

## Research calls

### In-house view

|  |   |
|--|---|
| <p><b>M&amp;M</b></p> <p><b>CMP: Rs 698</b></p> <p><b>Target: Rs 633</b></p> <p><b>Rating: Sell</b></p> <p><b>Risk: High</b></p> | <p><b>Mahindra &amp; Mahindra - Like the story, not the price</b></p> <p>Mahindra &amp; Mahindra's (M&amp;M) Q4FY09 results are ahead of our estimates due to the consolidation of Punjab Tractor's (PTL) financials during the quarter. Hence, the results are not strictly comparable with past performance. Revenues grew 14.4% YoY to Rs 36bn. Automotive segment revenues increased 5.1% YoY to Rs 21.9bn, driven by an 8% growth in utility vehicle (UV) volumes. The PTL amalgamation helped the farm equipment segment to grow by 47% YoY to Rs 14.5bn. EBIT margins for the automotive and farm equipment segments stood at 8% and 11.1% respectively. M&amp;M's adjusted net profit stood at Rs 2.8bn, a growth of 35% YoY.</p> <p>For FY09, M&amp;M saw its standalone topline (including PTL) grow by 15.2% YoY to Rs 130.5bn, while adjusted net profit declined marginally to Rs 9.2bn as higher raw material and depreciation cost crimped margins. On a consolidated basis, net revenue grew 10% YoY to Rs 267.7bn but profits declined by 10.5% to Rs 14bn. Key businesses driving topline growth were the farm equipment segment, Tech Mahindra, M&amp;M Financial Services and Mahindra Lifespaces. Profitability was hurt largely due to margin pressures on the automotive segment and the Systech (auto ancillary) business.</p> <p>We have upgraded our FY10 numbers to factor in the performance of PTL which was previously valued as part of the subsidiary pack. We value the core business at Rs 422 based on 12x FY10E earnings (excluding subsidiary dividends). The subsidiary holdings are valued at Rs 211, where the listed subsidiaries are assessed at a 30% discount to the current market cap and the unlisted subsidiaries at a suitable multiple to their FY10E PAT. Our combined target price for the stock is Rs 633 – signifying a downside of 9%. We downgrade M&amp;M from Hold to Sell.</p> |
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### Event-based calls

- ❖ GVK Power and Infrastructure plans to raise about Rs 25bn. (Mint)
- ❖ Rallis India seeks patent for three new biomolecules. (ET)

### Market outlook

|   |  |
|---|--|
| <p><b>Dow: Negative</b></p> <p><b>Asia: Negative</b></p> <p><b>Day's view: Negative</b></p> | <p>US markets closed down and other Asian markets are negative as well. Asian stocks dropped for the first time in five days, led by consumer and mining companies, after US reports showed the service sector improved less than expected and more workers lost jobs. We continue to believe that our market is in overbought territory and hence once should book profits at every rise. We expect the market to open down but anticipate some profit booking to at higher levels.</p> |
|---|--|

### Stocks in focus

| Stock                             | Rationale  |
|-----------------------------------|--|
| <p><b>Reliance Industries</b></p> | <p>Reliance Industries' main growth story would be its E&amp;P business as gas production is likely to start from March-end with an initial capacity of 25mmscmd, expanding to 80mmscmd by Q3FY10 . However, its refinery business is likely to be adversely impacted by the southward trend in GRMs. To mitigate the risk, the company has merged its refining subsidiary RPL to get the benefit of better combined GRM due to the higher refining complexity of the RPL refinery. The RIL-RPL merger is a win-win proposition for both the companies. We recommend a Buy on the stock.</p> |

## Key market data

| Market turnover   | Value (US\$ mn) | % Chg |
|-------------------|-----------------|-------|
| BSE               | 2,011           | (0.2) |
| NSE               | 5,585           | 2.1   |
| Derivatives (NSE) | 13,852          | 2.4   |

| Forex / Crude  | 3-June-09 | % Chg |       |       |
|----------------|-----------|-------|-------|-------|
|                |           | 1-day | 1-mth | 3-mth |
| Rs/US\$        | 47.9      | 3.1   | 5.1   | 4.2   |
| Euro/US\$      | 1.4       | 0.1   | 4.9   | 6.9   |
| Crude (\$/bbl) | 59.0      | (0.1) | 17.2  | 49.4  |

| Emerging markets | 3-June-09 | % Chg |       |       |       |
|------------------|-----------|-------|-------|-------|-------|
|                  |           | 1-day | 1-mth | 3-mth | 6-mth |
| Brazil           | 52,087    | (3.5) | 3.3   | 35.6  | 48.3  |
| Shanghai         | 2,741     | (1.3) | 7.1   | 24.7  | 37.0  |
| Hong Kong        | 18,309    | (1.4) | 11.8  | 48.5  | 35.5  |
| India            | 14,871    | (0.0) | 22.5  | 76.1  | 61.1  |
| South Korea      | 1,403     | (0.9) | 0.3   | 32.4  | 39.4  |
| Taiwan           | 6,807     | (1.2) | 7.5   | 49.9  | 60.0  |

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# Technical analysis

## BSE Sensex daily trend



Source: ASA

## Technical outlook daily

| SENSEX (14870.90 ↓ 4.01)  | NIFTY (4530.70 ↑ 5.45) |
|---|------------------------|
| <p>Sensex for second day in a row traded in a narrow range. Advance decline ratio for the NSE stock was positive at 3:2 as movement was seen in stocks from the Mid-Cap and Small-Cap segments.</p>   |                        |
| <p>The break of the Sensex trading range i.e. 14608-15045 (Nifty 4450-4586) formed during the last two trading session would indicate further short term trend for Sensex. So far Sensex is able to maintain 14608 (Nifty 4450) trend would be positive and on the higher side its move above 15045 would lead to 15107-15274-15482 (Nifty 4596-4652), these levels would also act as a resistance.</p> |                        |
| <p>Sensex, in case breaks the crucial support of 14608 (Nifty 4450) it would turn downward up to 14571-14254-13922 (Nifty 4429-4312-4208) levels.</p>   |                        |
| <p><b>Sensex Intraday Support levels:</b> Support 14608-14571-14254 Resistance 15107-15274-15482.</p>   |                        |
| <p><b>Nifty Intraday Support levels:</b> Support 4450-4429-4312 Resistance 4586-4596-4652.</p>  |                        |
| <p><b>Sector Specific:</b> BSE Consumer durable and BSE Health Care index are positive. Yes Bank, GVK Power and REC Ltd are positive while Allahabad Bank and M&amp;M are having a negative bias.</p>   |                        |
| <p><b>Stock Specific:</b> 1) Yes Bank LTP Rs.133.20 Buy between Rs.131-129 Stop loss Rs.122 Target Rs.147-154.</p>  |                        |

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