

Cement Monthly Update - October 2008

Consumption grew 4.6% yoy; North region underperforms

Indian cement consumption witnessed healthy growth of 4.6% yoy in October 2008, considering last year's high base effect. Strong growth in South (11.5% yoy) and East (9.3% yoy) along with a rebound in cement demand in the Central region (2.8% yoy) compensated for the slow growth in the West (1.2% yoy) and a decline in North (3.7% yoy). For the current year, we expect cement growth to slowdown to 7-7.5% from double digit growth last year. We believe the drop in demand growth is likely to soon impact realizations, leading to contraction in margins.

South continues to see firm pricing

All-India October cement prices were essentially unchanged mom but rose 1.5% yoy. Prices continued to be buoyant in South (up 5.1% yoy) but remained weak in Central region (down 0.1% mom and 3.4% yoy) despite a demand pick-up in the last two months. Realizations were flat mom in West, North and East region. We expect all-India cement prices to remain flat over the next one to two months. Subsequently, prices are set to decline on account of ~30mtpa capacity coming on stream in the next two quarters and likely softening in demand.

Capacity utilization continues to decline yoy but rises 490bps mom

All-India capacity utilization stood at 86.3% down from 95.6% in the same period last year largely on account of new capacity addition during the year. Mangalam Cement added 0.5mtpa capacity through brownfield expansions. Total industry capacity stands at 205mtpa and we expect utilization rates to remain at about 78-80% in the current fiscal.

ACC, Grasim witness lower dispatches yoy

Major companies like Grasim, ACC and Ambuja Cement witnessed yoy decline in dispatches. Smaller players like Kesoram Industries and Madras Cement saw robust monthly dispatch growth of 14.7% yoy and 25.6% yoy respectively on the back of fresh capacity additions.

Coal prices decline further; freight index lowest in a decade

In October, international coal prices fell to US\$105/ton from US\$131/ton in September. On end-of-month basis, prices were down 20.4% mom and up 25.1% yoy, while on an average rate basis, prices were lower 41.4% mom and higher 37.5% yoy. Baltic Freight Index, a measure of commodity shipping costs, also slumped to its lowest levels in a decade.

All-India cement figures

(mn tons)	Oct-08	Oct-07	Sep-08	yoy grth (%)	mom grth (%)
Production	14.75	13.81	13.86	6.81	6.42
Dispatches	14.29	13.68	13.87	4.46	3.03
Consumption	13.97	13.36	13.54	4.56	3.14
Cap Utilization (%)	86.33	95.77	81.43	-	-

Source: CMA, Bloomberg

Commodity Monthly Update - November 2008

The commodity market movement in October '08 can be aptly termed as going from 'Boom to Bust'. Large commodity players, who earlier had mega plans raise capacities, suddenly found their existing capacities in surplus state. Commodity prices have halved from the start of October as world demand seems to have suddenly evaporated on back of the widespread financial crisis. Prices appear to have stabilised in the last one week as consumer inventory levels has fallen. However, we expect prices to fall further from and find a bottom by the end of the year when demand-supply scenario reaches a balance.

Liquidity flowing back to its origin

In the last one month, the US\$, continued to strengthen against major global currencies except the Yen. Unwinding of carry trade continued as global turmoil showed no signs of easing. The US\$ remained below 100 against the Yen since March 2008, validating that money was flowing back to US and Japan. The US\$ gained strength against currencies of commodity producing countries like Australia, Chile & Mexico, adding pressure on commodity prices.

Aluminium spot prices slip below US\$2,000

Aluminium spot prices on the LME slipped below the \$2,000 per ton for the first time in the last two years. The drop in the demand for industrial metals in October led to a fall of 26.6% mom fall in Chinese exports. Production, on the other hand, was down only 6.1% mom to 1.09mn tons in October. Major Chinese aluminium smelters announced production cuts to counter slowing demand for the metal.

Copper prices fall 24% on inventory surge

Copper prices have been the worst hit among the base metals pack. In the last one month, cash LME prices have fallen 24% as inventory levels in LME registered warehouses soared 31.7%. On a mom basis Imports of scrap and concentrate in China fell 20.5% and 10.9% respectively as production fell 8.4%. Major copper producers in Mexico and Peru have announced production cuts to lower the impact of a sudden fall in demand. The data released by the ICSG for the month of June & July showed surplus production globally.

Iron ore and steel prices fall as demand slips

The freeze in global commodity in October pushed Chinese steel exports down by 27.9% mom. The slowdown in the US and European region led to a fall in Chinese steel exports. Chinese production of steel fell 9.4% mom in October leading to lower demand for iron ore. Iron ore imports fell 21.9% mom in October, as steel manufacturers focused more on consuming their current inventory levels. Chinese iron ore inventory levels fell 2.8% in the last one month after rising 41.9% ytd. As a result, iron ore prices have plunged 23.8% mom, trading below the yearly contract prices agreed in the last six months.

Commodity prices

Price * (US\$/ton)	Nov-08	Nov-07	yoy (%)	Oct-08	mom (%)
Aluminium	1,867	2,458	(24.1)	2,143	(12.9)
Copper	3,698	6,756	(45.3)	4,869	(24.0)
Zinc	1,219	2,349	(48.1)	1,185	2.9
Steel US HRC	738	527	40.0	969	(23.8)
Iron ore China (cfr)	72	195	(63.3)	98	(26.7)

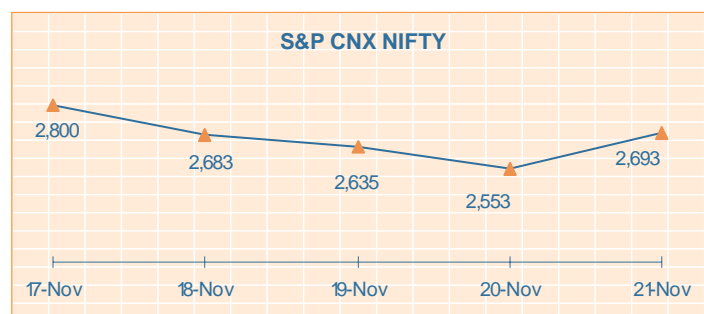
Source: Bloomberg, India Infoline Research

*Prices as of 18th November, 2008

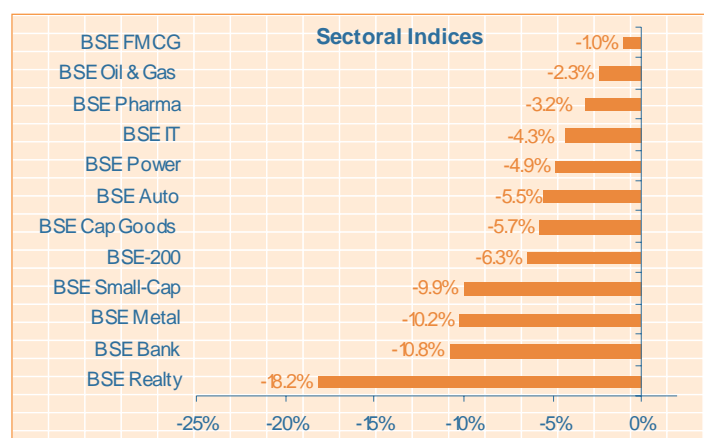
India Infoline Weekly Wrap

Market review

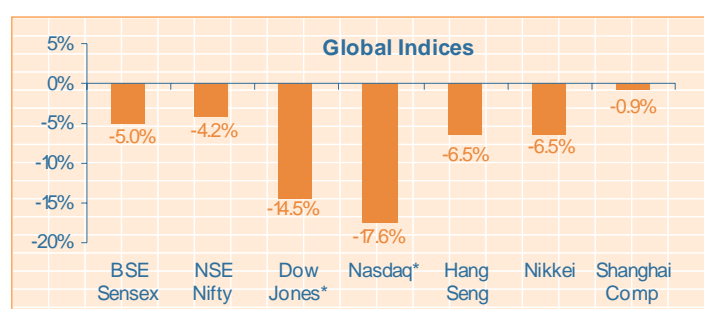
Indian equities continued their southward journey over the week, tracking a relentless rout in world equities. Negative news emanating from the financial majors worldwide continued to aggravate concerns regarding the health of the global economy. Nifty closed 4.2% lower at 2,693 shrugging off FM's assurance on the Indian economy and slew of measures initiated by RBI to boost liquidity and revive lending.



Real estate and banking stocks were under pressure over the week on concerns that relaxations of provisioning standards will reduce the cushion against future defaults by real estate companies. Metal stocks fell sharply as fears of global slowdown resulted in increase in metal inventory. Capital goods, auto, IT and power were among the other major losers.



US stocks plunged sharply to new multi-year lows after the Congress failed to arrive at a consensus on a bailout for the big three automakers. Concerns on Citigroup worsened the sentiment further. Negative economic news from Japan contributed further to recession fears. Japan's exports declined the most in almost seven years and US consumer prices sank by a record. In the latest data to come out from US, the unemployment claims jumped last week to 542,000, the highest level in 16 years.



*As on Thursday

FII & MF activity

(Rs cr)

Date	FII Net Investment	MF Net Investment
12-Nov	(615)	(222)
14-Nov	(564)	(60)
17-Nov	(632)	(305)
18-Nov	(369)	(376)
19-Nov	(208)	(45)
Total 2008	(54,937)	12,737

BSE Sensex & BSE 200 Top Five Gainers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Ambuja Cem	57	5.8	IVRCL Infra	132	14.3
Dr Reddy's Labs	415	2.4	HCL Infosystems	72	11.9
Ranbaxy	220	2.4	ELI Ltd	91	11.8
SBI	1,184	1.0	Kesoram Inds	131	5.8
NTPC	151	0.8	GSK Pharma	1,130	5.4

BSE Sensex & BSE 200 Top Five Losers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
ICICI Bank	334	(15.6)	Unitech	32	(30.1)
Tata Power	630	(15.6)	Orchid Chem	79	(29.6)
HDFC Bank	856	(15.1)	Amtek Auto	44	(26.8)
HDFC Bank	1,396	(10.4)	JSW Steel	205	(25.4)
Grasim	931	(9.1)	Thermax	202	(24.9)

Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
17-Nov	India Eq Grth F	TV 18	B	11	68
18-Nov	Merrill Lynch	CEAT	S	3	36
18-Nov	Lotus Global	Abhishek Inds	B	60	68
19-Nov	Credit Suisse	Sical Logistics	S	18	24
20-Nov	Copthall	HDIL	S	19	88

Stocks in No-Delivery period

Company	From	To
Jyothy Labs	12-Dec-08	18-Dec-08

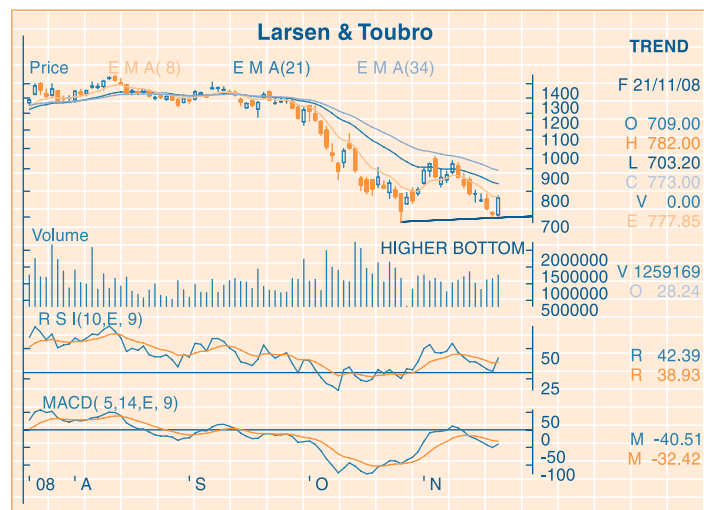
Insider trades

Company	Name	B/S	Qty ('000)
Kesoram Inds	Manjushree Khaitan	B	15.2
Subex Inds	Subash Menon	B	14.0
Opto Circuits	Usha Ramani	B	27.0
Dolphin Offshore	Kirpal Singh	B	1.0
Dabur India	Sunil Duggal	S	6.2

India Infoline Weekly Wrap

Technical ideas

Larsen & Toubro BUY CMP Rs757



L&T recorded its 52-week low of Rs680 in late October 2008. Thereafter, it rallied smartly to a high of Rs960 levels in early November 2008. Sharp decline in the past couple of weeks saw the stock correcting back to Rs700 levels.

On Friday, it recorded smart gains after taking support around Rs700. Daily chart indicates formation of higher bottom at Rs700 levels. The long term support level for the stock is placed at Rs680. Friday's smart rally has also led to formation of a bullish Engulfing candlestick pattern.

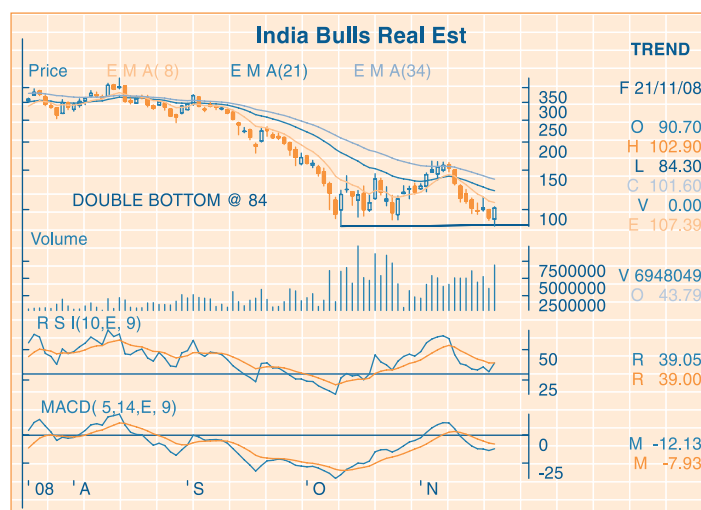
The daily RSI has generated a secondary buy signal, whereas the Daily MACD is on the verge of generating a crossover buy signal.

Keeping in mind the above mentioned technical evidences, we suggest traders to buy the stock at current levels and on declines to support of Rs720-735 with a stoploss of Rs680 for target of Rs850 and Rs900.

Technically strong

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (Lacs)	10 days Average Traded Qty (Lacs)
Titan	883	876	1.5	1.0
NTPC	151	147	157.1	103.8
HPCL	229	217	12.0	8.7
India Cem	87	86	11.9	9.6
SBI	1,184	1,178	50.8	45.8

India Bulls Real Estate BUY CMP Rs100



The stock corrected to a lifetime low of Rs84.20 levels in mid-October 2008. Thereafter, it rallied smartly to a high of Rs164.50 levels in early November 2008.

In the past couple of weeks, it has witnessed a fall of more than 48 %. It has taken support near its all time low of Rs84 levels and registered a smart pull back to close at Rs99.80 levels on Friday. The above daily candlestick chart suggests formation of a Double bottom at Rs.84 levels.

Keeping in mind the above mentioned technical evidences, traders should buy the stock at current levels with stoploss of Rs92 for target of Rs110 and Rs115, expected to be achieved in the coming few sessions.

Investors should accumulate the stock with a medium term perspective for target of Rs130. A stoploss of Rs82 must be followed in all investment positions.

Technically weak

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (Lacs)	10 days Average Traded Qty (Lacs)
Hind Zinc	338	346	0.5	2.4
Andhra Bank	49	50	2.8	7.1
Indian Hotels	48	48	6.6	13.0
SRF	71	73	1.1	1.8
Bank of India	250	264	21.2	32.2

Buzz on the street

TCS is likely to win an e-governance contract to computerize ESIC.

NMDC may cut local iron ore contract prices.

Alok Industries puts SEZ plan on hold.

RIL may re-start retailing petrol and diesel.

Infosys and **Wipro** are looking at buying SAP service providers, such as BearingPoint and IDS Scheer.

Nu Tek may announce a local acquisition by December.

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Mutual fund round-up

India Infoline picks

Mutual Funds	Assets	NAV	Absolute return (%) as on November 20, 2008							
	(Rs Cr)	(Rs)	1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
HDFC Top 200 - (G)	1,909	81.6	(8.6)	(19.6)	(34.9)	(42.7)	(46.7)	(24.9)	14.4	147.4
ICICI Pru Dynamic Plan (G)	1,108	43.9	(9.3)	(16.3)	(37.6)	(45.0)	(47.0)	(28.1)	16.2	132.8
Kotak 30 - (G)	564	50.6	(7.6)	(16.0)	(35.2)	(45.0)	(50.0)	(24.0)	17.2	162.9
Reliance Vision - (G)	2,537	124.8	(6.2)	(13.8)	(32.5)	(44.0)	(51.2)	(28.9)	10.4	126.1
Sundaram BNP Select Focus - (G)	829	47.4	(7.3)	(18.1)	(33.3)	(42.8)	(49.5)	(19.1)	30.8	147.0

Fund this week: Kotak 30 - Growth

Fund snapshot		Asset allocation (%)	
Fund manager	Krishna Sanghvi	Equity	79.7
NAV - November 20, 08	Rs50.6	Debt	8.6
NAV 52 high/low	Rs116/50	Cash/call	11.6
AUM - October 31, 08	Rs564cr	Top 10 holdings (%)	
Type	Open-ended	Reliance	7.1
Class	Equity - diversified	ONGC	5.5
Options	Growth & dividend	Bharti Airtel	5.5
Min investment	Rs5,000	Infosys	4.6
Entry load	2.25%<Rs5cr	L&T	3.7
Exit load	1%<Rs5cr<6mths	BHEL	3.3
Registrar	CAMS	NTPC	3.1
Benchmark	S&P Nifty	HDFC Bank	3.1
No. of stocks	49	HDFC	3.1
Expense ratio	2.2%	ITC	3.0

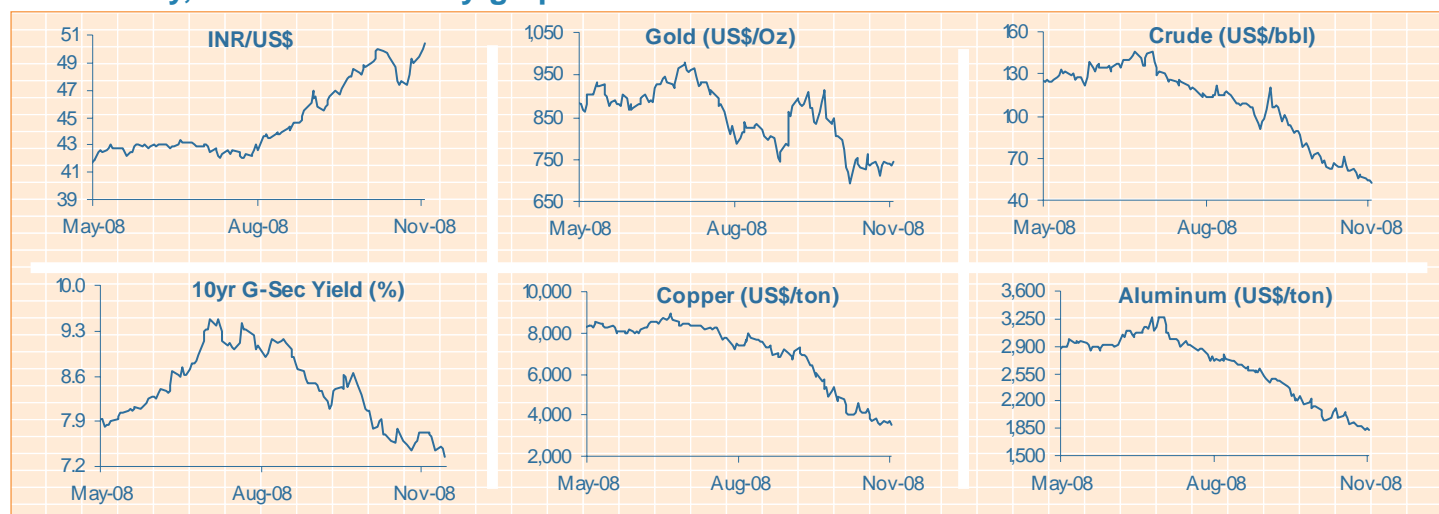
NFO update

Fund Name	Close	Type	Class
HDFC FMP17M Nov-08(1)	26-Nov	CE	Debt - FMP
ICICI Pru FMP S48-3Yr-B	5-Dec	CE	Debt - FMP
Benchmark S&P CNX 500 Fund	15-Dec	OE	Eq - Index

Dividend update

Mutual Fund	Dividend %	Record date	Class
ICICI Pru FMP Sr 38 - 1 yr	100.0	24-Nov	Debt - FMP
UTI FIIF - Annl Intv Plan IV	100.0	24-Nov	Debt - Intv
JM Intv Fund Qrtly Plan 5	100.0	24-Nov	Debt - Intv

Commodity, debt and currency graphs



* As closed on Thursday

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