE CASH LEVELS ARE GIVEN, BUY/SELL FUTURES WHEN THE CASH PRICE CROSSES THE BUY ABOVE/SELL BELOW LEVEL IN CASH

ROLTA (CASH - Rs.205.55) : The stock has been moving up in a slow and steady manner. The chart structure looks extremely promising. Buying is advised above Rs.207 for a target of Rs.214 and Rs.226. Higher target of Rs.237-242 is also possible. Stop Loss of Rs.193 should be kept. The time frame for the trade would be around 7-8 trading days.

BHARTA FORGE (CASH – Rs.297.85) : With automobile industry doing extremely well for the past ten months, this forging stock would be the direct beneficiary. The chart structure too looks impressive. Buying is advised above Rs.299 for a target of Rs.308 and Rs.316. Higher target of Rs.323 and Rs.336 is also possible. Stop Loss of Rs.284 should be kept.

STOCKWATCH

LOW RISK / MEDIUM RETURN

IGL (Rs.206.40) : The stock has now broken out of its consolidation range and is ready for an explosive breakout.. Buying is advised above Rs.207 or on declines to Rs.198 for a target of Rs.220 and Rs.232. Higher target of Rs.245-250 can also be expected. The target of the investment would be around 20-25 trading sessions.

RIIL (Rs.1036) : Buying is advised above Rs.1068 for a target of Rs.1095 and Rs.1144. Higher target of Rs.1184 and Rs.1220 can also be expected. The time frame of the investment would be around one month plus.

SUPRAJIT ENGINEERING (Rs.127.25) : Buying is advised above Rs.128 for a target of Rs.137 and Rs.148. Higher target of Rs.158-162 is also possible. The time frame of this investment would be around two months.

INVESTMENT PICK

LOW RISK / HIGH RETURN

MAHINDRA & MAHINDRA FINANCE

Present Price – Rs.347.30

Projected Price – Rs.425

Mahindra & Mahindra Financial Services (MMFS) is a subsidiary of M&M which is primarily focused on the rural and semi-urban areas providing finance for utility vehicles (UVs), tractors, cars and commercial vehicles. MMFS's client base consists of small entrepreneurs and self-employed individuals such as transport operators, taxi operators and farmers. M&M vehicles account for c.65% of the loan book.

MMFS targets rural population which (a) do not have access to bank credit due to their inability to meet the lending covenants of the banks and (b) cannot afford exorbitant rates charged by private financiers. MMFS's business model is positioned to tap the demand for financing in such 'under-banked' rural and semi-urban areas. Individuals and small entrepreneurs are the target customers. The company does not use DSA model and relies completely on its employees to source the customers.

MMFS has an extensive distribution network, spread over rural and semi-urban areas, with presence in 25 states and 2 union territories through 439 branches covering almost 90% of the districts in India. It also uses distribution network of more than 1,000 M&M and other dealers. This pan-India presence mitigates the risk of monsoon or crop failure in a particular region.

MMFS remains well capitalized for solid growth with tier 1 of 16.2% and CAR of 17.7%. Given healthy return ratios and adequate capitalization, we do not expect any equity dilution over FY09-12E.

Currently M&M contributes 65% of total sales of MMFS. The Company is consciously trying to diversify and reduce its reliance on M&M. It has already tied up with Maruti, Hyundai Motor, Hero Honda, Tata Motors (avoids financing of competitive models) Bajaj Auto and TVS Motor for financing of their vehicles. Expanding and capturing non-M&M auto market will be the focus for MMFS to participate in auto industry revival which will augment loan growth.

M&M has entered into light, medium and heavy commercial vehicles for domestic as well as export markets. M&M has launched 2 products called as GIO and Maxximo and it has already sold 1,019 units of GIO in the very first month of its launch (November 09). Entry of M&M into CV opens additional product line for MMFS and we expect it to finance c.65% of M&M CV sales. This should also help to drive loan book growth at MMFS.

Business originates from own Employees: Reduces Fraud Risk : MMFSL recruit its executives locally and trainees them to understand the credit requirement of the customers and evolve a financial product based on the credibility of the borrowers. Its total employee strength stands close to ~6000 employees (including ~1000 employee on contract basis). To avoid any risk of leakage in its cash collection system, MMFSL does not hire any DSA and DMA for cash collections or new business acquisition.

As financing to rural and agriculture sector is categorized as priority sector lending, MMFSL is able to obtain close to 150-200bps discount of its borrowing cost from Banks on securitization of such assets.

We expect the company to report EPS of Rs.30 plus for FY10 and Rs.34 plus for FY11.

BUYING IS ADVISED FOR A PERIOD OF SIX MONTHS PLUS

Note: In case of any problem in receiving NEWSLETTER, kindly contact Mr Devesh Chauhan at 9350171231

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