

Dealer's Diary

The markets opened in green following cues from Asian indices. However, markets traded in a narrow range with high volatility and gave up early gains. By the beginning of the afternoon session, markets traded in red, but mildly recovered to trade near their previous close before slipping again to fall near the day's lows. The beginning of the final session again witnessed recovery, taking indices in the green, but a sharp sell-off took indices lower in the negative. The Sensex and Nifty closed lower by 0.1% each, while the BSE mid and small-cap indices outperformed their benchmark indices with gains of 1.0% each. Among the front liners, Hero Honda, Bharti Airtel, Reliance Infra, ONGC and HUL gained 1–2%, while Jindal Steel, JP Associates, Hindalco, Sterlite Industries and Reliance Ind. lost 1–2%. Among mid caps, KEC Int., Nirma, MVL, Escorts and MRF gained 7–14%, while KGN Industries, Sirgun Holdings, Rajesh Exports, Infotech Enterprises and Peninsula Land lost 3–4%.

Markets Today

The trend deciding level for the day is 18248 / 5488 levels. If NIFTY trades above this level during the first half-an-hour of trade then we may witness a further rally up to 18290 – 18358 / 5502 - 5525 levels. However, if NIFTY trades below 18248 / 5488 levels for the first half-an-hour of trade then it may correct up to 18180 – 18138 / 5465 - 5451 levels.

Indices	S2	S1	R1	R2
SENSEX	18,138	18,180	18,290	18,358
NIFTY	5,451	5,465	5,502	5,525

News Analysis

- Lakshmi Machine Works – Initiating Coverage
- Anant Raj increases its focus on mid-income residential projects
- Lupin to seek approval for generic Lipitor capsules
- PVR – Management Meet Note

Refer detailed news analysis on the following page.

Net Inflows (September 02, 2010)

Rs cr	Purch	Sales	Net	MTD	YTD
FII	2,051	1,903	148	1,213	60,595
MFs	594	574	19	180	(15,934)

FII Derivatives (September 03, 2010)

Rs cr	Purch	Sales	Net	Open Interest
Index Futures	1,058	969	89	16,058
Stock Futures	1,094	771	323	35,801

Gainers / Losers

Gainers			Losers		
Company	Price (Rs)	chg (%)	Company	Price (Rs)	chg (%)
MRF	8,660	7.4	HPCL	511	(3.5)
Godrej Consum	401	7.0	Suzlon	50	(2.6)
BEML	1,134	6.9	Glenmark	283	(2.3)
Bajaj Finserv	519	6.4	Jindal Steel	683	(2.1)
Bosch	6,303	5.3	Bajaj Hind	119	(2.1)

Domestic Indices	Chg (%)	(Pts)	(Close)
BSE Sensex	-0.1%	(16.9)	18,221
Nifty	-0.1%	(6.8)	5,479
MID CAP	1.0%	75.2	7,859
SMALL CAP	0.9%	92.0	9,913
BSE HC	0.6%	32.7	5,630
BSE PSU	0.4%	37.0	9,809
BANKEX	0.2%	22.9	12,471
AUTO	0.9%	80.4	8,970
METAL	-1.1%	(168.4)	15,347
OIL & GAS	-0.5%	(55.1)	9,982
BSE IT	0.3%	14.0	5,461

Global Indices	Chg (%)	(Pts)	(Close)
Dow Jones	1.2%	127.8	10,448
NASDAQ	1.5%	33.7	2,234
FTSE	1.1%	57.1	5,428
Nikkei	0.6%	51.3	9,114
Hang Seng	0.5%	102.6	20,972
Straits Times	0.5%	15.9	3,003
Shanghai Com	0.0%	(0.4)	2,655

Indian ADRs	Chg (%)	(Pts)	(Close)
Infosys	1.5%	0.9	\$60.7
Wipro	3.4%	0.4	\$13.5
Satyam	6.8%	0.3	\$5.0
ICICI Bank	0.5%	0.2	\$43.3
HDFC Bank	1.3%	2.2	\$169.6

Advances / Declines	BSE	NSE
Advances	1,663	821
Declines	1,279	534
Unchanged	112	44

Volumes (Rs cr)

BSE	4,778
NSE	12,347

Lakshmi Machine Works – Initiating Coverage

Lakshmi Machine Works (LMW) is one of the biggest players in the global textile spinning machinery space. The company commands a 70% market share in India, the world's second largest textile market, which gives the company significant competitive advantages.

LMW has sustained its high market share on the back of its strong after-sales service network. The company services around 1,300 textile spinning players out of a total universe of 1,600 players in India. LMW has proven its technological prowess by developing its products in house and matching the quality of its European peers for the past 15 years. In terms of cost, the company's products are at least 10% cheaper than its European competitors. The company has a strong order book of Rs3,300cr currently, which provides strong revenue visibility over the next few years. There is strong demand in the user industry, viz. yarn spinning. Going ahead, yarn spinning players will have to go in for capacity expansion to increase production, which will benefit LMW.

During FY2010–12E, we expect the company to register a top-line CAGR of 48.3% and a bottom-line CAGR of 51.8%. At the current price of Rs2,327, the stock is quoting at 18.2x and 12.5x FY2011E and FY2012E EPS respectively, which we believe is attractive. **We Initiate Coverage on LMW with a Buy recommendation and a Target Price of Rs2,819.**

Anant Raj increases its focus on mid-income residential projects

Anant Raj (ARIL) has acquired 10,000 equity shares (representing 100% of share capital) of Jubilant Software Services for Rs81cr. Jubilant Software Services owns 15.58 acres of land in Gurgaon (near Dwarka expressway highway), which is eligible for a group housing project. The project is entitled for 1.75x FSI, which works out to Rs682/sq. ft. of land cost. Management has indicated that the going rate in the vicinity is Rs3500/sq. ft., and it intends to launch the project by end-FY2011. The company has acquired 90 acres of land (~6.4mn sq. ft. of saleable area) at an average cost of Rs375/sq. ft. in the last six months. This is in line with the company's strategy to spend Rs1,000cr on land acquisition in FY2011 at a cheaper cost and increasing focus on mid-income residential projects. **ARIL is trading at 32% discount to its NAV. The stock is trading at 10.0x FY2012E EPS and 1.0x FY2012E P/BV. Hence, we maintain a Buy rating on the stock with a Target Price of Rs178 (15% discount to our one-year forward NAV).**

Lupin to seek approval for generic *Lipitor* capsules

Lupin has received US FDA permission to seek approval for generic *Lipitor* capsules, which reported US sales of US \$5.7bn in 2009. The regulator nod follows a petition filed by Lupin in 2008, seeking permission to file for a capsule form of *Lipitor* so that the drug could be available to people having difficulty swallowing the drug in a tablet form. The approval of the drug would take 18–24 months from here on, by when generic competition in the tablets form would have kicked in. However, we expect Lupin should create a niche market for itself.

Further, Ranbaxy, which had settled its patent litigation with Pfizer over *Lipitor*, is allowed to start selling its tablet version of the drug from November 30, 2011.

Lupin is currently trading at 19.6x FY2011E and 15.7x FY2012E earnings. We recommend Buy on the stock with a Target Price of Rs420.

PVR – Management Meet Note

We met Nitin Sood, CFO, PVR. Key takeaways of the meeting are as below:

Screen additions/movie pipeline to drive exhibition business: Management has guided for a robust 2Q/3QFY2011 for the exhibition business, aided by- 1) strong movie pipeline (both domestic and Hollywood) and 2) substantial screen additions (PVR has added 28 screens and ~7,500 seats over last six months already). Management expects a pipeline of almost 14-15 3D English movies (most of them being sequels) to be released over the next 18-24 months, contributing ~27-28% to the top-line, with 3D movies contributing higher (2-2.5x the 2D releases).

Phoenix Mill offers considerable value unlocking, not factored in our numbers: The management is looking at sale and lease back of its property at Phoenix Mills and is positive of closing the deal by end of FY2011. While the company had acquired the property at a cost of ~Rs55-60cr and has invested ~Rs20-25cr in fit-outs, it expects the deal to rake in ~Rs80-100cr cash which will help funding future capex needs. Moreover, it will also boost the company's RoCE as the deal would unlock substantial cash which is currently locked in, dragging RoCE. We have not factored this in our numbers.

Multi-fold growth for PVR Pictures in FY2011E: PVR Pictures released *Aisha*, which is estimated to have contributed net revenue of ~Rs20cr and has two more productions lined up in FY2011. Moreover, the company has bagged pan-India distribution rights for *Action Replay*, which will be a Diwali release. Going forward, for FY2011E, the company has guided for ~Rs125cr revenue, contributed equally by distribution and the production of movies and 15-20% RoCE.

Blu-O a profit making venture from first year: Blu-O is expected to add a 26 lane bowling alley by 4QFY2011, in Vasant Kunj, Delhi. The company is targeting a total of 150 lanes by FY2012 and expects it to be ~Rs80-90cr business.

Outlook and Valuation: Post management meet, we have revised our estimates upward to factor in: 1) aggressive increase of the exhibition capacity, 2) improved visibility in the production pipeline and 3) higher contribution from PVR Blu-O. For FY2010-12E, we expect PVR to register 44% CAGR in its consolidated top-line, aided by 34% CAGR in exhibition revenues, 120% CAGR in PVR Pictures and 80% CAGR in Blu-O. We estimate earnings to register a CAGR of 436% over the same period on a low base and margin expansion (on low base, we expect OPM of 16-17% in FY2011-12E). At the CMP of Rs174, the stock is trading at attractive valuations of 11.5x FY2012E EPS. **We maintain a Buy with a revised Target Price of Rs226 (Rs199) based on 15x FY2012E EPS of Rs15.1. Upside risk to our estimates include significant value unlocking in case the sale and lease agreement for the Phoenix Mill property goes through**

Economic and Political News

- Maharashtra govt. probing irregularities in HCC's Lavasa project
- Govt. clears US \$5bn airplane purchases by SpiceJet, IndiGo and Jet Lite
- Govt. allows duty-free export of 5.5mn cotton bales

Corporate News

- RIL buys 3mn barrels spot Brazil crude
- ADAG picks up 15% in new Kerala airport
- Birlas raise stake in Hindalco by 4%
- Britannia to invest Rs100cr in two new plants in Bihar and Orissa

Source: Economic Times, Business Standard, Business Line, Financial Express, Mint

Research Team Tel: 022-4040 3800

 E-mail: research@angeltrade.com

 Website: www.angeltrade.com

DISCLAIMER

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Angel Broking Limited, its affiliates, directors, its proprietary trading and investment businesses may, from time to time, make investment decisions that are inconsistent with or contradictory to the recommendations expressed herein. The views contained in this document are those of the analyst, and the company may or may not subscribe to all the views expressed within.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavours to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Angel Broking Limited and its affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.

Neither Angel Broking Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Note: Please refer to the important 'Stock Holding Disclosure' report on the Angel website (Research Section). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. Angel Broking Limited and its affiliates may have investment positions in the stocks recommended in this report.

Ratings (Returns) :	Buy (> 15%) Reduce (-5% to -15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
----------------------------	-------------------------------------	---	--------------------

**Address: Acme Plaza, 'A' Wing, 3rd Floor, M.V. Road, Opp. Sangam Cinema, Andheri (E), Mumbai - 400 059.
Tel : (022) 3952 4568 / 4040 3800**

Angel Broking Ltd: BSE Sebi Regn No : INB 010996539 / CDSL Regn No: IN - DP - CDSL - 234 - 2004 / PMS Regn Code: PM/INP000001546
 Angel Capital & Debt Market Ltd: INB 231279838 / NSE FNO: INF 231279838 / NSE Member code -12798 Angel Commodities Broking (P) Ltd: MCX Member ID: 12685 / FMC Regn No: MCX / TCM / CORP / 0037 NCDEX : Member ID 00220 / FMC Regn No: NCDEX / TCM / CORP / 0302