

## Investment ideas

February 19, 2010

### Balrampur Chini Mills **BUY** CMP Rs107

#### Production surge in SS11 but prices seen firm

In our conversation with Balrampur chini (BRCM), the company sees up to 40% higher domestic output to about 21mn MT in SS11. Even so, Sep' 11 inventory is estimated at ~2.5 months (assuming 4mn MT of raw sugar imports), about half of the average ~5 months holding recorded for the past 16 years. Therefore, ex-factory sugar prices could again climb >Rs40/kg.

#### Refined sugar to account for 14% PAT share for BRCM

In addition to 85,000MT of raw sugar import, BRCM is expected to tie up another 0.2mn MT for processing in SS11. We build in operating margin of Rs2.5/kg on sale of refined sugar, much lower than the current run rate of ~Rs12-13/kg which is clearly unsustainable. Based on average realization of Rs37/kg, we reckon refined sugar sales could contribute ~14% of F9/11 PAT.

#### Correction provides buying opportunity; Reiterate BUY

BRCM has U/PF the Sensex by ~18% in the past three months even as Sep' 10 closing stock is projected at just 1.4 months worth of demand. Robust sugar realizations coupled with a 19% RoE in F9/11 supports our BUY on BRCM.

#### BRCM: key assumptions

	SS07	SS08	SS09	SS10E	SS11E
Capacity TCD	65,000	73,500	73,500	73,500	73,500
Cane crushed mn MT	9.2	8.1	4.8	5.4	6.8
Sugar produced mn MT	0.91	0.82	0.44	0.51	0.68
Mfg sugar sales, mn MT	0.75	0.74	0.66	0.54	0.68
Refined sales, mn MT	-	-	-	0.08	0.19
Realizations Rs/kg	15.4	15.9	22.4	40.0	37.0
Alcohol sales mn ltrs	63	86	50	43	58
Co-gen sales mn units	494	577	358	417	575

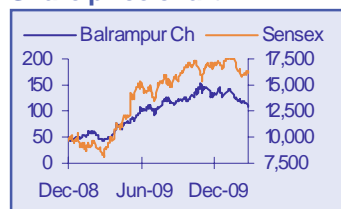
Source: Company, India Infoline Research

#### Financials

Y/e 30 Sep (Rs m)	F9/08	F9/09	F9/10E	F9/11E
Revenues	14,909	17,471	26,813	35,411
yoy growth (%)	6.9	17.2	53.5	30.9
Operating profit	3,640	4,472	6,848	5,574
OPM (%)	24.4	25.6	25.5	15.9
Reported PAT	783	2,091	3,955	2,931
yoy growth (%)	-	166.9	89.2	(25.9)
EPS (Rs)	3.1	8.1	15.4	11.4
P/E (x)	34.9	13.1	6.9	9.4

Source: Company, India Infoline Research

#### Share price chart



Source: Company, India Infoline Research

#### Shareholding pattern

December '09	(%)
Promoters	36.4
FII & MF	40.8
Non promoter corp hold	6.5
Public & others	16.3

### CESC **BUY** CMP Rs378

#### Budge Budge III scheduled to commission in Q4 FY10

After delays in setting up the evacuation system, CESC is now set to commission its Budge Budge III unit by the end of this quarter. As a result its installed capacity will increase by 26% to 1,225MW from the existing 975MW. Despite assuming 75% PLF for this unit (against 100% for the other Budge Budge units), we believe CESC's overall generation will increase by ~19% in FY11.

#### Progressing well on Chandrapur, valued at Rs47/share

With 100% acquisition in the Chandrapur project, CESC moved out of its license area where opportunities remain limited. It has already achieved key milestones and financial closure for the project and plans to place equipment orders by the end of Q1 FY11. Of the 600MW, it will sell 50% under PPA to MSEP and the rest on merchant basis. We value the project at Rs47/share.

#### Slow progress on Haldia; ascribe nil value

Progress continues to remain slow for phase I of the Haldia project. The company is yet to acquire 100% land, place orders for equipments and achieve financial closure. It has obtained coal linkage and environmental and various other clearances. Initially it plans to sell ~400MW to CESC's distribution arm to meet its peak system demand and balance ~200MW on merchant basis. Due to limited visibility on the progress we do not ascribe any value to it.

#### Steady earnings and reducing Spencer's losses, BUY

We expect CESC's earnings to witness 11% CAGR over FY09-12, primarily aided by the commissioning of Budge Budge III and its routine distribution capex. We value its core business on FY12 basis. Improving visibility on the Chandrapur project allows us to assign it a value of Rs47/share. We upgrade our value for Spencer's to nil from -Rs2/share earlier on the back of improving economic environment. Net of Haldia, we arrive at our SoTP based target price of Rs460/share. Upgrade to BUY.

#### Financials

Y/e 31 Mar (Rs m)	FY09	FY10E	FY11E	FY12E
Revenues	30,888	36,199	37,773	41,239
yoy growth (%)	8.9	17.2	4.3	9.2
Operating profit	7,217	9,158	10,690	12,038
OPM (%)	23.4	25.3	28.3	29.2
Reported PAT	4,097	4,549	5,216	5,384
yoy growth (%)	15.3	11.0	14.7	3.2
EPS (Rs)	31.4	36.2	41.5	42.9
P/E (x)	12.0	10.4	9.1	8.8

Source: Company, India Infoline Research

#### Share price chart



Source: Company, India Infoline Research

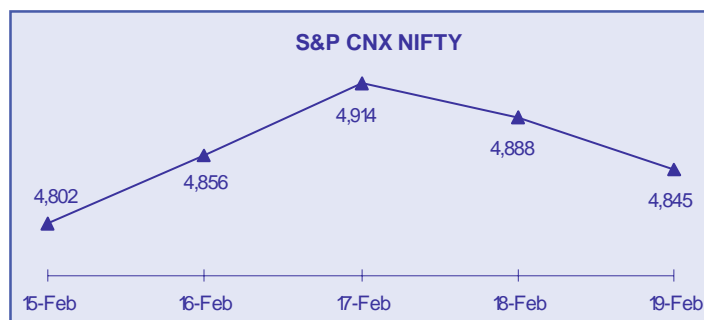
#### Shareholding pattern

December '09	(%)
Promoters	52.5
FII & MF	36.5
Non promoter corp hold	5.4
Public & others	5.5

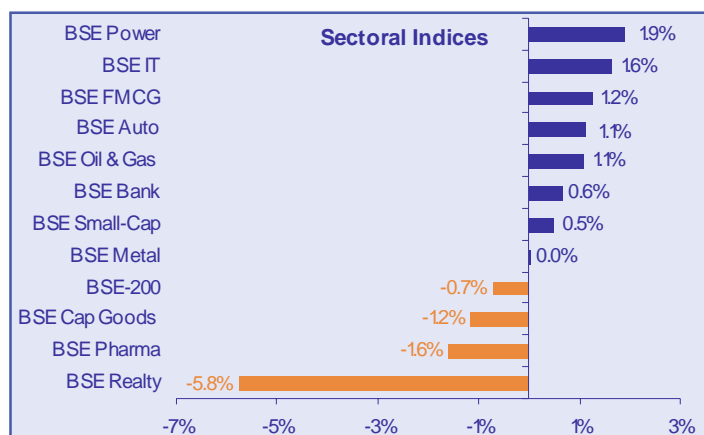
# India Infoline Weekly Wrap

## Market review

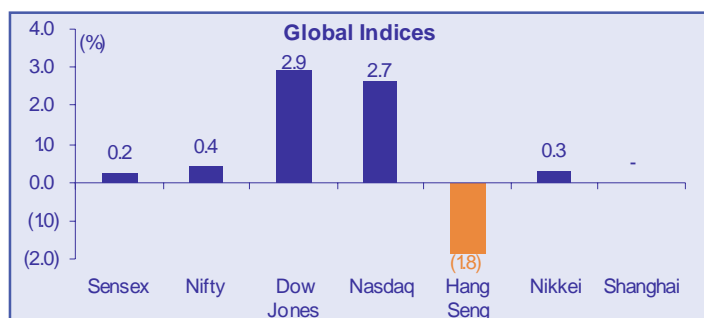
Key indices pared their weekly gains and closed flat following an unexpected move by the US Federal Reserve to hike discount rate. Concerns that the government may rollback some of the stimulus measures during next week's budget also weighed heavily on the bourses. Finally, the Sensex was up 0.2% and NSE Nifty rose 0.4% for the week.



Fears of rate hike by the RBI coupled with overall risk aversion weighed heavily on the real estate sector. Among the telecom stocks, Bharti Airtel fell sharply following company's proposed bid for Zain Africa BV. Profit booking was seen in pharma and capital good stocks.



US stocks closed higher, as investors considered a better-than-expected housing report, a mixed forecast from the Federal Reserve and some upbeat company news. Fed's decision to raise the interest rate it charges on short-term loans to banks reverberated in the financial markets, sending overseas stock indexes lower on Friday and giving fresh momentum to a recent rise in the dollar.



\*As per previous close

## FII & MF activity

(Rs cr)

Date	FII	MF
	Net Investment	Net Investment
10-Feb	(24)	267
11-Feb	351	2
15-Feb	218	(300)
16-Feb	257	(59)
17-Feb	1,224	263
<b>Total 2010</b>	<b>(1,537)</b>	<b>(1,354)</b>

## BSE Sensex & BSE 200 Top Five Gainers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Hindalco Inds	150	8.4	Jain Irrigation	837	8.1
Ranbaxy Labs	442	6.6	Hdfc Bank	1,700	6.5
HDFC Bank	1,694	6.0	Ranbaxy Labs	443	6.4
Tata Steel	561	5.0	Axis Bank	1,096	5.9
HDFC	2,480	4.1	Tata Steel	563	5.3

## BSE Sensex & BSE 200 Top Five Losers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Bharti Airtel	279	(11.4)	Indiabulls Fin	100	(6.8)
Reliance Infra	1,003	(5.7)	Unitech	70	(6.3)
DLF	291	(5.2)	United Breweries	243	(6.0)
Reliance Com	162	(4.4)	NMDC	458	(5.6)
Reliance Inds	983	(3.1)	Dish TV	39	(5.5)

## Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
15-Feb	Birla Sun Life	OnMobile	B	4.6	370
15-Feb	SBI Life Ins	OnMobile	B	4.0	370
15-Feb	Credit Suisse	Bharati Ship	S	1.6	282
16-Feb	Reliance Cap	Bajaj Auto Fin	B	8.0	289
16-Feb	Lotus Global	DCW	S	25.5	21

## Book closures and record dates

Company	Date	Purpose
Aishwarya Tel	24-Feb-10	Stock Split
MRF	25-Feb-10	Dividend
FCS Software	26-Feb-10	Bonus

## Insider Trades

Company	Name	B/S	Qty ('000)
HDFC	DN Ghosh	S	0.3
Kothari Sugars	B.H. Kothari	B	5.0
TVS Motors	R Ramakrishnan	B	13.0
Piramal Health	N Santhanam	B	42.5
Ambuja Cements	B L Taparia	S	10.0
Ruchi Soya	Nitesh Shahra	S	200

# India Infoline Weekly Wrap

## Technical ideas

**SELL**  
Aban Offshore  
CMP Rs1,192



The stock has been on a downtrend since its peak of Rs1,539 in second week of January 2010. However, the stock managed to find support around its 200-DMA last week. After that, the stock staged near-term rallies, but faced resistance at higher levels. On Friday, the stock broke below its multiple support zone.

The daily RSI has generated a crossover sell signal, suggesting build-up of momentum on the downside. Further the daily RSI is showing a downtrend.

This breakdown below Rs1,180 could see the stock declining to around Rs1,100 and below. We recommend traders to initiate short positions at current levels and on rallies to Rs1,200 for target of Rs1,100 and Rs1,080. A stop loss of Rs1,235 is recommended on all short positions.

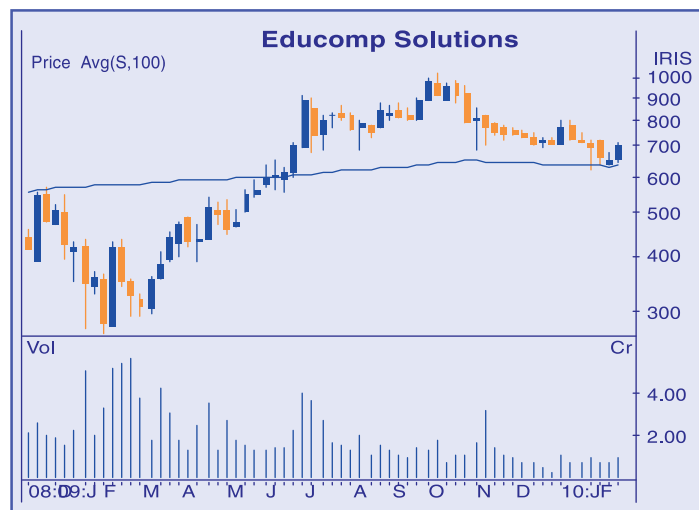
### Positive open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
REC Ltd	0.2	20.5	(61.0)
Ultratech	0.1	7.4	89.2
HCL Tech	0.6	4.7	145.2
Educomp	1.9	1.6	1.6
Cairn	0.1	1.2	13.6

### Technically strong

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
MTNL	76	73	32.0	10.6
United Spirits	1,338	1,291	3.9	3.1
HCL Tech	363	351	13.2	8.5
Indusind Bank	156	150	9.7	6.0
IOC	322	312	10.1	5.8

**BUY**  
Educomp Solutions  
CMP Rs709



As observed in the chart above, since last few months, the 100-week moving average has been a critical support level for Educomp. In June 2009, the stock rallied by 70% (from Rs594 to Rs1,020) after making a base around this moving average.

Since past four weeks, the stock is hovering around this moving average yet again, emphasizing our belief that it remains a critical support level.

Momentum oscillators are suggesting strength in the price movement. As long as the stock sustains above its 100-week moving average (Rs636), every fall should be used as an opportunity to buy.

Keeping in mind the above mentioned evidences, we recommend traders to buy the stock for a target of Rs760 and Rs770. Maintain a stop loss of Rs675.

### Negative open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
GVK Power	(4.8)	16.1	426.2
Voltas	(3.8)	13.1	98.5
HCC	(4.4)	12.8	103.7
Aban	(3.9)	10.0	15.2
Chambal Fert	(4.7)	9.7	72.7

### Technically weak

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Hotel Leela	46	47	6.2	15.2
RNRL	63	64	59.1	81.3
Sun TV	372	382	1.4	13.3
Pantaloon	403	413	1.3	1.9
Tata Power	1,240	1,271	2.8	5.2

# India Infoline Weekly Wrap

## Mutual fund round-up

### India Infoline picks

Mutual Funds	Assets (Rs Cr)	NAV (Rs)	Absolute return (%) as on February 18, 2010							
			1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
DSP-BR Top 100 Equity - RP (G)	2,449	86.6	1.6	(6.2)	(1.0)	14.2	73.9	10.6	46.4	221.8
HDFC MIP - LTP (G)	4,207	20.7	0.2	(1.1)	0.4	7.0	33.4	24.2	38.3	84.4
ICICI Prudential Dynamic Plan (G)	1,890	90.3	0.8	(3.3)	5.1	22.0	88.9	13.2	33.1	240.5
ICICI Prudential Tax Plan (G)	1,051	120.3	1.1	(3.7)	7.6	28.3	127.7	12.8	32.1	159.2
UTI Opportunities Fund (G)	1,200	22.8	1.9	(6.0)	(0.9)	17.6	91.9	11.1	58.4	--

### Fund this week: ICICI Prudential Dynamic Plan

Fund snapshot		Asset allocation (%)	
Fund Manager	Sankaran Naren	Equity	82.5
Latest NAV	Rs90.3	Debt	0.0
NAV 52 high/low	Rs94/44	Cash/call	17.5
Latest AUM (cr)	Rs1,890	<b>Top 5 holdings (%)</b>	
Type	Open-ended	Infosys Technologies Ltd.	7.8
Class	Equity - diversified	Reliance Industries Ltd.	7.2
Options	Growth & dividend	Bharti Airtel Ltd.	5.3
Min investment	Rs5,000	Hindustan Unilever Ltd.	4.5
Benchmark	S&P Nifty	HDFC Ltd.	4.4
No. of stocks	48	<b>Top 3 sectors (%)</b>	
No. of sectors	28	IT - Software	13.1
Expense ratio	1.9%	Bank - Private	10.9
Exit load	1%	Pharmaceuticals & Drugs	9.3

### NFO update

Fund Name	Close	Type	Class
Religare Gold ETF	23-Feb	OE	ETF
Hang Seng BeES	24-Feb	OE	ETF
Birla SL Cap Protn Oriented - I	05-Mar	OE	Balanced

### Dividend update

Mutual Fund	Dividend %	Record date	Class
Principal Service Industries	15.0	22-Feb	Eq - them
UTI Cap Protn Oriented - 3Yr	100.0	22-Feb	Balanced
ICICI Pru Qrtly Intl II - C	100.0	23-Feb	Debt - Invnt

## Commodity, debt and currency graphs



\* As per previous close

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