

Q4 FY09 Results Preview

April 17, 2009

Automobiles

Q3 FY09 was one of the worst quarters for the Indian Auto Industry. However, Q4 FY09 brought some revival with volumes improving on a qoq basis for most sub-segments. Improved credit availability, especially by PSU banks along with better affordability lead by excise duty cuts, VI pay commission payout for government employees and fuel price cuts changed the fortunes. With high cost inventory of raw materials consumed in Q3 FY09, significant benefits of lower aluminum and steel prices will be seen in Q4 FY09. Marked-to-market losses on account of rupee depreciation will continue to impact profitability for Tata Motors and M&M.

Cement

Cement consumption for the quarter has been buoyant on the back of rising government spend for infrastructure development. Overall consumption of the industry grew by 8% yoy during the quarter. Strong demand coupled with supply constraints particularly in Central, Northern and Eastern region led to sharp increase in prices over the last two months. However, western and southern regions faced significant slowdown in real estate activities which led to restricted increase in prices. This should translate into flattish earnings growth for our coverage universe.

FMCG

We expect our FMCG universe to maintain its healthy growth momentum in Q4 FY09. Correction in key input prices is likely to fuel OPM expansion. During the quarter, the Government reduced excise duty on most FMCG products by ~8-14%. Many players passed on the benefits of excise and input cost savings by taking price cuts and increasing grammage of products. Volume growth is likely to be maintained at levels seen in recent past aided by upsurge in rural demand.

Hotels

Our coverage universe is likely to see continued weakness in room rates especially in metros like Bangalore. This could lead to revenue decline in the range of 16-25% yoy for the quarter. OPM squeeze may continue unabated on account of lower ARRs yoy and relatively high fixed costs such as staff and fuel. The flagship properties-Taj and Oberoi-in Mumbai would be closed for repairs and we have assumed revenue loss to the tune of Rs234mn and Rs320mn respectively. A weak operating performance could lead to profit drop in the range of ~37-53% yoy for Indian Hotels and EIH respectively.

Metals

After a dreadful Q3 FY09, the metals sector witnessed some stability in Q4 FY09. In the ferrous space, sales volume for all companies is expected to increase significantly on a qoq basis, mitigating the fall in

realisations. However, in the non-ferrous space, with realizations falling below cost of production, all companies except HZL are expected to report decline in sales volumes. The impact of lower realisations on OPM will be negated partially by a fall in raw material prices for most of the companies. Bottomline for the metal universe would be dragged lower due to a sharp fall in non-ferrous company's profits.

Oil & Gas

With crude oil prices down 55.9% yoy and 27% qoq, realizations for ONGC and Cairn are expected to be down yoy. Qoq improvement in GRMs would aid qoq earnings growth for Reliance and Chennai Petro. OMCs performance would be dependent on oil bonds issue as we do not expect upstream companies to contribute to the subsidy sharing pattern. We expect government to issue bonds worth Rs102bn in Q4 FY09. With petchem margins remaining weak performance of GAIL and Reliance would be impacted.

Software

The operating environment for software companies worsened in Q4 FY09 with increasing instances of project cancellations and pricing re-negotiations. We expect companies in our coverage to report a decline of 4-10% qoq in their organic dollar revenues. Rupee depreciation would inflate the qoq rupee revenue growth by 1-2%. OPM would contract by 100-300 bps qoq for our coverage companies. Key margin headwinds would be decline in pricing, lower utilization from diminishing volumes and margin dilution from higher contribution of acquisitions. Net profit is expected to dip by 3-21% qoq for the top five companies.

Telecom

Q4 FY09 witnessed record quarterly wireless additions led by Rcom, mainly due to its GSM launch in 14 circles. However, revenue growth may not keep pace with subscriber count with the three frontline operators-Bharti, Rcom and Idea-expected to post ~6-10% qoq increase in topline. OPM would continue to remain under pressure especially for Idea as it expands in to new circles. Lower margins and higher interest expense could eat into profitability. We forecast sequential PAT drop of ~5% and 20% for Rcom and Idea respectively.

Utilities

The country achieved only 42% of the targeted addition during FY09. NTPC commenced its 2nd 500MW unit at Kahalgaon in January and commercialised 500MW Sipat unit, thus generating 56.9BU. High peak deficit, should allow generators to operate at high PLFs, thus translating into robust generation. However, profit growth will largely remain subdued as capacity addition continued to remain low. Tata Power's profit for the quarter will be higher as it sold its stake in Tata Teleservices for Rs3.2bn.

Sector-wise Q4 FY09 preview

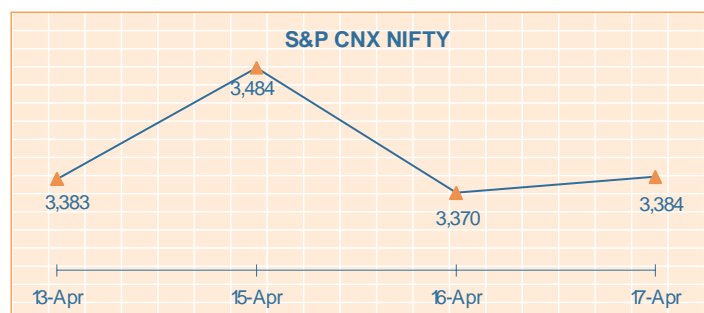
(Rs m)	Revenues	(%) growth		OPM (%)	Change (bps)		PAT*	(%) growth	
		yoy	qoq		yoy	qoq		yoy	qoq
Automobiles	234,013	(5.7)	25.5	9.2	(153)	183	11,741	(40.6)	39.1
Cement	94,910	10.2	8.1	28.0	(44)	497	15,491	1.3	34.4
FMCG	136,058	16.7	8.5	18.5	56	(300)	18,769	17.1	(8.4)
Hotels	8,455	(23.9)	1.5	35.4	(1,100)	(93)	1,438	(37.0)	(3.7)
Metals	349,600	(17.4)	7.5	16.9	(1,516)	(294.6)	34,933	(62.3)	(13.7)
Oil and Gas	1,694,711	(16.1)	(9.7)	18.8	993	1,105	211,330	122.1	147.7
Software	234,165	20.3	(0.4)	24.3	(53)	(194)	41,543	(8.6)	5.1
Telecom	193,268	27.6	7.0	37.1	(365)	(8)	34,900	(5.1)	(3.2)
Utilities	197,254	32.5	19.1	37.6	na #	865	26,442	1.5	(10.0)

Source: India Infoline Research * Pre-exceptional PAT, # Changes in accounting policies for Tata Power and Suzlon

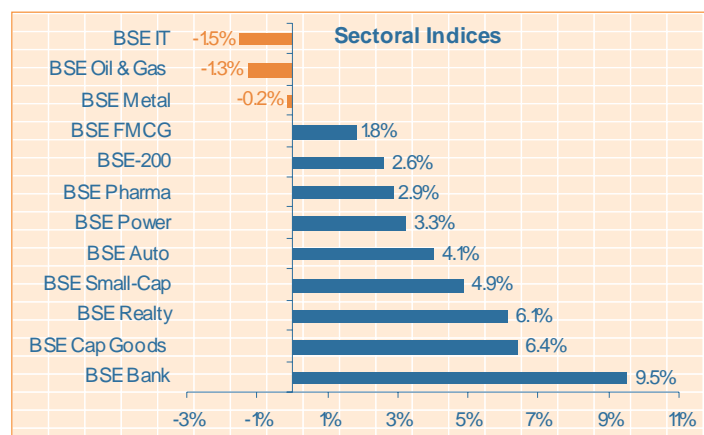
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Market review

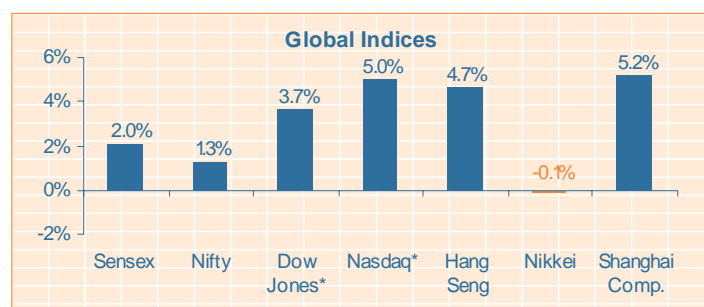
In a truncated week, Nifty and Sensex rallied by 1.3% and 2.0% respectively to close at 3,384 and 11,023. Both the indices breached their 200 days moving average (DMA) but failed to sustain momentum on back of profit booking. Inflation for the week ended April 4th stood at 0.18% against expectations of a negative number.



Disappointing Infosys guidance led to weakness in technology stocks with the IT index finishing lower by 1.4%. Oil & Gas and Metals were the other laggards. Interest rate sensitive sectors such as banking, real estate and auto were the major gainers on expectations that the central bank may trim key rates in its annual policy to be announced next week.



US stock rallied with Dow Jones gaining 3.7% and Nasdaq hitting a 5-month high, after JP Morgan came out with encouraging results. Google too topped Wall Street estimates. Shanghai market rallied 5% despite Chinese GDP growth rate in Q1 CY09 falling to its lowest level in a decade.



*As per previous close

FII & MF activity

(Rs cr)

Date	FII Net Investment	MF Net Investment
8-Apr	484	(490)
9-Apr	91	360
13-Apr	642	202
15-Apr	772	408
Total 2009	(3,579)	(123)

BSE Sensex & BSE 200 Top Five Gainers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
SBI	1,305	14.4	Unitech	53	25.2
ICICI Bank	441	10.8	IOB	67	27.8
BHEL	1,656	10.5	Arvind Mills	21	34.7
HDFC	1,800	5.5	Indiabulls Sec	122	19.4
LT	869	4.4	Bajaj Hind	76	24.6

BSE Sensex & BSE 200 Top Five Losers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Hindalco	55	(6.7)	Videocon Ind	113	(9.9)
TCS	573	(5.0)	Titan	800	(9.6)
ONGC	863	(2.5)	GT Offshore	263	(9.6)
Infosys	1,393	(2.3)	JSW Steel	316	(8.8)
Ranbaxy	185	(2.2)	MLL	34	(8.3)

Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
13-Apr	Rel Capital MF	Ador Welding	S	1.0	113
13-Apr	Morgan Stanley	Bajaj Hind	B	12.0	66
13-Apr	HDIL	Swiss Fin	B	19.6	133
15-Apr	EIH Ltd	Deutsche Sec	S	1.0	60

Insider trades

Company	Name	B/S	Qty ('000)
Steel Strips	Dheeraj Garg	B	1.0
Balaji Telefilms	Shobha Kapoor	B	10.0
Everonn Sys	Joe Thomas	S	3.0
Kotak Bank	Dipak Gupta	S	2.5
V-Guard Ind	Kochouseph C	B	3.8

Book closures and record dates

Company	Date	Purpose
Bajaj Auto Fin.	17-Apr-09	Payment of Int.
SBT	29-Apr-09	Dividend

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Technical ideas

Nifty View

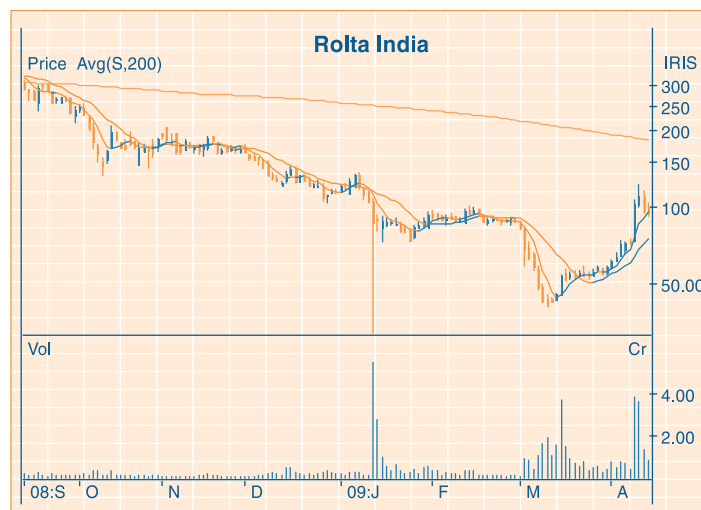


Nifty rallied strongly from 2,540 level registered in early March to a high of 3,511 levels during the last week, an increase of 38.2%. The rally initially started as value buying which then triggered short covering leading to a steep rise on the bourses. The upturn was led by beaten down sectors like real-estate, metals and banking. Participation was also seen from mid-cap and small-cap indices, which rose 30% and 36% respectively.

During the previous week, Nifty did manage to crossover its 200 DMA of 3,430 levels touching a high of 3,518. However, the market was not able to sustain above this level for a longer duration proving the breakout to be a "false alarm". We believe markets are likely to take a pause at the current juncture and consolidate within the range of 3,200 and 3,600 for the time being.

Rolta India

SELL
CMP Rs96



The stock recorded its 52-week low of Rs32 in mid-Jan' 09. Thereafter, it has rallied smartly to touch a high of Rs122 during the week. The stock has more than doubled from its lows of Rs40 in just 22 trading sessions.

The ongoing strength in the market and positive news flow brought the stock back to the levels of Rs120. However, during the last week, the stock closed below its short-term moving averages indicating weakness in the counter. Momentum indicators like RSI and MACD are exhibiting weakness which further supports our argument.

Keeping in mind the above-mentioned technical evidences, we suggest traders to SELL the stock at current levels and up to Rs98-99 with a stoploss placed at Rs110 for a target of Rs80-75.

Positive open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
Patni	10.2	177.8	5.0
Indian Bank	8.2	75.5	11.7
GDL	3.1	58.2	60.1
Balrampur chini	3.2	42.7	111.1
Syndicate Bank	0.4	36.3	7.7

Negative open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
IB Real Estate	(4.9)	20.0	110.3
Sintex	(1.0)	15.5	3.7
Bombay Dyeing	(0.1)	14.3	22.3
GVK Power	(0.6)	8.5	181.5
HOEC	(1.2)	7.1	5.4

Technically strong

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Bata India	115	114	3.9	4.0
ONGC	864	856	32.1	26.4
ITC	188	185	98.8	70.9
GHCL	33	32	5.8	13.8
HUL	239	235	26.3	74.9

Technically weak

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Hindalco	55	57	192.7	161.2
Titan	801	824	3.0	2.4
Century Textile	218	224	13.3	23.9
GSPL	40	41	90.6	53.5
Sterling Biotech	138	141	7.4	6.1

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Mutual fund round-up

India Infoline picks

Mutual Funds	Assets	NAV	Absolute return (%) as on April 16, 2009							
	(Rs Cr)	(Rs)	1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
DSP-BR Top 100 Equity - RP (G)	1,090	56.2	(0.5)	14.9	11.3	4.8	(24.0)	(2.8)	14.0	142.2
ICICI Prudential Dynamic Fund	981	54.8	0.8	18.5	11.1	8.8	(28.4)	(15.8)	1.3	172.9
Kotak 30 (G)	611	59.8	0.1	15.6	9.4	3.7	(32.5)	(11.0)	(1.9)	121.4
Reliance Vision Fund (G)	2,281	148.8	0.1	19.3	12.3	7.0	(30.8)	(15.8)	(6.9)	125.0
Sundaram BNP Tax Saver (G)	521	25.1	(0.3)	17.8	6.3	(3.0)	(28.1)	(7.1)	(1.8)	187.6

Fund this week: DSP BlackRock Top 100 Equity Fund

Fund snapshot		Asset allocation (%)	
Fund Manager	Apoorva Shah	Equity	85.6
Latest NAV	Rs56.2	Debt	6.4
NAV 52 high/low	Rs78/46	Cash/call	8.0
Latest AUM	Rs1,090cr	Top 5 holdings (%)	
Type	Open-ended	TCS	5.5
Class	Equity - Diversified	Bank of Baroda	5.3
Options	Growth & dividend	HUL	5.0
Min investment	Rs5,000	Glaxo Pharma	4.8
Entry load	2.25%<Rs5cr	Bharti Airtel	4.0
Exit load	1%<Rs5cr<1yr	Top 3 sectors (%)	
Benchmark	BSE 100	Banks	15.6
No. of stocks	46	Oil & Gas	12.6
Expense ratio	2.1%	Pharma	9.1

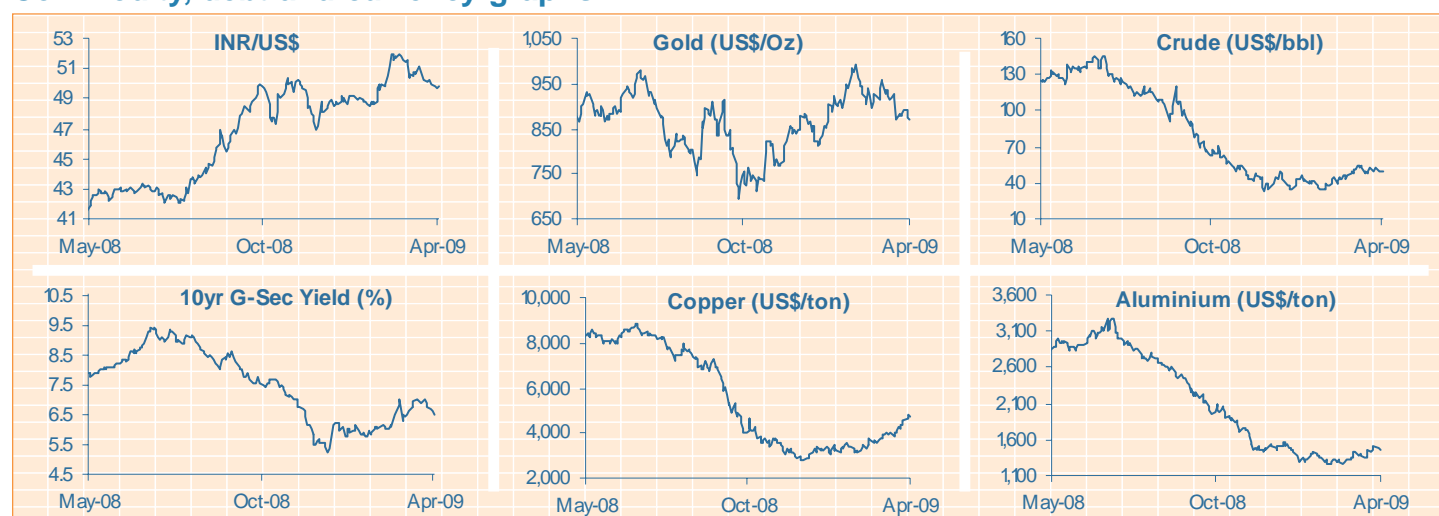
NFO update

Fund Name	Close	Type	Class
Kotak FMP-12M-12	24-Apr	CE	Debt - FMP
SBI Gold ETF	28-Apr	OE	Gold - ETF
ICICI Pru Target Return	14-May	OE	Equity Div

Dividend update

Mutual Fund	Dividend %	Record date	Class
Birla SL MF FTP Sr. AE	100.0	20-Apr	Debt -FMP
Kotak FMP 13M Series 3	100.0	20-Apr	Debt -FMP
ICICI Pru FMP Sr. 41	100.0	21-Apr	Debt -FMP

Commodity, debt and currency graphs



* As per previous close

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