Weekly Review

August 21, 2010

Markets retain positive momentum

Markets ended positive during the week amidst volatility, with the Sensex and Nifty ending higher by 1.3% and 1.4%, respectively. BSE mid-cap and small-cap indices continued to outperform their large-cap counterparts, growing further by 2.3% and 1.7%, respectively, during the week. Factors such as food and fuel inflation tapering down to 10.4% (11.4%) and 12.6% (12.7%), respectively; marginal decline in WPI index to 9.97% (10%); healthy FII flows resulting in increased liquidity in the markets; and mixed cues from global markets weighed on investor sentiments during the week. On the sectoral front, all the sectoral indices ended in green, with the BSE FMCG index and BSE Bankex gaining the maximum by 2.9% and 2.7%, respectively.

BSE FMCG index outperforms Sensex

Overall, good 1QFY2011 results and the flavoir for defensives helped the BSE FMCG index gain 2.9%, outperforming the Sensex, which gained 1.3%. Gains in the FMCG index were largely driven by heavyweights ITC and HUL. While ITC increased 4.4% on improving fundamentals and robust outlook for cigarette volumes, HUL gained 1.2% after its management announced August 23 as the commencement date for the buyback of its shares. Amongst others, Godrej Consumer gained 6.8% on consolidation of its recent acquisitions and Marico moved up 8% aided by the news of its acquisition of Ingwe in South Africa. During the week, Asian Paints, Dabur and Nestle were up 2-4% owing to improving fundamentals and strong defensive buying. However, with most FMCG stocks trading at peak valuations, we are underweight on the sector.

Inside This Weekly

Cairn India - Event Update: Cairn Energy Plc has entered into an agreement with Vedanta Resources Plc for sale of 40-51% stake in Cairn India. The all-cash deal is being executed at Rs405/share, wherein Rs355/share will be towards the sale and purchase agreement and the balance Rs50/share constituting the non-compete fee. Thus, the open offer to the minorities will be at the lower price of Rs355/share. **We recommend Neutral on the stock.**

Sesa Goa - Event Update: Vedanta Resources Plc, along with Sesa Goa, has entered into an agreement with Cairn Energy Plc to acquire a 51-60% stake in its Indian subsidiary, Cairn India. Vedanta, along with Sesa Goa, will make the 20% mandatory open offer to other shareholders of Cairn India at Rs355 per share; Sesa Goa will make a strategic investment of 20% in Cairn India. **We maintain our Neutral view on the stock.**

Gujarat Pipavav Port - IPO Note: Gujarat Pipavav Port (GPPL) is coming out with IPO for Rs500cr through fresh issue of 10.4-11.9cr shares in the price band of Rs42-48/share. GPPL also expects to retire high-cost debt utilising Rs300cr from the issue proceeds resulting in reduction in interest expenses from Rs115cr in CY2009 to Rs92cr in CY2011E. Consequently, we expect GPPL to report profit from CY2011E onwards. **Hence, we recommend Subscribe to the IPO at the lower price band with a long-term perspective.**

Note: Stock Prices are as on Report release date; Refer all Detailed Reports on Angel website.

FII activity

(Rs crore)

As on	Cash (Equity)	Futures	Net Activity
Aug 13	717	410	1,127
Aug 16	558	(442)	116
Aug 17	516	35	551
Aug 18	2,655	711	3,366
Aug 19	-	754	754
Net	**4,447**	**1,468**	**5,915**

Mutual Fund activity (Equity)

(Rs crore)

As on	Purchases	Sales	Net Activity
Aug 13	885	895	(10)
Aug 16	411	745	(334)
Aug 17	565	735	(170)
Aug 18	782	850	(68)
Aug 19	740	721	19
Net	**3,383**	**3,946**	**(563)**

Global Indices

Indices	Aug. 13, 10	Aug. 21, 10	Weekly (% chg)	YTD
BSE 30	18,167	18,402	1.3	5.4
NSE	5452	5531	1.4	6.3
Nasdaq	2,173	2,180	0.3	(3.9)
DOW	10,303	10,214	(0.9)	(2.1)
Nikkei	9,253	9,179	(0.8)	(13.0)
HangSeng	21,072	20,982	(0.4)	(4.1)
Straits Times	2,940	2,936	(0.1)	1.3
Shanghai Composite	2,607	2,642	1.4	(19.4)
KLSE Composite	1,360	1,395	2.6	9.6
Jakarta Composite	3,053	3,118	2.1	23.0
KOSPI Composite	1,746	1,776	1.7	5.5

Sectoral Watch

Indices	Aug. 13, 10	Aug. 21, 10	Weekly (% chg)	YTD
BANKEX	12,196	12,527	2.7	24.9
BSE AUTO	8,776	8,875	1.1	19.3
BSE IT	5,514	5,517	0.1	6.4
BSE PSU	9,675	9,707	0.3	1.8

Cairn India - Neutral

Price - Rs333

Event Update

Vedanta buys majority stake in Cairn India

Deal details: Cairn Energy Plc has entered into an agreement with Vedanta Resources Plc for sale of 40-51% stake in Cairn India. The success of the 20% mandatory open offer to minorities will determine the extent of stake sale by Cairn Energy Plc. The all-cash deal is being executed at Rs405/share, wherein Rs355/ share will be towards the sale and purchase agreement and the balance Rs50/share constituting the non-compete fee. Thus, the open offer to the minorities will be at the lower price of Rs355/share, which is at 6.7% premium to the close price. Thus, the minority shareholders are at a disadvantage. The offer is subject to the government approval. The open offer will be made through Sesa Goa. Post the transaction, Sesa Goa will hold 20% in Cairn India, with Vedanta holding 31- 40%.

Acceptance ratio contingent on Petronas stance: If Petronas tenders its share, the acceptance ratio in case of 100% tendering, will be 53%. However, if Petronas does not tender its share, the acceptance ratio would be higher at 88%. Under both scenarios, at our target price for the stock, we believe that there are limited upsides from current levels in case one decides to tender the shares. Thus, one should be indifferent between tendering the shares in the open offer or retaining them.

How does the open offer math stack up?

The open offer dynamics would continue to hinge on the acceptance ratio, which in turn is dependent on the action of Petronas (14.94% stakeholder in Cairn India). We outline below our working of the acceptance ratio (% of shares likely to accepted in the open offer) under the various scenario and the breakeven point at current levels. We also gauge the sensitivity analysis of the likely returns depending on where the stock price settles post the open offer.

Scenario - I: If Petronas does not tender its share in the open offer: In such a scenario, we believe there is likely to be a healthy acceptance ratio of 88.3% assuming all the shareholders agree to tender their shares.

Scenario - II: If Petronas does tender its share in open offer: In such a scenario, we believe there is likely to be a acceptance ratio of 53.3% assuming all the shareholders agree to tender their shares.

Under both scenarios, at our target price for the stock, we believe that there are limited upsides from current levels in case one decides to tender the shares. Thus, one should be indifferent between tendering the shares in the open offer or retaining them. However, the given the speculation associated with the revision of the open offer price to Rs405/share in line with the price paid to Cairn Energy Plc, there could be decent upsides from current levels. However, chances of the same happening appear slim. As per the SEBI regulation, a promoter is entitled up to 25% of the deal price as the non-compete fees. However, we believe higher price in form of non-compete fees only to Cairn Energy Plc is unjustified.

Outlook and Valuation

We believe the transfer of the ownership of Cairn India from Cairn Energy Plc to Vedanta Resources Plc is unlikely to impact the company's financials. However, the key risk is Vedanta's lack of experience in managing the E&P asset portfolio being a new player in the segment. Further, we believe that returns to investors will be quite similar in case of tendering the share in the open offer or otherwise. Our NAV-based Fair Value of Rs315 assumes long-term crude oil price of US $75/bbl, whereas the current stock price is discounting long-term average crude price of US $79.1/bbl. Thus, upsides from current levels are limited. **We recommend Neutral on the stock.**

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2009	FY2010E	FY2011E	FY2012E
Net Sales	**1,433**	**1,623**	**7,863**	**14,761**
% chg	*41.5*	*13.3*	*384.5*	*87.7*
Net Profits	**803**	**1,051**	**4,392**	**8,752**
OPM (%)	60.5	60.4	81.2	83.9
EPS (Rs)	**4.2**	**5.5**	**23.2**	**46.1**
P/E (x)	78.6	60.1	14.4	7.2
P/BV (x)	1.9	1.9	1.7	1.6
RoE (%)	2.7	3.2	12.4	23.0
RoCE (%)	1.3	1.7	13.9	25.9
EV/Sales (x)	45.8	37.8	7.6	4.0
EV/EBITDA (x)	75.7	62.5	9.4	4.7

Source: Company, Angel Research, Price as on August 16, 2010

Research Analyst - Deepak Pareek/Amit Vora

Sesa Goa - Neutral

Price - Rs323

Event Update

Strategic investment in Cairn India

Deal structure: Vedanta Resources Plc, along with Sesa Goa, has entered into an agreement with Cairn Energy Plc to acquire a 51-60% stake in its Indian subsidiary, Cairn India, at a price of Rs405 per share. While Rs355per share is being paid towards the sale and purchase of the agreement, the balance Rs50 per share is being paid as non-compete fee. The non-compete fee will be paid in consideration for Cairn Energy agreeing not to engage in the business of oil or gas extraction in India, Sri Lanka, Pakistan and Bhutan, or any other business that competes with the business of Cairn India and its subsidiaries, for a period of three years. Vedanta, along with Sesa Goa, will make the 20% mandatory open offer to other shareholders (except Cairn Energy Plc) of Cairn India at Rs355 per share; Sesa Goa will make a strategic investment of 20% in Cairn India. The 20% stake will be acquired through a combination of share purchase from Vedanta (at a price of Rs405 per share) less the number of Cairn India's shares acquired under the open offer (at a price of Rs355 per share).

Cash outflow based on open offer acceptance

Share via open offer by Sesa Goa (Rs cr)	0%	5%	10%	11%	15%	20%
Outflow from Sesa Goa	15,552	15,072	14,592	14,496	14,112	13,632
Outflow from Vedanta	24,106	24,106	24,106	24,106	27,216	31,104
Total outflow	**39,658**	**39,178**	**38,698**	**38,602**	**41,328**	**44,736**

Source: Company, Angel Research

Vedanta and Cairn have also agreed to a break-fee arrangement of 1% of Cairn India's market capitalisation in case a) approval from Cairn Energy's shareholders is not received by October 30, 2010, and b) Cairn Energy breaches the non-solicitation provisions.

Iron ore volume growth at risk: As on 1QFY2011, Sesa Goa's cash position stood at Rs9,054cr including the inter-corporate deposit given to Vedanta Aluminium. We estimate the company to have cash and cash equivalents of Rs11,402cr and Rs14,697cr at the end of FY2011 and FY2012, respectively. In the current deal with the cash outflow expected to be in the range of Rs13,632-15,552cr, we believe the company will have to leverage its balance sheet for future acquisitions, if any, in its iron ore business. Further, we believe that management guidance of 20-25% iron ore volume growth for the fiscal is at risk on account of the ban on sale of iron ore from Karnataka and disturbances in Orissa owing to the illegal mining issue. In 1QFY2011, Sesa's iron ore sales volume ex-Dempo stood lower at 11.7% yoy.

Our take: Anil Agarwal, Chairman, Vedanta Group, has an exemplary track record of acquiring assets and turning them around (eg. Hindustan Zinc, Balco and Sesa Goa). However, Sesa Goa's diversification into an unrelated business to utilise its excess cash raises concerns regards the growth prospects of its core iron ore business and the stock could take a hit in the short term. While management has reiterated that it expects to increase its iron ore sales volume to 50mn tonnes by FY2014E and the deal to be EPS accretive from FY2011E, we believe that with the cushion of excess cash now not available, the company would have to leverage its balance sheet for any potential acquisitions in its iron ore business going ahead. Also, cash which was 80% of its FY2010 balance sheet, will be replaced by a strategic investment in Cairn India. As the deal is still subject to regulatory approvals and requires a special resolution to be passed by Sesa Goa's shareholders, **we maintain our Neutral view on the stock.**

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2009	FY2010	FY2011E	FY2012E
Net sales	**4,959**	**5,858**	**9,711**	**10,586**
% chg	*29.7*	*18.1*	*65.8*	*9.0*
Net profit	**1,988**	**2,629**	**4,567**	**4,403**
% chg	*28.4*	*32.2*	*73.7*	*(3.6)*
FDEPS (Rs)	**25.3**	**29.2**	**50.7**	**48.9**
OPM (%)	51.3	53.7	54.8	53.5
P/E (x)	12.8	11.1	6.4	6.6
P/BV (x)	5.4	3.4	2.2	1.7
RoE (%)	51.9	41.6	45.9	31.5
RoCE (%)	63.9	41.7	43.7	34.7
EV/Sales (x)	4.3	3.6	1.8	1.3
EV/EBITDA (x)	8.4	6.6	3.3	2.5

Source: Company, Angel Research; Price as on August 16, 2010

Research Analyst - Paresh Jain/Pooja Jain

NTPC - BHEL JV to foray into EPC-BoP segment

Event Update

Entry into EPC-BoP segment to ease capacity constraints: The formation of NTPC-BHEL Power Projects Private Limited (NBPPL), the 50:50 joint venture (JV) between India's largest power producer NTPC and India's largest power equipment maker BHEL, is expected to significantly increase the domestic manufacturing capacities in the Balance of Plant (BoP) segment. At present, the limited number of BoP vendors in India may not be able to effectively support the 100GW capacity additions planned over the next 6 - 7 years. Most of the BoP vendors are essentially system integrators and source their requirements from relatively smaller manufacturers with limited capacity and capability to expand on technology, engineering and manufacturing. We believe that the scheduled commencement of operations at NBPPL's manufacturing facilities from FY2014 would help in mitigating the anticipated shortage in the BoP segment.

Leveraging core competencies: Both the promoters, NTPC and BHEL, are expected to effectively harness their complementary strengths, common ownership and the shared legacy for the development of the Indian Power Sector. Phase I of the JV includes the setting up of the EPC and BoP manufacturing facilities by FY2013. The manufacturing facilities for boilers, turbines and generator (BTG) would be completed by FY2015 as part of Phase II. We do not expect NBPPL to set up in-house manufacturing facilities for BTG, as the same can be sourced from BHEL itself. However, the setting up of manufacturing facilities for BoP components would enable both the promoter companies to leverage their core strengths and supplement their EPC and equipment manufacturing capacities.

Order inflows and executions have commenced: Even as NBPPL's manufacturing facilities are in the process of being set up at Chittoor (AP), the company has been getting contracts from power utilities as an EPC contractor. Order book, as on April 30, 2010, stood at ~ Rs450cr and the company expects to close FY2011 with an order backlog of ~ Rs7,000cr. Presently, NBPPL is executing the BoP package (including civil and structural works) for the 100MW Namrup Power Station, Assam and the 726MW CCPP-Palatana gas-based power project of ONGC Tripura Power Corporation. Both the promoter companies have recently signed a Memorandum of Understanding (MoU) with NBPPL for FY2010-11, under which key projects have been transferred to NBPPL.

Our Take

Though the primary objective of setting up NBPPL is to undertake EPC contracts for power plants and manufacture power equipment, we understand that NBPPL would initially focus on setting up its BoP manufacturing facilities, especially coal and ash handling plants. Recent press articles suggest that NBPPL is actively scouting for a global technology provider to support the coal and ash handling segments of the BoP-EPC projects to be taken up by it. The foreign technology partner may also be offered a minority stake in NBPPL.

Once selection of the foreign technology partner is finalised and clarity emerges regarding the commercial operation date (COD), we expect increasing number of BoP -EPC projects attributable to NTPC and BHEL being awarded to NBPPL. While the above developments may help in alleviating the perceived shortage of BoP vendors, it has the potential to intensify competition in the BoP space leading to loss of pricing power for the existing and aspiring BoP players such as BGR Energy, Mcnally Bharat, Sunil Hitech and TRF.

We would await more clarity and monitor NBPPL's progress on the timely completion of its manufacturing facilities and order accretion from BHEL and NTPC before revisiting our revenue and earnings estimates. Hence, we maintain our current ratings on the respective stocks.

Valuation Summary

Company	Reco	CMP	Tgt Price	Upside	P/BV (x)		P/E (x)		FY10-12E EPS	RoCE (%)		RoE (%)	
		(Rs)	(Rs)	(%)	FY11E	FY12E	FY11E	FY12E	CAGR (%)	FY11E	FY12E	FY11E	FY12E
NTPC	Buy	195	230	17.9	2.3	2.2	20.0	17.6	1.8	10.9	11.6	12.0	12.8
BHEL	Neutral	2,473	-	-	6.1	4.9	22.6	19.0	21.5	31.8	30.4	30.0	28.6
BGR Energy	Neutral	826	-	-	6.6	5.1	21.3	17.2	31.0	18.2	17.7	34.7	33.6
Mcnally Bharat	Buy	283	486	71.7	2.4	1.9	10.3	8.2	28.8	31.0	30.3	28.0	26.1

Source: Company, Angel Research, Price as on August 18, 2010

Research Analyst - John Perinchery/Hemang Thaker

Gujarat Pipavav Port - Subscribe (at lower price band)

IPO Note - Land Ahoy - Turnaround in sight

IPO details: Gujarat Pipavav Port (GPPL) is coming out with its IPO for Rs500cr through fresh issue of 10.4-11.9cr shares in the price band of Rs42-48/share. The issue proceeds would be utilised for prepayment of loans, capital expenditure, purchase of capital equipment and general corporate purpose. Besides, The Infrastructure Fund of India, LLC and The India Infrastructure Fund have offered to partially sell their stakes to the tune of 7,601,248 and 4,106,121 shares respectively, through the IPO.

Investment Arguments

Location advantages and quality infrastructure: GPPL is a private port in proximity to the north-western region which handles around 65% of the container cargo in India. It is strategically located (at the mouth of the Gulf of Khambhat) in Gujarat. It provides a convenient international trade gateway to Europe, Africa, America and the Middle East. Further it can accept vessels up to 14.5 metre draught, which can handle bulk vessels of ~ 81,600 MT and container vessels of 6,200 TEU capacity, one of the largest container ship presently calling at Indian ports. The port is also well connected to the rail and road network.

No regulatory hurdles to set tariffs: GPPL is not a major port and hence is not covered under the purview of the Tariff Authority for Major Ports. Thus, GPPL is free to set its own tariffs making it possible for it to be nimble and respond to changes in market dynamics. In order to attract volumes and combat with global recession, GPPL had reduced tariff in CY2009. However, management has indicated to hike its container tariff by ~25% from CY2010 onwards following improvement in the economy.

Margins to improve with increase in utilisation rates: During CY2009 company experienced margin expansion of ~13% due to better capacity utilization. Going ahead, we believe with favorable industry dynamics (15% container and 8% cargo traffic CAGR over FY2010-15E) and economy back on track this trend to continue and company to enjoy operating leverage leading to enhancement in margins. We have penciled in ~25% margin expansion to 45%, (Mundra clocks EBITDA margins of 70% and management has guided margins at ~60-70%) over next three years. GPPL is bound to transport minimum guaranteed traffic of 3mn tonnes through Pipavav Rail Corporation Ltd (PRCL). GPPL paid around Rs 108cr and 30cr in CY2008 and CY2009 respectively as penalty charges due to non-fulfillment of the Minimum Guaranteed Quantity. PRCL currently provides railway transportation for ~ 35.0% of the cargo going through the Port. We expect penalty charges to PRCL to fade away with growing traffic which will further enhance margins.

Expensive valuations but underpinned with substantial growth potential: At the lower band of Rs42, GPPL trades at a premium to its global peers at 2.5x CY2011E P/BV v/s 2.0x respectively. We agree that GPPL comes off a low base compared to some established ports and to that extent the growth should command a premium. On the domestic front, the company is trading at a substantial discount to the Mundra port, which trades at 5.9x FY2012E P/BV. We believe that GPPL's discount to Mundra port is justified given the latter's larger scale of operations, revenue contribution from its SEZ and higher profitability growth. However, given GPPL's high growth potential we believe that the 57% discount is unwarranted. Consider, over the last couple of years, GPPL has exhibited strong growth rates at the operating level following an improvement in utilisation levels and growing traffic. GPPL also expects to retire high-cost debt utilising Rs300cr from the issue proceeds resulting in reduction in interest expenses from Rs115cr in CY2009 to Rs92cr in CY2011E. Consequently, we expect GPPL to report profit from CY2011E onwards. **Hence, we recommend Subscribe to the IPO at the lower price band with a long-term perspective.**

Key Financials

Y/E Dec (Rs cr)	CY08	CY09	CY10E	CY11E	CY12E
Net Sales	**167.3**	**219.1**	**264.9**	**360.3**	**447.7**
% chg	*10.4*	*31.0*	*20.9*	*36.0*	*24.3*
Net Profit	**(67.6)**	**(117.7)**	**(78.4)**	**7.6**	**55.1**
% chg	-	-	-	-	*621.7*
EBITDA Margin (%)	7.6	20.1	31.0	40.0	45.0
FDEPS (Rs)	**(1.6)**	**(2.7)**	**(1.8)**	**0.2**	**1.3**
P/E (x)	-	-	-	238.8	33.1
P/BV (x)	3.8	4.3	2.5	2.5	2.3
RoE (%)	-	-	-	1.0	7.1
RoCE (%)	-	-	-	5.7	9.0
EV/Sales (x)	12.1	10.4	9.1	6.8	5.5
EV/EBITDA (x)	159.0	51.5	29.3	17.1	12.3

Source: Company, Angel Research; Detailed IPO Note to released shortly.
Note: Above ratios are on lower price band

Research Analyst - Param Desai/Mihir Salot

JK Tyre - Buy

Price - Rs163
Target Price - R238

1QFY2011 Result Update

Performance Highlights

Y/E March (Rs cr)	1QFY11	1QFY10	% chg (yoy)	Angel Est.	% Diff
Net Sales	1,168	901	29.7	1,102	6.0
Operating Profit	73	107	(31.4)	60	21.4
OPM (%)	6.3	12	(558)bp	5.5	80bp
Reported PAT	20	41	(52.1)	16	22

Source: Company, Angel Research

Top line up 29.7%: JK Tyre reported 29.7% yoy growth in net sales to Rs1,168cr (Rs900.7cr) in 1QFY2011. In tonnage terms, the company registered ~15.7% yoy growth in volume, while net sales realisation grew ~13% during 1QFY2011. JK Tyre hiked the prices of its products by ~4% in 1QFY2011 to pass through the raw-material cost increases. On the utilisation front, JK Tyre operated at higher utilisation levels of ~95%.

OPM contracts 558bp due to increased raw-material cost: The company's operating profit declined 31.4% yoy to Rs73.1cr (Rs106.6cr), which was ahead of our estimates. The margin declined by 558bp yoy and 170bp qoq primarily on account of the 780bp yoy jump in raw-material cost. Despite the increase in product prices, the company could not fully recover the increase in rubber costs. The average procurement price of rubber for the company in 1QFY2011 stood at Rs158/kg compared to Rs148/kg in 4QFY2011 and Rs100/kg in 1QFY2010. The company has hiked prices by ~11% in 4QFY2010 and 1QFY2011 and has guided subsequent price hikes in the event of increasing rubber prices.

Net profit at Rs19.5cr, down 52.1%: JK Tyre recorded a 52.1% yoy decrease in net profit to Rs19.5cr (Rs40.8cr) during the quarter, primarily on account of margin contraction. However, the bottom line came in ahead of our expectations. The drop in net profit growth was restricted due to a decline in interest expense, which was down 19.4% during the quarter.

Investment Arguments

Favourable product mix: The commissioning of its new T&B radial capacity in October 2009 (up from 0.4mn to 0.8mn tyres), expansion of the PCR capacity by 10% to 5mn tyres for FY2011E and the planned increases in the OTR segment for FY2010E are working in favour of JK Tyre. Given the shortage of radial tyres in the T&B segment, the company is in a pole position to fully utilise its enhanced capacity at higher realisations (75% of India's total truck/bus radial tyre production).

Tornel's acquisition turns profitable: The buyout of Tornel could act as an upside trigger for JK Tyre's stock. The acquisition has already turned profitable in FY2010, reporting net profit of Rs60cr in FY2010 from net loss of Rs39.9cr in FY2009, aided by the ongoing restructuring exercise implemented by the company.

Outlook and valuation

Attractive valuations: We broadly maintain our earnings estimates for FY2011-12E. We estimate the company to post EPS of Rs39.6 in FY2011E and Rs47.6 in FY2012E. At current levels, the stock is available at attractive valuations of 4.1x and 3.4x FY2011E and FY2012E EPS, respectively. **We maintain a Buy on the stock with a Target Price of Rs238, at which level the stock would trade at 5x, 3.3x and 0.8x FY2012E EPS, EV/EBITDA and P/BV, respectively.**

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2009*	FY2010	FY2011E	FY2012E
Net Sales (incl otr. op. inc.)	5,523	4,571	5,611	6,310
% chg	97.6	(17.2)	22.8	12.5
Net Profit	(108.0)	219.7	162.5	195.6
% chg	-	-	(26.1)	20.4
OPM (%)	3.0	11.0	8.9	9.5
EPS (Rs)	(26.3)	53.5	39.6	47.6
P/E (x)	(6.2)	3.1	4.1	3.4
P/BV (x)	1.0	0.8	0.7	0.6
RoE (%)	12.8	6.6	9.7	16.6
RoCE (%)	3.9	18.6	15.7	15.9
EV/Sales (x)	0.3	0.4	0.3	0.3
EV/EBITDA (x)	11.7	3.3	3.9	2.8

*Source: Company, Angel Research; Note: *FY2009 numbers are for the 18-month period, Price as on August 16, 2010*

Research Analyst - Vaishali Jajoo/Yaresh Kothari

Shiv-Vani Oil & Gas - Buy

Price - Rs461
Target Price - R539

1QFY2011 Result Update

Performance Highlights

Y/E March (Rs cr)	1QFY11	4QFY10	% chg (yoy)	1QFY10	% chg (yoy)
Net Sales	399	299	33.3	277	43.8
EBITDA	176	152	15.9	114	54.5
EBITDA Margin (%)	44.0	50.6	(6.6)	41.0	3.0
PAT	65	47	37.3	42	53.4

Source: Company, Angel Research

Top-line registers robust 43.8% growth: SOGES registered robust top-line growth of 43.8% yoy for 1QFY2011 to Rs399cr (Rs277cr) driven by newer asset deployment, largely on account of deployment of additional two rigs during the quarter and all 10 seismic crews being operational during the quarter. In 1QFY2011, 34 out of 40 rigs were operational, with five working on spot basis and one large rig is expected to commence work soon. Such robust top-line growth came in despite the 6.5% yoy appreciation in the rupee during the quarter. SOGES's 40-50% of contracts are denominated in US dollar and thus the rupee appreciation restricts its top-line growth.

EBITDA margin expands by 302bp: OPM during the quarter expanded by 302bp yoy. Excluding the impact of forex fluctuations, OPM increased by 381bp yoy, driven by deployment of high-end rigs, benefits of operating leverage and increased contribution of the integrated projects in the company's revenue mix. Benefits of operating leverage are visible as other expenditure fell, as a % of sales, by 53bp yoy. Staff costs, as a % of sales, also declined by 50bp yoy during the quarter. SOGES reported 54.5% yoy growth in operating profit during the quarter to Rs176cr (Rs114cr). On a qoq basis, OPM contracted by 662bp from the high of 50.6% registered in 4QFY2010. High other expenditure was primarily responsible for the same, which as a % of sales, increased by 119bp.

Depreciation, interest expenditure increase: On account of capitalisation of newer assets, depreciation and interest expenditure increased during the quarter. Depreciation surged 79% yoy to Rs39cr (Rs22cr), while interest expenditure grew 68% yoy to Rs58cr (Rs35cr).

PAT grows by healthy 53.4%: Bottom-line during the quarter registered an increase of 53.4% yoy to Rs65cr (Rs42cr). Bottom-line recorded robust growth despite the significant increase in depreciation and interest expenditure during the quarter. However, effective tax rate during the quarter fell by 994bp yoy to 18% (27.9%). As a result, PAT margins expanded by 100bp yoy to 16.2% (15.2%) during the quarter.

Outlook and Valuation

SOGES is a visible play on the huge upcoming investments in the Indian E&P segment. Strong order book of Rs3,200cr (2.0x FY2011E Sales) and potential order accretion, imparts visibility over the next few years. We expect SOGES to record a CAGR of 24.4% and 14.5% in top-line and bottom-line respectively, over FY2009-12E. At Rs461, the stock is trading at 8.5x FY2012E EPS. We have marginally tweaked our numbers coupled with revising our EPS estimates downwards to account for newer FCCB issue. However, we increase our Target P/E multiple for the company owing to improving earnings visibility, diversification moves by the company and higher liquidity premium. **We maintain a Buy on the stock with a revised Target Price of Rs539 (Rs510).**

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2009	FY2010E	FY2011E	FY2012E
Net Sales	**871**	**1,252**	**1,562**	**1,676**
% chg	*51.6*	*43.7*	*24.8*	*7.3*
Net Profit	**192.7**	**203.2**	**254.4**	**289.3**
% chg	*108.9*	*5.5*	*25.2*	*13.7*
OPM (%)	40.4	44.7	43.7	44.5
FDEPS (Rs)	**35.9**	**37.8**	**47.4**	**53.9**
P/E (x)	12.8	12.2	9.7	8.5
P/BV (x)	2.4	1.8	1.5	1.3
RoE (%)	23.9	19.4	19.4	18.4
RoCE (%)	13.3	14.0	13.9	14.0
EV/Sales (x)	4.7	3.4	2.5	2.1
EV/EBITDA (x)	11.7	7.6	5.7	4.8

Source: Company, Angel Research; Price as on August 18, 2010

Research Analyst - Deepak Pareek/Amit Vora

Bulls in cruise control

Sensex (18402) / Nifty (5531)

In our previous Weekly report, we had mentioned that the indices were stuck in a range of 17840 / 5350 on the downside, and 18300 / 5480 on the upside, but looking at the positively placement of the momentum oscillators we had expected high probability of the indices to trade and close above 18315 / 5480 levels. The week began on a pessimistic note, but the upside momentum intensified towards the latter half of the week, with the indices registering a new 52-week high of 18475 / 5547.

The Sensex ended with net gains of 1.3%, whereas the Nifty gained 1.4% vis-à-vis the previous week.

Exhibit 1: Sensex Weekly chart

Source: Falcon

Pattern Formation

- On the **Weekly chart**, the indices have closed well above the 78.6% retracement levels (18315 / 5480) of the preceding down-move that started from 21000 to 7697 / 6357 to 2252 levels. Further, the trend following indicator, viz. the ADX is positively poised. This suggests further upside momentum.

- On the **Weekly chart**, as seen in the Channel pattern, the market has shown a corrective move within 3 weeks after testing the upper trendline of the Channel. However, this time the market has consolidated gains in a sideways pattern spanning over the past 5 weeks. This itself indicates strength of the uptrend and high probability of upside going forward (*refer Exhibit 1*).

Future Outlook

In view of the placement of the momentum indicator, viz. the ADX, on the weekly chart, and a breakout from the weekly sideways consolidation pattern, we are of the opinion that the upside momentum is likely to continue in the coming week. On the upside, indices are likely to test 18900 - 19050 / 5700 - 5750 levels once they trade and close above 18475 / 5547 levels. However, on the downside,18232 - 18000 / 5470 - 5400 levels may act a support for the week. Stock specific and sector rotation activity is likely to continue going ahead.

Traders are advised to go long only on declines in the range of 5470 - 5400 levels with a STRICT stop loss of 5340 level for a target of 5700 - 5750 levels.

Weekly Pivot Levels For Nifty 50 Stocks

SCRIPS	R2	R1	PIVOT	S1	S2
SENSEX	18,769	18,586	18,292	18,108	17,814
NIFTY	5,641	5,586	5,492	5,437	5,342
BANK NIFTY	11,417	11,225	10,935	10,744	10,454
A.C.C.	921	896	863	838	805
ABB LTD.	804	788	775	760	746
AMBUJACEM	136	129	121	114	107
AXISBANK	1,409	1,388	1,354	1,333	1,299
BHARAT PETRO	739	719	685	665	632
BHARTIARTL	326	318	313	305	300
BHEL	2,534	2,502	2,478	2,445	2,421
CAIRN	385	364	348	327	310
CIPLA	327	319	309	301	291
DLF	348	341	328	321	308
GAIL	484	476	462	455	441
HCL TECHNOLO	428	418	405	395	383
HDFC BANK	2,350	2,291	2,181	2,121	2,011
HERO HONDA	1,959	1,937	1,904	1,882	1,849
HINDALCO	203	191	177	164	150
HINDUNILVR	281	275	269	263	257
HOUS DEV FIN	711	675	633	598	556
ICICI BANK	1,052	1,023	987	958	922
IDEA	78	74	71	66	63
IDFC	203	196	181	173	158
INFOSYS TECH	2,870	2,820	2,775	2,725	2,680
ITC	172	167	162	157	151
JINDL STL&PO	723	706	680	663	637
JPASSOCIAT	131	127	122	119	113
KOTAK BANK	898	880	852	834	806
LT	1,948	1,908	1,835	1,796	1,722
MAH & MAH	648	633	620	606	593
MARUTI	1,284	1,262	1,250	1,228	1,216
NTPC	200	196	195	191	190
ONGC CORP.	1,327	1,293	1,269	1,235	1,212
PNB	1,267	1,231	1,182	1,147	1,097
POWERGRID	109	106	104	101	99
RANBAXY LAB.	540	516	476	453	412
RCOM	171	167	163	159	156
REL.CAPITAL	823	804	767	747	710
RELIANCE	1,015	1,002	980	967	945
RELINFRA	1,128	1,099	1,061	1,032	994
RPOWER	162	158	153	149	144
SIEMENS	727	717	704	694	680
STATE BANK	2,893	2,840	2,803	2,750	2,713
STEEL AUTHOR	199	195	192	188	185
STER	170	165	161	156	152
SUN PHARMA.	1,881	1,837	1,768	1,724	1,656
SUZLON	58	54	51	46	44
TATA POWER	1,357	1,324	1,290	1,256	1,223
TATAMOTORS	1,088	1,052	1,022	986	956
TATASTEEL	548	533	522	508	497
TCS	902	885	865	848	828
UNITECH LTD	93	89	86	82	79
WIPRO	430	421	415	406	401

Technical Research Team

Market is on higher side of the trading range; 5300-5600

Nifty spot has closed at **5531** this week, against a close of **5452** last week. The Put-Call Ratio has increased from **1.49** to **1.65** levels and the annualized Cost of Carry (CoC) is negative **8.91**%. The Open Interest of Nifty Futures has increased by **9.00**%.

Put-Call Ratio Analysis

The Nifty PCR has increased from 1.49 to 1.65 levels. Week on week unwinding was visible in many call options, mainly 5400 strike. However, a huge build up, of around 77,000 contracts, has taken place in the 5500 put option, along with other puts. The 5600 and 5700 Call options, and the 5400 put option is showing significant open interest in sep. series.

Open Interest Analysis

The total Open Interest of the market is Rs1,90,972cr, as against Rs1,70,237cr last week, and the Stock Futures' open interest increased from Rs47,927cr to Rs52,394cr. Some liquid stocks, where open interest has increased significantly are NHPC, ITC, UCOBANK, CHAMBLFERT and AMBUJACEM. Stocks where open interest has decreased significantly are ABAN, PFC, GRASIM, IDEA and RANBAXY.

Futures Annual Volatility Analysis

The Historical Volatility of the Nifty has increased from 13.50% to 13.86%. IV of at the money options has decreased from 14.00% to 11.50%. Some liquid counters where HV has increased significantly are KFA, RANBAXY, SUZLON, SYNDIBANK and CHAMBLFERT. Stocks where HV has decreased are BRFL, MARUTI, EKC, SBIN AND M&M.

Cost-of-Carry Analysis

The Nifty Aug Future closed at a discount of 8.10 points as against a premium of 4.35 points last week and Sep future closed almost at par to spot. Few liquid counters where CoC turned from negative to positive are CROMPGREAV, PETRONET, ALBK, SESAGOA and POWERGRID. Stocks where CoC turned from positive to negative are SUNPHARMA, IOB, ITC, HDFC and HDFCBANK.

Derivative Strategy

Scrip : ISPATIND **CMP : Rs. 17.90/-** **Lot Size : 11000** **Expiry Date (F&O) :** 26th Aug, 2010

View: Mildly Bullish **Strategy: Long Call**

Buy/Sell	Qty	Scrip	Strike Price	Series	Option Type	Buy Rate (Rs.)
Buy	11000	ISPATIND	17.50	Aug	Call	0.50

BEP: Rs. 18.00/-

Max. Risk: Rs.5,500.00/-
If ISPATIND closes on or below Rs17.50 on expiry.

Max. Profit: Unlimited
If ISPATIND continues to trade above BEP.

NOTE: Profit can be booked before expiry, if stock moves in a favorable direction.

Expected Payoff

Closing Price	Expected Profit/Loss
Rs. 16.00	(Rs.0.50)
Rs. 17.00	(Rs.0.50)
Rs. 18.00	Rs. 0.00
Rs. 19.00	Rs. 1.00
Rs. 20.00	Rs. 2.00

Scrip : CAIRN **CMP : Rs. 343.70/-** **Lot Size : 1000** **Expiry Date (F&O) :** 26th Aug, 2010

View: Mildly Bearish **Strategy: Long Put**

Buy/Sell	Qty	Scrip	Strike Price	Series	Option Type	Buy Rate (Rs.)
Buy	1000	CAIRN	340	Aug	Put	1.50

BEP: Rs. 338.50/-

Max. Risk: Rs. 1,500.00/-
If CAIRN closes on or above Rs.340 on expiry.

Max. Profit: Unlimited
If CAIRN continues to trade below BEP.

NOTE: Profit can be booked before expiry, if stock moves in a favorable direction.

Expected Payoff

Closing Price	Expected Profit/Loss
Rs. 330.00	Rs. 8.50
Rs. 335.00	Rs. 3.50
Rs. 340.00	(Rs. 1.50)
Rs. 345.00	(Rs. 1.50)
Rs. 350.00	(Rs. 1.50)

Small Cap Funds - To Own Now

Small Cap Funds

Small cap stocks, for the purpose of the fund are defined as stocks whose market capitalization is in between the highest & lowest market capitalization of companies on BSE Small Cap Index

Current Scenario

- In today's economic environment, individuals with entrepreneurial mindset are exploring new business opportunities that will not only survive in a recession but will also thrive
- Emerging India is offering various growth opportunities to entrepreneurs, be it first generation entrepreneur or otherwise
- In a developing economy like India, multiple sectors provide opportunities for growth.
- Emerging sectors are true reflection of entrepreneurial spirit, new opportunities and creation of global behemoths.
- These funds invest in the companies with high growth potential.
- Small cap companies have a consortium of educated and passionate management.
- Their niche focus and ability to attract talent in form of quasi entrepreneurs and stock options.
- Small caps are potential large caps of tomorrow because of their twin benefits of high growth prospects & relatively under valuation.
- Small caps are relatively under researched, under owned and undervalued as compared to large caps, thus providing an opportunity to be re-rated.

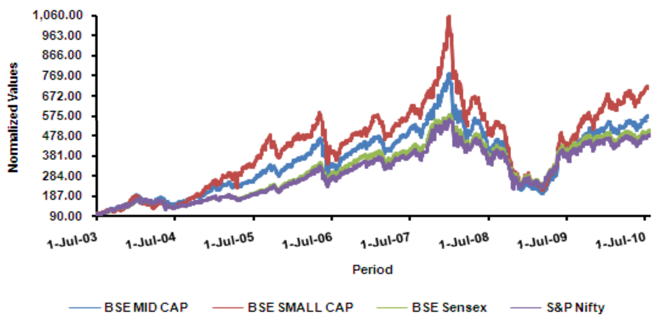
Small Cap Classification

- There is no scientific methodology to classify Large Caps, Mid Caps and Small Caps but there are pre-defined indices on BSE & NSE.
- Mentioned below is the categorization of the same on the basis of market capitalization as on August 2010.

Performance of BSE Small Cap Over Last 2 years (31st Jul 08 - 30th Jul 10)

Index	CAGR (%)	Outperformance of BSE Small Cap Relative to Indices
S&P CNX Nifty	11.32	5.00
BSE Sensex	11.58	4.74
BSE Mid Cap	15.37	0.95
BSE Small Cap	16.32	-

Investment Case For Small Caps



The Indian Small Cap Opportunity

- 4300+ Cos. listed on Bombay Stock Exchange
- 1383 Cos. with Market Capitalization of over Rs 100 Cr
- 1065 Cos. with Market Capitalization of over Rs 200 Cr
- 664 Cos. with a Sales Turnover of over Rs. 200 Cr
- 613 Cos. with an Operating Profits over Rs 25 Cr
- 548 Cos. with net profits of over Rs 10 Cr

Source : www.bseindia.com, Capitaline Neo as on 6th August 2010

Risk Profile for Small Cap Funds

- Long Term Investment Horizon
- High Risk/High return
- These funds aim at creating alpha for the investors

Indices	Categorization	No. of Companies	Index Market Cap Range (Rs crs)	Total Market Cap approx (Rs crs)
BSE Sensex	Large Cap	30	15,300 - 329,400	2,761,687
BSE Mid Cap	Mid Cap	273	100 - 12,350	1,078,821
BSE Small Cap	Small Cap	534	170 - 2300	351,840

Source: www.bseindia.com, 5th August 2010, Index Market Cap Range given implies companies with the smallest market cap and largest market cap in that particular indices respectively as on August 5, 2010. Small Cap stocks for the purpose of the Reliance Small Cap Fund are stocks whose market capitalization is in between the highest and lowest market capitalization of companies on BSE Small Cap Index

Reliance Small Cap Fund - NFO Analysis

Fund Features

NFO Date: - 26th Aug to 9th Sept 2010

Scheme Objective	The scheme primary objective is to generate long term capital appreciation by investing predominantly in equity and equity related instruments of small cap companies and the secondary objective is to generate consistent returns by investing in debt and money market securities
Type of Scheme	An Open Ended Equity Scheme
Bench Mark Index	BSE Small Cap Index
Min Investment	Rs.5000 & in multiples of Re. 1 thereafter
Entry Loads	NIL
Entry Loads	2% If redeemed or switched out on or before completion of 12 months from the date of allotment of units. 1% If redeemed or switched out after 12 months but on or before completion of 24 months from the date of allotment of units. Nil If redeemed or switched out after the completion of 24 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. Sunil Singhania

Asset Allocation	Instruments	Asset Allocation (% of Net Assets)	Risk Profile
	Equity & equity related securities of small cap companies including derivatives#	65% - 100%	High
	Equity & equity related securities of any other companies including derivatives#	0% - 35%	Medium to High
`	Debt & Money Market Securities **	0% - 35%	Low

*** including securitized debt up to 30%*

 # The Scheme proposes to invest at least 65% of the corpus in Equity & equity related instruments of small cap companies which may go upto 100% of the corpus. The investment in Equity & equity related instruments of any other companies other than small cap companies will be in the range of 0-35% of the corpus.

Investment Strategy

- Stock Selection is based on:
  - ✓ Size of opportunity
  - ✓ Possibility of higher growth and its sustainability
  - ✓ Emerging Sector
  - ✓ Zeal of management to grow
- With an endeavor to maximize returns & minimize risks by reasonable diversification, primary focus would be on small cap stocks.
- Small cap stocks, for the purpose of the fund are defined as stocks whose market capitalization is in between the highest & lowest market capitalization of companies on BSE Small Cap Index.

Performance of the Funds Managed by Fund Manager

Schemes	1 year	2 years	3 years	5 years	Since Inception
Reliance Banking Fund	67.95	42.69	29.26	26.21	37.66
CNX Bank Nifty	**51.59**	**33.85**	**19.90**	**20.58**	**25.05**
Reliance Growth Fund	39.86	22.52	17.45	23.99	29.76
Reliance Infrastructure Fund	15.03	N.A.	N.A.	N.A.	14.31
BSE 100	**24.79**	**12.36**	**9.95**	**18.04**	**16.36**
Reliance Long Term Equity Fund	50.36	22.74	13.24	N.A.	14.39
BSE 200	**27.67**	**13.73**	**10.37**	**17.85**	**15.75**

Note: Returns (%) are on CAGR basis as on 18th August, 2010

Positioning of Reliance Small Cap Fund

Risk		Returns		
		High	Medium	Low
	High	Reliance Small Cap Fund		
	Medium			
	Low			

- A very aggressive small cap oriented fund.
- A relatively high risk/high return oriented fund characterized by volatility which will get smoothened out over long term investment horizon.
- Reliance Small Cap Fund will be a vital part of an investor's core portfolio that aims to create an alpha for their investments.

Ideal for Investors

- Investors looking for diversification
- Investment Horizon: Long Term
- Risk Appetite: High

Currencies Weekly Performance Snapshot

The US dollar index (DX) touched a four-week high of 83.30 in the last week to close at 83.06 on Friday. Uncertainty in the global financial markets attracted demand for the currency. Poor economic updates from the US continued to raise concerns over the strength of the world's largest economy. US unemployment claims rose by 12,000 to 500,000 in August, from the previous figure of 488,000 in the week earlier. The Euro touched a five-week low of 1.266 against the dollar in the last week. The Japanese Yen continued to trade near its 15-year high of 84.71 against the greenback. Investors remain skeptical about the future prospects of the Yen and are awaiting the Japanese authorities to intervene in avoiding a further appreciation in the currency. Japanese Prime minister Naoto Kan and Bank of Japan's governor are expected to meet in this week to discuss ways on avoiding a further appreciation in the Yen. A stronger Yen is detrimental for the export oriented Japanese economy and this may also resurface the deflationary issues in the country.

Exhibit 1: Currencies Performance

Currency	21-Aug	14-Aug	Chg	% Chg
DX	83.06	82.92	0.14	0.2
Euro	1.2705	1.275	(0.0045	(0.4)
INR	46.67	46.76	(0.09)	(0.2)
JPY	85.61	86.26	(0.65)	(0.8)
GBP	1.5531	1.559	(0.01)	(0.4)

Source: Telequote

Japan slips to third largest economy

Japan's GDP grew by 0.1% in the second quarter (0.4% in annualized terms). The figures were much worse than the market expectations of an increase by 0.6% in the last quarter. In the previous quarter, Japan's economy had grown by 1.1%. As per the current GDP figures, China now becomes the second largest economy of the world. Japan's second-quarter GDP was at $1.288 trillion, less than that of China which stands at $1.339 trillion in the second quarter.

Indian Rupee appreciates slightly last week

The INR touched a high of 46.26 against the greenback, but later came pared gains towards the end of the week to close at 46.67. The Sensex and Nifty touched their two-year highs in the last week. FII inflows in August 2010 totaled Rs 9964.20 crore (till 19 August 2010). FII inflows had amounted to Rs 17,657.60 crore in July 2010. FII inflows on a year-to-date basis have totaled Rs 57,658.60 crore.

Exhibit 2: Spot Rupee Weekly Price Chart

Source: Telequote

Fundamental and Technical Outlook: Concerns over the economic recovery in the US have resurfaced back. Moreover, global economic growth is also expected to slowdown in the major economies. Constant poor economic updates from US are indicating that the Federal Reserve may now need to enhance further steps to avoid the derailment of the economic recovery. We expect the Indian Rupee to depreciate in the coming week as uncertainty over the global economic scenario prevails. Low interest rates and poor economic data from the US is affecting market sentiments. The DX has strengthened sharply and in the coming days we expect the currency to strengthen further as worries over the economic front will boost demand for the currency. As we approach the month-end, dollar demand is also expected from Indian importers, especially towards the end of the week which will also exert pressure on the Indian Rupee.

Exhibit 3: Technical Levels

Currency	Support	Resistance	Trend
DX	81.35	84.50	Up
Euro	1.3050	1.2500	Down
INR	45.90	47.50	Up
JPY	84.20	87.00	Down
GBP	1.5320	1.5800	Down

Source: Telequote

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

Commodities Update

Exhibit 1: Commodities Weekly Performance

	21th Aug. 2010	14th Aug. 2010	% Change
Non Agri- Commodities (MCX)			
Top Gainers			
Copper	339.30	335.05	1.3
Gold	18725	18565	0.9
Top Losers			
Natural Gas	193.1	202.4	(4.6)
Aluminum	95.25	98.4	(3.2)
Crude Oil	3472	3537	(1.8)
Agri Commodities (NCDEX)			
Top Gainers			
Potato	352.50	312.10	12.90
Pepper	21280	19173	11.00
Jeera	14921	14504	2.90
Top Losers			
Refined Soy Oil	491.95	519.15	(5.5)
Soybean	2071.50	2167	(4.4)
Mustard Seed	556.95	574.90	(3.1)
Guar Seed	2151	2198	(2.1)

International Perspective: Commodity prices came under pressure in the later part of the week taking cues form the weak sentiments in the financial markets and poor economic data from the US. Concerns over weak economic scenario have resurfaced back in the world's largest economy. Economic data is indicating signs of a slowdown in the US and this is affecting the investor sentiments towards riskier assets. The US dollar index (DX) gained for a second consecutive week to close at 83.06 on Friday.

Copper prices ended in the green, gaining around 1% towards the end of the week. However, the red metal prices pared major gains after touching a high of Rs 343.30 to close at Rs 339.30 on the MCX on the back of poor manufacturing data. The US Philadelphia Fed manufacturing index declined to 7.7 in August, the lowest since July 2009. The index had reported figure of 5.1 in July. Market had expected the index figure to rise to 7.1.

Natural gas prices touched a three-month low of Rs 192.7 on the MCX in the last week taking cues from the international prices. Natural gas prices on the Nymex fell more than 4% in the last week on expectations of a milder weather along the East coast of US, reducing demand for the commodity.

Crude oil prices declined for a second consecutive week as poor manufacturing data from the US increased concerns over demand for the commodity. On the Nymex, crude oil prices touched a five-week low of $73.44/bbl in the last week. The US Energy department reported that crude oil inventories decreased by 0.8 million barrels in the last week following the previous decline of 3.0 million in the week earlier.

Agri Perspective: Maximum gains were witnessed in NCDEX Potato futures about 13% as compared to previous week's close only due to short covering after a continuous fall from seven consecutive weeks. Pepper, prices surged 11 percent due to lower availability in global market. Vietnam, one of the major producer and exporter, has already exported around 83,000 tonnes till July 2010. Thus, they will not aggressively sell their produce as they have lower stocks till new fresh arrivals expected in the month of April 2011. Also, in the domestic market farmers are not willing to sell their stock at lower levels. Jeera prices surged about 3 per cent on account of lower stocks at the domestic and overseas market. Also, prices in the international market of Indian origin are being quoted at lower levels as compared to Syrian origin. Prices of Indian origin are being offered at $2,900-$3,000/tonne whereas Syrian origin is quoting at $3,000/tonne.

Maximum losses were witnessed in oilseeds complex due to favorable weather for kharif oilseeds and record high existing carryover stocks of oilseeds, especially for soybean, which added bearish market sentiments. Higher import of vegetable oil in the month of July, 2010 (7.78 lakh tones) as compared to last year in the same month (5.57 lakh tones) also favored to the bears. As per SGS cargo surveyor, the Malaysia's palm oil exports during the Aug. 1-20 period fell 3.8% on month to month basis to 837,526 metric tons. Palm oil export from Malaysia fell due to cut in the purchases from China, USA and Pakistan. Good rains in the growing guar growing areas in the last week supported strength to the bears and the prices corrected further by 2.1 percent.

Exhibit 2: Major Economic Data Releases this week

Date	Country	Indicator	Forecast	Previous
24-Aug	US	Existing Home Sales	4.63M	5.37M
24-Aug	EUR	Industrial New Orders	1.6%	3.8%
25-Aug	US	Core Durable Goods Orders	0.6%	-0.9%
25-Aug	US	New Home Sales	335K	330K
27-Aug	US	Prelim GDP q/q	1.5%	2.4%

Outlook: We expect the DX to continue trading with a positive bias in this week as economic concerns especially in the US, have taken center. Constant poor economic data from the world's largest economy are indicating that the Federal Reserve may now need to enhance further steps to avoid the derailment of the economic recovery. Risk aversion may hold grip in the financial markets in this week, and the commodity prices will follow cues. Moreover, strength in the DX will also be a bearish factor for the commodity prices. In the agri segment this week too, the prices will correct in some of the major traded commodities such as Oilseeds Complex, Guar and Turmeric. Good production estimates of Turmeric in 2010-11 will keep prices bearish in the coming week. Lacklustre demand of Guargum from the overseas buyers will be in favour of bears.

Research Analyst (Commodity) - Nalini Rao/Reena Walia Nair

Gold shines as economic uncertainty prevails

In the last week, Spot Gold prices gained around 1.0% as rising uncertainty over the global economic scenario led to higher demand for the yellow metal as a safe-haven asset. Economic data from the major economies in the recent past has not been satisfactory and has led to concerns over slow recovery in growth in countries like the US, UK, Euro Zone and China. Investor sentiment continues to remain mixed due to no clear direction over economic progress. In the global financial markets, economic recovery has currently taken centre stage and data from major economies is currently driving risk sentiments. Fears of a double-dip recession have gripped the financial markets and this is the main factor which is boosting demand for gold.

Spot Gold prices touched a high of $1,237/oz in the last week and prices on the MCX touched a high of Rs18,790, gaining 0.9% on a week-on-week basis. Sharp gains in gold prices on the MCX platform were capped on the back of Rupee appreciation. But festive season buying in India is expected to boost demand and lead to higher prices. The Rupee is expected to trade on a volatile note as market sentiments remain mixed. If risk aversion holds grip in this week then the currency is expected to depreciate, thereby helping gold prices on the MCX to rise.

MCX Gold Weekly Price Chart

Source: Telequote

Holdings of the SPDR Gold Trust rose to 1,295.51 metric tons as of 18th August from 1,294.60 metric tons the previous day. SPDR Gold Holdings had touched a record high of 1,320.43 metric tons on 29th June. Uncertain economic scenario is expected to lead to increased demand for gold in the short-term.

Factors that will boost demand for gold

- Gold imports in India gained 18.9% to 155.6 tonnes in the first six months of this year. Demand for gold in the Indian markets is expected to rise as a good monsoon is expected to raise rural incomes. Rural consumers are expected to flock to gold for investment as well as jewelry requirements.

- China is allowing more banks to import and export gold for consumption purposes. The country has also opened up gold trading to foreign companies. China is the world's largest gold producer but the country had to import 100 tonnes of gold on the back of rise in demand. China's share of global gold demand has risen to 11% in 2009 from just 5% in 2002.

Fundamental Outlook

Global financial markets are currently concerned over a double-dip recession. Recovery in the US, the world's largest economy is under doubt as unemployment rate in the country continues to hover around 10%. This indicates that the US job market is currently weak. Also, credit is locked up tight and the housing market is awash in unsold and uninhabited homes. The US Federal Reserve left its benchmark interest rate at 0-0.25% and said that it would keep rates low for an exceptionally long period. The central banks said that it would buy government debt by reinvesting proceeds from its mortgage bond portfolio into long-term Treasury securities.

Growing uncertainty over the impact of the Euro area sovereign debt crisis coupled with slow progress on the US economic front is dominating market sentiments. Debate on whether economic recovery has picked up pace or no also continues. Chinese economic growth is also witnessing a slowdown as the GDP growth in the second-quarter in China slowed down to 10.3% against growth of 11.9% in the first-quarter. The overall global economic scenario is bleak and demand for precious metals as a safe-haven is expected to rise.

We have a positive view on Gold from a short-term perspective as growing economic uncertainty will raise demand for gold as a safe-haven. But sharp gains in Gold prices could be capped as the DX is expected to strengthen.

Short-term Levels for Gold

S1 18000	R1 18900
S2 17700	R2 19300

Research Analyst (Commodity) - Reena Walia Nair

Commodity Technical Report

MCX October Gold

Last week, Gold prices opened the week at Rs.18,590 per 10 grams, initially moved lower, but found support at Rs.18,540. Later prices rallied sharply breaking the initial resistance at 18647 levels and made a high of 18790 and Gold prices finally closed the week at Rs.18,727 with a gain of Rs 162 as compared with previous week's close of Rs.18,565.

Trend : Sideways (MCX GOLD Daily Chart)

Source: Telequote

Key Levels For Week :

S1 - 18,651	**R1 - 18,884**
S2 - 18,357	**R2 - 19,050**

Recommended Strategy: Neutral

MCX September Silver

Last week, Silver prices opened higher at Rs.29,078 per kg initially moved sharply higher but found strong resistance at Rs.29,598 levels. Later Silver prices fell sharply lower towards Rs. 28,755 levels and finally ended the week with a loss of Rs.153 to close at Rs.28886 as compared with previous week's close of Rs.29039.

Trend : Down (MCX SILVER Daily Chart)

Source: Telequote

Key Levels For Week :

S1 - 28,545	**R1 - 29,030**
S2 - 28,230	**R2 - 29,350**

Recommended Strategy: Neutral

MCX August Copper

Last week Copper prices opened the week at Rs.335.95 per kg initially moved sharply higher breaking both the resistances, but finally found resistance at 347.30 levels. Later prices fell sharply lower and made a low of 335.30 levels and copper finally ended the week at Rs.339.40 with a gain of Rs.4.35 as compared with previous week's close of Rs.335.05.

Trend : Down (MCX COPPER Daily Chart)

Source: Telequote

Key Levels For Week :

S1 - 333.70	**R1 - 341.0**
S2 -328.60	**R2 - 346.0**

Recommended Strategy: Sell MCX Copper August in the range of 340-342 with strict stop-loss above 346 Targeting initially 334 and then 331.

MCX September Crude

Last week Crude prices opened the week at Rs.3584 levels initially moved higher but found strong resistance at 3607. Later prices fell sharply lower breaking the initial support at 3510 and made a low of 3462 levels and Crude finally ended the week at Rs.3470 with a loss of Rs.110 as compared with previous week's close of Rs.3580.

Trend : Down (MCX CRUDEOIL Daily Chart)

Source: Telequote

Key Levels For Week :

S1 - 3435	**R1 - 3512**
S2 - 3344	**R2 - 3580**

Recommended Strategy: Sell MCX Crude September in the range of 3500-3520 with strict stop-loss above 3580 Targeting initially 3440 and then 3350.

Sr. Technical Analyst (Commodities) - Samson Pasam

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

Research Team

Fundamental:

Sarabjit Kour Nangra	VP-Research, Pharmaceutical	sarabjit@angeltrade.com
Vaibhav Agrawal	VP-Research, Banking	vaibhav.agrawal@angeltrade.com
Vaishali Jajoo	Automobile	vaishali.jajoo@angeltrade.com
Shailesh Kanani	Infrastructure, Real Estate	shailesh.kanani@angeltrade.com
Anand Shah	FMCG , Media	anand.shah@angeltrade.com
Deepak Pareek	Oil & Gas	deepak.pareek@angeltrade.com
Sushant Dalmia	Pharmaceutical	sushant.dalmia@angeltrade.com
Rupesh Sankhe	Cement, Power	rupeshd.sankhe@angeltrade.com
Param Desai	Real Estate, Logistics, Shipping	paramv.desai@angeltrade.com
Sageraj Bariya	Fertiliser, Mid-cap	sageraj.bariya@angeltrade.com
Viraj Nadkarni	Retail, Hotels, Mid-cap	virajm.nadkarni@angeltrade.com
Paresh Jain	Metals & Mining	pareshn.jain@angeltrade.com
Amit Rane	Banking	amitn.rane@angeltrade.com
John Perinchery	Capital Goods	john.perinchery@angeltrade.com
Jai Sharda	Mid-cap	jai.sharda@angeltrade.com
Sharan Lillaney	Mid-cap	sharanb.lillaney@angeltrade.com
Amit Vora	Research Associate (Oil & Gas)	amit.vora@angeltrade.com
V Srinivasan	Research Associate (Cement, Power)	v.srinivasan@angeltrade.com
Aniruddha Mate	Research Associate (Infra, Real Estate)	aniruddha.mate@angeltrade.com
Mihir Salot	Research Associate (Logistics, Shipping)	mihirr.salot@angeltrade.com
Chitrangda Kapur	Research Associate (FMCG, Media)	chitrangdar.kapur@angeltrade.com
Vibha Salvi	Research Associate (IT, Telecom)	vibhas.salvi@angeltrade.com
Pooja Jain	Research Associate (Metals & Mining)	pooja.j@angeltrade.com
Yaresh Kothari	Research Associate (Automobile)	yareshb.kothari@angeltrade.com
Shrinivas Bhutda	Research Associate (Banking)	shrinivas.bhutda@angeltrade.com
Sreekanth P.V.S	Research Associate (FMCG, Media)	sreekanth.s@angeltrade.com
Hemang Thaker	Research Associate (Capital Goods)	hemang.thaker@angeltrade.com

Technicals:

Shardul Kulkarni	Sr. Technical Analyst	shardul.kulkarni@angeltrade.com
Mileen Vasudeo	Technical Analyst	vasudeo.kamalakant@angeltrade.com

Derivatives:

Siddarth Bhamre	Head - Derivatives	siddarth.bhamre@angeltrade.com
Jaya Agarwal	Derivative Analyst	jaya.agarwal@angeltrade.com

Institutional Sales Team:

Mayuresh Joshi	VP - Institutional Sales	mayuresh.joshi@angeltrade.com
Abhimanyu Sofat	AVP - Institutional Sales	abhimanyu.sofat@angeltrade.com
Nitesh Jalan	Sr. Manager	niteshk.jalan@angeltrade.com
Pranav Modi	Sr. Manager	pranavs.modi@angeltrade.com
Sandeep Jangir	Sr. Manager	sandeepp.jangir@angeltrade.com
Ganesh Iyer	Sr. Manager	ganeshb.Iyer@angeltrade.com
Jay Harsora	Sr. Dealer	jayr.harsora@angeltrade.com
Meenakshi Chavan	Dealer	meenakshis.chavan@angeltrade.com
Gaurang Tisani	Dealer	gaurangp.tisani@angeltrade.com

Production Team:

Bharathi Shetty	Research Editor	bharathi.shetty@angeltrade.com
Simran Kaur	Research Editor	simran.kaur@angeltrade.com
Bharat Patil	Production	bharat.patil@angeltrade.com
Dilip Patel	Production	dilipm.patel@angeltrade.com

Angel Broking Ltd: BSE Sebi Regn No : INB 010996539 / CDSL Regn No: IN - DP - CDSL - 234 - 2004 / PMS Regn Code: PM/INP000001546 Angel Securities Ltd:BSE: INB010994639/INF010994639 NSE: INB230994635/INF230994635 Membership numbers: BSE 028/NSE:09946
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