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Nifty 5250 remains a stumbling block

By Sanjay R. Bhatia

The markets moved higher in anticipation of the government announcing some reforms as Mr. P. Chidambaram took over as Finance Minister and also due to positive statements made by ECB Chairman, Mario Draghi, which raised hopes of a stimulus package. The FIIs were net buyers in the cash as well as the derivatives segment. Domestic institutional investors, however, were seen booking profits and remained net sellers during the course of the week. The breadth of the market remained positive amidst lower volumes, which shows lack of confidence at higher levels.

On the domestic front, as expected, the RBI failed to lower interest rates due to high inflation and lack of reforms. On the other hand, the Presidential elections are over and the new Finance Minister has been appointed but there is no news on reforms. This has started weighing on the market sentiment. Moreover, the earnings season is over and has largely been disappointing. The monsoon, too, remains a negative factor this year and would certainly affect market sentiment. On the global front, ECB Chairman Mario Draghi failed to back up his words about preserving the euro zone with robust action. The US Federal Reserve, on the other hand, hinted that the US economy was likely to weaken in the near future.

Technically, the prevailing technical negatives continued to weigh on the market sentiment. The stochastic and KST were placed below their respective averages on the daily and weekly charts. The MACD is also placed below its average. Both the MACD and KST are placed in the negative territory and warn of an impending selling pressure while the Stochastic is placed in the overbought zone on daily charts. These negative technical conditions would prompt further bouts of profit booking and selling pressure especially at higher levels.

However, a few technical positives still hold good. The RSI is placed above its average on the daily and weekly charts. The CNX Nifty is placed above its 50-day SMA, 100-day SMA and 200-day SMA on the daily charts. More so, the Nifty's 50-day SMA is placed above the Nifty's 200-day SMA. These positives would lead to buying support at lower levels. The ADX line, the +DI line and the –DI line are moving sideways on weekly charts indicating a range bound trend. The market sentiment remains tentative as the Nifty struggles around the 5250 resistance level.

Now it is important that the Nifty moves and sustains above the 5250 level for a further upside to be witnessed. In the meanwhile, the markets would continue to take cues from global markets, crude prices, and Dollar/Rupee exchange rate.

Technically, on the upside the BSE Sensex faces resistance at the 17618, 17919, 18290 and 18428 levels and seeks support at the 16882, 16677, 16553 and 15965 levels. The support levels for the Nifty are placed at 5106, 5047, 5000, 4950 and 4859, while it faces resistance at the 5250, 5333, 5379 and 5464 levels.

Investors should wait and watch.

War of purpose!

By Fakhri H. Sabuwala

What a paradox? The day half of India is without power, the Power Minister is promoted to the Home Ministry in the midst of darkness. Market is closely monitoring this as well as the return of P. Chidambaram to the Finance portfolio.

Markets understand this well that the war right now is of conflicting purposes. The scene of the battle shifts to 2014 general elections. While the Prime Minister (PM) would be strategising for winning the elections in 10 States plus the General Elections the Finance Minister (FM) would be busy taming the fiscal deficit. Both these objectives are so contradictory in nature. It's the war of purpose from hereon. The pressure of coalition partners, the Anna Hazare movement and the failing monsoon make the going really tough both for the Prime Minister's Office (PMO) and the FM. How they strike a balance between rising inflation, growing fiscal and trade deficit and maintaining growth momentum is something that the market is keenly watching and losing hope with every passing day.

The PM passing the finance portfolio to a teammate may be indicative of his unwillingness or the pressure from his high command not to bite the bullet and letting the matter be handled by the FM. The market is, therefore, closely diagnosing Chidambaram's bent of mind and how right he is to the centre. Till now, no valuable pointers are available and the market is oscillating between building hopes one day and shattering them the next day.

The Reserve Bank of India has played its independent role and has not succumbed to the government or industry pressure. To it, growth is important but as long as inflation is not brought down to a sustainable level, the growth made shall fetch diluted results. A percentage point cut in SLR was, therefore, the best way out in the circumstance. This SLR cut will lead to a rise in the availability of funds for advances and loans. The SLR money was already earning a steady rate of return having been parked in gilt securities. It is only if the demand for loans and advances rise that such freed fund can earn higher returns.

Taking a cue from this, State Bank of India cut the interest rate by 50 basis points (bps) for loans against cars and homes. Many other banks may follow suit.

The Bank Nifty has been testing its interim low and may find support around the current level. The PSU bank stocks are available quite cheap and may find investment support around the current levels.

This week may witness the crystallising of a definite trend. The Nifty may breakout of 5350 and gain momentum to break out of the 5400 range and head for 5600. All this is based in the belief that most negatives are factored in and nothing more is likely to hit the market.

The government may have to play the trump card and head for the polls. The battle is lost otherwise too and any positives hereon will help its gameplan. The next few sessions will, however, show, which way the camel squats (to steal a Sholay phrase) and on that shall lay the foundation of the trend.

Bullish above 17631/Bearish below 16598

By Hitendra Vasudeo

Last week, the BSE Sensex opened with a gap at 16919.14 and maintain the same as the low. Further, it moved up to a register weekly high at 17291.99 and finally closed the week at 17197.93 and thereby showed a net rise of 359 points on a week-to-week basis.

The sell range mentioned last week was 16828-17058. The high registered last week was 17291.99. The stop loss of 17318 was not crossed. Traders who are short can keep the stop loss at 17318 but look to cover their short positions on dip to 17136 or below.

Weekly Support will be at 17136-16980-16607. Weekly Resistance will be at 17353-17726.

RSI on the weekly chart has moved above 50 once again. This shows some intention to trigger a rise. MACD is above its average, which supports a rise and is above the zero line.

As we pen this update, the Dow Jones is positive showing gains of 224 points as at 8:58 pm on Friday, 3 August 2012. We can, therefore, expect another gap up opening above 17318. Weekly resistance of 17353-17726 may be tested as a result of the likely strong opening.

The Sensex, if it moves and closes above 17632 the rally may come into existence. Subsequently, the Sensex may test 18528.

The defined range of movement is between 17631 and 16598. On a strong rise and close above 17631, a major structural change will happen.

Either we will have ended the fall from 21108 to 16598 in a triangle, which will be bullish for the overall market. This suggests a breakout above 17631 on weekly closing is essential to shift the count structure like probably the fall from 21108 would end at 16598 either to form Wave A of Wave C. If we end major Wave C of Wave C in a triangle, then Wave IV of larger degree ends at 16598 and Wave V of large degree begins. We will have to wait for the end of the week to get a confirmation of the same. Ideally, this is a wait and watch week but for compulsive traders long is only above 17631. Those long can maintain a stop loss at 16800 or 16500 depending on their individual risk bearing capacity. Bears may still control the market if 17631 is not crossed strongly.

The second option that may emerge will be that Wave A end at 15748 and if it does not cross 17631 and falls strongly then Wave B of C completes the triangle for Wave C of Wave C and this can be bearish.

From this structural change, the conclusion is that the market will be bullish above 17631 and bearish below 16598.

Wave Tree

Wave Tree					Month	Year	Sensex	Month	Year	Sensex	Remark
Wave I	-	-	-	-	Dec	1979	113	Feb	1986	656	-
Wave II	-	-	-	-	Feb	1986	656	Mar	1998	390	-
Wave III	-	-	-	-	Mar	1998	390	Jan	2008	21206	-
Wave IV	-	-	-	-	Jan	2008	21206	Feb	2012	18523	In Progress
Wave IV	Wave A	-	-	-	Jan	2008	21206	Mar	2009	8047	-
Wave IV	Wave B	-	-	-	Mar	2009	8047	Nov	2010	21108	-
Wave IV	Wave C	A	-	-	Nov	2010	21108	Dec	2011	15135	-
Wave IV	Wave C	B	a	-	Dec	2011	15135	Feb	2012	18523	-
Wave IV	Wave C	B	b		Feb	2012	18523	June	2012	15748	-
Wave IV	Wave C	B	c		June	2012	15748	July	2012	17631	May make new high above 17631

Conclusion

The level of 17631 may be tested and a rise may get extended above it. Bullish above 17631 and Bearish below 16598.

Strategy for the week

Traders who are short need to cover at the earliest or at intra-day correction during the week as the opportunity arises. Weakness will continue below 16500. Till then, use dips to support level of 17136 during the week to cover short positions. A gap up opening is likely to be witnessed and if it sustains then a rally may come during the week. The rise must cross 17631 and failure to sustain above it may once again put a break on the rise. No fresh strategy is suggested for the week as we would like to wait for a breakout or breakdown out of the range 17631- 16598.

Bear traders may revise the stop loss up to 17631 or exit short. Bull traders may keep stop loss at 16500 and consolidate further if the weekend is above 17631 on Friday. Buy above 17631 with low of the day as stop loss or 17100, whichever is lower.

WEEKLY UP TREND STOCKS

Let the price move below Center Point or Level 2 and when it move back above Center Point or Level 2 then buy with what ever low registered below Center Point or Level 2 as the stop loss. After buying if the price moves to Level 3 or above then look to book profits as the opportunity arises. If the close is below Weekly Reversal Value then the trend will change from Up Trend to Down Trend. Check on Friday after 3.pm to confirm weekly reversal of the up Trend.

Scrips	Last Close	Stop Loss	Level 2	Center Point	Level 3	Level 4	Relative Strength	Weekly Reversal Value	Up Trend Date
			Buy Price	Buy Price	Book Profit	Book Profit			

DIVI'S LABS	1117.00	1061.0	1077.7	1100.3	1139.7	1201.7	72.2	1077.3	22-06-12
BAJAJ FINSE	745.10	718.8	724.4	739.5	760.1	795.8	68.5	716.0	29-06-12
ULTRATECH CEMENT	1635.95	1600.4	1608.5	1627.8	1655.2	1701.8	67.0	1600.3	15-06-12
HDFC BANK	588.25	577.3	579.7	585.8	594.3	608.9	66.6	585.6	03-08-12
DABUR INDIA	121.25	118.5	119.2	120.6	122.6	126.0	66.5	117.9	15-06-12

WEEKLY DOWN TREND STOCKS

Let the price move above Center Point or Level 3 and when it move back below Center Point or Level 3 then sell with what ever high registered above Center Point or Level 3 as the stop loss. After selling if the prices moves to Level 2 or below then look to cover short positions as the opportunity arises. If the close is above Weekly Reversal Value then the trend will change from Down Trend to Up Trend. Check on Friday after 3.pm to confirm weekly reversal of the Down Trend.

Scrips	Last Close	Level 1	Level 2	Center Point	Level 3	Stop Loss	Relative Strength	Weekly Reversal Value	Down Trend Date
		Cover Short	Cover Short	Sell Price	Sell Price				
L.G.BALAKRISHNAN	254.80	235.0	248.9	256.9	262.8	264.9	35.73	263.30	13-07-12
BANK OF INDIA	289.00	266.6	282.5	291.9	298.4	301.3	36.09	310.66	13-07-12
INDIAN BANK	172.80	153.1	166.9	174.9	180.8	182.9	40.27	179.45	27-07-12
BHARTI AIRTEL	296.45	269.2	289.0	301.4	308.8	313.7	40.32	306.38	27-07-12
STATE BNK OF MYSOR	462.40	426.1	452.0	467.4	477.8	482.9	41.09	486.64	13-07-12

PUNTER'S PICKS

Note: Positional trade and exit at stop loss or target which ever is earlier. Not an intra-day trade. A delivery based trade for a possible time frame of 1-7 trading days. Exit at first target or above.

Scrips	BSE Code	Last Close	Buy Price	Buy On Rise	Stop Loss	Target 1	Target 2	Risk Reward
GRANULES INDIA	532482	150.00	148.25	151.20	122.05	169.2	198.4	0.69
820PFC2022	961729	1074.78	1071.25	1080.00	1068.10	1087.4	1099.3	1.88

BUY LIST

Scrip	Last Close	Buy Price	Buy Price	Buy Price	Stop Loss	Target 1	Target 2
GLENMARK PHARMA	408.70	400.81	397.05	393.29	381.10	432.7	464.6
IPCA LABS	410.75	410.67	409.08	407.48	402.30	424.2	437.8

TOWER TALK

* The new Mumbai international airport construction timetable may be announced by mid-August. Scrips of companies in the reckoning will boom and real estate projects around that place may witness rapid completion.
* **Kavveri Telecom** is on an acquisition spree and is picking up some strategic ventures in Europe. The scrip is in for a big rise in coming days says an analyst.
* Broking houses are facing very difficult times and smaller ones are being acquired by larger broking outfits. **Motilal Oswal**, **Edelweiss** and **Angel** are out to capture the small fish.
* Power failure of a few hours in North India has created a boom in Exide batteries, gen sets and inverters.
* Will the old and loyal investors of **Benares Hotels** make a plea for the issue of bonus shares?
* Midcap stocks, which fell drastically the previous week, are poised to bounce back. Most of them have recovered their lost ground already.
* **Glenmark** is the stock to watch for despite weak Q1 results. Knowledgeable investors and select fund managers picked the stock on Friday, 3 August 2012.
* **Asian Paints** may be sulking for now as its Q1 results were below market expectations. But the scrip is heading to cross the 4k mark sooner than later.
* **JK Tyre** has reported fantastic result for Q1FY13. Scrip may continue to rise further in coming weeks. Hold on to your position. Short term traders can also buy for 10% return in a month.
* **Symphony Ltd.** has shot up too much & too fast. Exit partially and play safe. Profit booking expected soon.

* **Deccan Chronicle** is in a mess. IFCI has filed a winding up petition against the company for defaulting on its Rs.25 crore debenture and now Karvy has filed a case against promoters for forgery and misrepresentation. Stay away.
* Retail investors are buying **Spice Jet** as Rakesh Jhunjhunwala has entered into the counter. Better to stay away from this sector and watch as an outsider.
* A technical analyst recommends **Divya Shakti Granite**, **Gulshan Polyols**, **Hindustan Hardy**, **Rapicut Carbides** and **Shreyas Shipping** as a good buy for this week.

BEST BET

Suprajit Engineering Ltd. (Code: 532509) Rs.23.80

Incorporated in 1985, Suprajit Engineering Ltd. (SEL) has emerged as the world's largest 2-wheeler cable manufacturer. With a capacity to produce and sell 110 million cables, it has now emerged as one of the top automotive cable manufacturers in the world. Apart from catering to the domestic demand, the company is also the largest exporter of automotive cables from India. It produces an exhaustive range of mechanical control cables for motorcycles, cars, commercial vehicles and various non-automotive cables. Presently, it accounts for 65% of market share in the two-wheeler segment, and 25% of the market share in the 4-wheeler segment. It supplies cables to marquee automotive clients such as Hero Motocorp, Bajaj Auto, TVS Motors, Honda Scooter, Yamaha etc. in the 2-wheeler category. In the 4-wheeler segment, it caters to Maruti, Tata Motors, M&M, General Motors, Volkswagen, BMW, Ford etc. From a modest beginning with a small manufacturing plant in Bangalore, SEL today boasts of 12 state-of-the-art manufacturing facilities spread across Bangalore, Pune, Vapi, Haridwar, Manesar and Pantnagar. The plants are strategically located in the South, West and North India within close proximity to its customers, which gives SEL the ability to meet demanding production schedules as well as cater to customer specific developmental needs. All its manufacturing facilities are equipped with exhaustive testing capabilities for its entire range of products. Further, critical processes like rolling, coiling, coating, extrusion, moulding, die casting and cable assembly are done in house thereby making it one of the largest fully integrated cable manufacturers in the world. However, SEL's success is largely due to its cutting edge R&D for its customers and products. With multiple development centres across India and one in Tamworth, UK, SEL focuses on rapid development of cables for a large variety of projects and customer requirements. It has two subsidiaries namely Suprajit Automotive Ltd. and Suprajit Europe, which provide marketing, technology and R&D support to its export business. Broadly SEL has classified its product range into the following three categories:

1) ***Automotive (85%)***: This forms the core business of company as it manufactures wide range of liner, non-liner and push pull cables for 2-wheelers, 4-wheelers and commercial vehicles. However, the company derives maximum revenue of over 60% from the 2-wheeler segment. The product range includes brake cables, clutch cables, throttle cables, starting cables, gear shift cables, hand brake cables, door cables, fuel lid cables, choke cables etc. It also specializes in the manufacture of mechanical gauges such as speedometers, tachometers, fuel gauges and a variety of other instruments especially for 2-wheelers. These cables are primarily sold to original equipment manufacturers in the domestic market. It supplies 70% of Hero Motocorp's, 90% of Bajaj Auto's and 100% of TVS Motor's cable requirements. Moreover, it also produces a range of other components which include fuel tank units, moulded parts, complex engineering parts, rubber parts, press parts and assemblies for OEMs.
2) ***Non-automotive (5%):*** In the non-automotive business, SEL caters to washing machine and construction equipment companies such as Whirlpool, L&T, JCB, Godrej, GE, New Holland etc. It has recently been selected by John Deree to supply cables for their tractors. As this segment holds a huge potential, SEL is putting special thrust and intends to increase its market share going forward.
3) ***After Market (10%):*** Of late, SEL has decided to cater to the aftermarket segment also and has set up a separate plant for aftermarket at its Bangalore facilities. Within a short span of time it also created pan India distribution network of 225 stockists/dealers to cater

to this market. Notably, aftermarket products are produced to the same exacting standards as that of OEMs. Considering the cable life of 3 years, the company estimates the replacement demand to be around Rs.500 crore.

During the year, SEL completed the expansion of its 100% EOU at Bommasandra industrial area and the new 4-wheeler cable plant at Chakan, Pune. For future growth, it is further putting up two new cable factories, one in Bangalore and one in Pathredi (Rajasthan) which is scheduled to go into production in FY13, thereby taking the total cable manufacturing capacity to over 150 million cables per annum. Moreover, company is setting up an additional plant for the proposed new products at Doddaballapur Industrial area, Karnataka. Its order position from existing customers continues to be robust for cables. Non-automotive as well as aftermarket cable segments will also add significant business, in the current financial year

During 2011-12, the Indian automotive industry grew by 14%, lower than the previous year's 27%. In FY13, India's GDP growth is likely to be around 6% and hence the growth in the Indian automotive industry is estimated to be restricted to 8-10%. Nevertheless, the company is expected to maintain its growth momentum on the back of various growth initiatives taken by the management. SEL is working at almost 100% capacity utilization on the back of strong demand for its product. In FY13, on the back of expansion, it may sell around 130 million cables i.e. nearly 20% growth in volume. In fact, for Q1FY13 on a standalone basis, it recorded 20% growth in sales to Rs.96 crore whereas PAT shot up 65% to record high level of Rs.13.60 crore for the single quarter. Thus it posted an EPS of Rs.1.1 for Q1FY13. For entire FY12, its sales stood at Rs.415 crore (up 25%) and PAT at Rs.39 crore (up 30%), thereby clocking an EPS of Rs.3.30 on equity of Rs.12.00 crore having face value of Re.1 per share. At the current market cap of Rs.275 crore, it is trading at a P/E multiple of just 7, which is reasonably cheap. Considering the company's leadership position and growth plans, SEL deserves much better discounting. Accumulate at sharp declines.

STOCK ANALYSIS

Kakatiya Cement Sugar & Industries: Low risk stock

By Devdas Mogili

Kakatiya Cement Sugar & Industries Ltd. (KCSIL), formerly known as Kakatiya Cements Ltd., is a 33-year old Hyderabad (Andhra Pradesh) based company established in 1979. It was promoted by P. Venkateshwarlu with equity support from Andhra Pradesh Industrial Development Corporation.

The company's business can be broadly categorized into three divisions viz., Cement, Sugar and Power. The cement plant of the company is located in Nalgonda District of Andhra Pradesh, whereas the sugar and power plants are located in Khammam District of Andhra Pradesh. P. Venkateshwarlu is the chairman and managing director of the company.

The installed capacity of the company's Cement Division was raised from the initial 66,000 TPA to 1,98,000 TPA and again to 2,97,000 TPA whereas that of the Sugar Division was raised from 2500 TCD to 3200 TCD at present.

The company manufactures and markets all kinds of portland cement, limestone, etc. to its major clients in Andhra Pradesh. It commenced commercial operations from Feb.'83 but its capacity utilization has always been above 100% and for many years it was 125% of the licensed capacity. The operations of the company have been profitable since inception.

KCSIL was awarded the ISI certificate for its quality and standards. Because of its high compressive strength its cement is utilized for any construction like multi-storied buildings, flyovers, barrages etc.

Sugar: The Sugar Division crushes over 4 lakh MT of sugar cane on an average per year.

Readers may recall that over the last few months several mid and small cap stocks like Granules India, Deccan Cements, Alembic Pharma, Aarti Industries were recommended in this column and rose to hit their 52-week highs. Granules India touched a high of Rs.154.9 (Rs.101), Deccan Cements Rs.238.9 (Rs.203.7), Alembic Pharma Rs.62.50 (Rs.52), Aarti Industries Rs.78.50 (Rs.68.8). All these shares were recommended during the months of April/May 2012 or thereafter when there were practically no takers as they were thinly traded.

However, the scenario changed for the better after their stories appeared in **MONEY TIMES**. They not only gained recognition by marketmen but their liquidity also improved. As a result, these shares have appreciated within a short span of two/three months that too in a weak and lacklustre market. This speaks of the quality of recommendations appearing in **MONEY TIMES**.

This week around, yet another small cap stock i.e. Kakatiya Cements Sugar & Industries Ltd. is being brought to the notice of **MONEY TIMES** readers for their benefit. Just trust **MONEY TIMES** and you are destined to make **MONEY** many **TIMES**. **– Devdas Mogili**

Power: The company has set up a 17 MW Cogeneration Power Project based on bagasse at a cost of Rs.48.8 crore. Out of the 17 MW, it supplies 6 MW to the State grid while utilizing 5 MW for its cement unit and 6 MW for the sugar unit.

Performance: For the unaudited full year FY12, its sales zoomed 67.75% to Rs.169.09 crore from Rs.100.78 crore in FY11 while the net profit skyrocketed by 465.98% to Rs.22.13 crore in FY12 from Rs.3.91 crore in FY11. The company registered a basic EPS of Rs.28.47 and diluted EPS of Rs.27.94 for FY12.

Financial Highlights:				(Rs. in lakh)
Particulars	**Q4FY12**	**Q4FY11**	**FY12**	**FY11**
Total Income from operation	4967.55	3956.44	16908.44	10077.80
Total Expenses	3947.39	2959.39	14248.24	9888.02
Other Income	108.08	24.28	388.37	230.89
Finance Costs	0.85	4.69	9.28	34.42
Tax Expenses	257.81	(6.67)	824.03	(4.90)
Net Profit	**869.58**	**1023.31**	**2213.26**	**391.15**
Equity Capital (FV: Rs.10)	777.39	777.39	777.39	777.39
Res Ex Rev Reserves	-	-	-	12626.75
Basic EPS (Rs.)	**11.19**	**13.16**	**28.47**	**5.03**
Diluted EPS (Rs.)	**10.98**	**12.92**	**27.94**	**4.94**

Latest Results: The company recorded a total revenue of Rs.49.68 crore with a net profit of Rs.8.70 posting a basic EPS of Rs.11.19 and diluted EPS of Rs.10.98 for the quarter ended March 2012 (Q4FY12).

Financials: The company has an equity base of Rs.7.77 crore with a share book value of Rs.198.29. It has a negligible debt:equity ratio of 0.8 with RoCE of 3.04 and RoNW of 2.93. The company's price to book ratio is at 0.44 while market capitalization to sales ratio is at 0.67.

Share Profile: The company's share with a face value of Rs.10 is listed on the NSE and on BSE under the B group. Its share price hit a 52-week high/low of Rs.98.20/Rs.57. At its current market price of Rs.90.65, the company has a market capitalization of Rs.70.47 crore.

Dividends: The company has been paying dividends as shown: FY12 - 27%, FY11 - 27%, FY10 - 27%, FY09 - 24%, FY08 - 24%, FY07 - 20%, FY06 - 20%, FY05 - 20%, FY04 - 20%, FY03 - 20%, FY02 - 20%.

Shareholding Pattern: The promoters hold the major chunk of 51.70% while the balance 48.30% is held by non-corporate promoters, institutions and the Indian public.

Prospects: Owing to the increased construction activity and launch of new infrastructure projects, the off-take of cement is likely to increase in the days to come. Given its efficient management and the sustained demand for cement, KCSIL's outlook for next year is encouraging.

With regard to sugar, being an agro-based industry it needs good rainfall and irrigation facilities. However, with the expectation of a reasonably good monsoon the area under sugar cultivation is likely to improve resulting in considerable improvement over the last crushing season.

As far as Power operations are concerned, with higher sugar cane crushing, the availability of bagasse will rise, resulting in higher generation of power. Besides, the directives issued by the Government of Andhra Pradesh for generation of power during the non-crushing season by using coal as fuel will also improve the performance of the power division.

Conclusion: KCSIL is one of the oldest Mini Cement Plants in Andhra Pradesh that has earned a good reputation across South India. For over two decades, it has met the demand of the core sector with its quality cement, used for concreting Railway Sleepers, cementing Oil Wells or shaping dream houses.

Further, Cement, Sugar and Power being basic industries, there is no risk of product obsolescence or steep fall in demand by way of product substitution. The company is, therefore, unlikely to experience major risks or concerns in the near future.

At its current market price of Rs.90.65, the KCSIL share discounts less than 4 times its FY12 diluted EPS of Rs.27.94. In the light of its excellent earnings, good dividend payouts, presence in core industries, hefty book value, attractive price to book value and market cap to sales makes KCSIL a solid buy for the short-to-medium-term investment. The downward risk is minimal while chances of appreciation are quite high.

MARKET REVIEW

Key indices gain momentum

By Devendra A. Singh

The BSE Sensex (30-share index) settled at 17197.93 for the week ended Friday, 3 August 2012 with an advance of 358.74 points (+2.13%) whereas the CNX Nifty closed with a rise of 115.85 points (+2.27%). The BSE Small-Cap index climbed +2.96% and the BSE Mid-Cap index was up +3.14%. Both these indices outperformed the Sensex. Key indices gained in 3 out of the 5 trading sessions last week.

The market registered consolidated gains as FMCG stocks advanced, which supported the market sentiments during the week.

The RBI has cut its GDP growth forecasts for FY13 to 6.5% from 7.3% estimated in its April 2012 monetary policy. The RBI said "the earlier forecast was based on the expectation of a normal monsoon and improvement in industrial activity. Both these expectations did not hold, it conceded." Also, the central bank has revised upwards its baseline projections for WPI inflation. It was up from 6.5% to 7%.

The RBI, however, has cut SLR rate from 24.0% to 23.0% of their net demand and time liabilities with effect from the fortnight beginning 11 August 2012.

"The reduction in SLR is expected to ensure credit flow to productive sectors. In the current circumstances, lowering policy rates will only aggravate inflationary impulses without necessarily stimulating growth. As the multiple constraints to growth are addressed, the Reserve Bank will stand ready to act appropriately" RBI Governor, D. Subbarao said.

"Meanwhile, managing liquidity within the comfort zone remains an objective and the Reserve Bank will respond to liquidity pressures, including by way of OMOs (open market operations). In a turbulent global environment, the risks of external shocks are high and the RBI stands ready to respond to any such shocks swiftly, using all available instruments" he added.

The policy actions are expected to anchor inflationary expectations and maintain liquidity to facilitate smooth flow of credit to productive sectors to support growth, the central bank said.

"The primary focus of the monetary policy remains inflation control in order to secure a sustainable growth path over the medium-term. While monetary actions over the past two years may have contributed to the slowdown in growth as an unavoidable consequence several other factors have played a significant role," the RBI Governor stated in the monetary policy.

"India's current account deficit (CAD) could be less in FY13, compared to FY12" he added.

The Planning Commission Deputy Chairman, Montek Singh Ahluwalia said that, "the RBI has taken a cautious stance due to sticky inflation in its quarterly review of monetary policy by keeping the key rates unchanged."

"As far as looking ahead is concerned, the RBI has taken a slightly cautious stance because of its concerns that inflation is sticky. I have no difficulty with that. The RBI is aware that if the monsoon does not improve then there may be some pressure on the inflation. There is no harm being little cautious on this," he added.

On the growth projections he said that, "they have chosen 6.5%, I think that is quite reasonable. If we grow at 6.5% in the current year, then it will be actually a good performance. It will require pick up from the performance of the last quarter Q4FY12.

On investments in the country he said that, "I do not believe that investments are affected by what happens to the short term repo rate. This is one of the biggest problems in perception. There are many things which need to be done to revive investor sentiment."

CII welcomes the cut in SLR to 23% thus improving liquidity in the banking system however CII said that it has disappointed with the RBI's decision to maintain the status quo in policy rates and in a way missed an opportunity to revive growth momentum in the economy.

The India Meteorological Department (IMD) on Thursday, 2 August 2012, said the El Nino weather pattern is likely to reduce rains again in the second half of the June to September monsoon season. The IMD said rains over the entire June to September season are now expected to be less than 90% of long-term average. This is lower than IMD's previous forecast of 96%. Monsoon rains are considered deficient (a drought in layman's terms) if they fall below 90% of a 50-year average. Between June 1 and August 1, rainfall was about 19% below normal. The IMD expects normal rains in August a critical month for summer crops. It expects rainfall to be 5-6% below average in September due to the possibility of El Nino. The weather office said rainfall during August-September is expected to be 91% of the long-term average.

S&P's credit ratings services assigned a 'BBB-' rating to Export-Import Bank of India's proposed issue of senior, unsecured five year notes. The rating on these notes reflects the long-term counter-party credit rating on Exim Bank India. The proposed notes would constitute the direct, unconditional, unsecured, and unsubordinated obligations of Exim Bank India. They should at all times rank at par among themselves and with all other unsecured obligations of the bank, it added.

Key indices advanced on Monday, 30 July 2012 on the back of firm European stocks and helped the domestic market to post gains. The Sensex edged higher 304.49 points (+1.81%) to close at 17143.68 whereas the Nifty was up 99.95 points (+1.96%) to close at 5199.80.

Key indices on Tuesday, 31 July 2012 registered marginal gains on expectations that RBI will cut key interest rates. The Sensex gained 92.50 points (+0.54%) to close at17236.18. The Nifty ended higher 29.20 points (+0.56%) to close at 5229.00.

Key indices on Wednesday, 1 August 2012 ended higher in-spite of unchanged policy rates in RBI's monetary policy. The Sensex ended marginally higher by 21.20 points (+0.12%) to close at 17257.38. The Nifty ended marginally up 11.50 points (+0.22%) to close at 5240.50.

Key indices declined on Thursday, 2 August 2012 on weak monsoon hurting market sentiments. The Sensex drifted lower 33.02 points (-0.19%) to close at 17224.36. The Nifty edged down 12.75 points (-0.24%) to close at 5227.75.

Market performance ended weaker on the last day trading session Friday, 3 August 2012. The Sensex tanked 26.43 points (-0.15%) to mark a close at 17197.93. The Nifty edged down 12.85 points (-0.23%) to close at 5215.70.

The Sensex advanced 358.74 points to settle at 17197.93 last week. Investors will keep watching the management commentary that would accompany the result, which could cause a revision in their future earnings forecast of the company for the current year or the next year.

On the global front, market participants will closely watch the developments in the Euro zone and on China's growth stability, which is another vital factor that will decide the global market trend in future.

CORPORATE

"We had the best quarter in the history of the company"

- Anant Bajaj, Joint MD, Bajaj Electricals Ltd.

Mr. Anant Bajaj, Joint MD, Bajaj Electricals Ltd. joined the company as Project Co-ordinator in 1999 and was responsible for setting up the Rs.450 crore High Mast Manufacturing and Galvanizing Plant at Ranjangaon, near Pune. As an acknowledgement of his growing understanding of the intricacies of managerial duties, he was appointed General Manager, Special Assignments, in 2005. Through his vision and determination, the company's export arm, Bajaj International Pvt. Ltd., made successful forays into businesses as diverse as IT and Solar products. In February 2006, Mr. Bajaj was appointed to the Board of Bajaj Electricals Ltd. as Executive Director. Presently, he is also on the Board of Directors of Hind Lamps Ltd., Hind Musafir Ltd. and Bachhraj Factories Ltd. His degree in Commerce from HR College laid the foundation for a career in business. Subsequently, a Post Graduate diploma from S.P. Jain Institute of Management Studies equipped him to handle the responsibilities to develop his innate entrepreneurial abilities. Currently, he is pursuing OPM (Owner President Management) Program at the prestigious Harvard Business School to be completed by 2013.

Bajaj Electricals Ltd. (BEL), is a 74-year old trusted company with a turnover of Rs.3100 crore and is a part of the US $7 billion (over Rs.38,000 crore) Bajaj Group. It has six strategic business units – Engineering and Projects, Appliances, Fans, Luminaires, Lighting and Morphy Richards. It has 19 branch offices spread in different parts of the country, which are supported by a chain of about 1000 distributors, 4000 authorized dealers, over 4,00,000 retail outlets and over 282 Customer Care centers. BEL is well-established in a wide range of products such as lamps, tubelights, CFLs, luminaires, small household appliances, ceiling fans and table fans as well as turnkey engineering services. The company is also into manufacturing Transmission Line Towers and Rural Electrification and has received various accolades and awards for its Brand and advertising campaigns.

Speaking to Hemant P. Maradia of India Infoline Ltd., Mr. Anant Bajaj says, "We are hopeful of staging a comeback in the Engineering & Projects segment in the second half of FY13." Excerpts from the interview.

Could you take us through the main highlights of Q1FY13 results?

We have registered a good increase in our topline during the first quarter with net sales up by 22.4% to Rs.6.66 crore. However, the bottomline has been muted. PBT stood at Rs.18.25 crore versus Rs.17.06 crore clocked in the same period last year. The net profit was up by about 8% from Rs.11.08 crore in Q1FY12 to Rs.119.8mn this quarter.
We had very solid growth in the Consumer Durables segment especially in Appliances. Products like Induction Cookers and other new products made a big impact.
We had issues with sales of Fans due to an unusually mild summer, which had an adverse effect on margins.
As far as Engineering Projects is concerned, the sales growth was very nominal. Although we had some cross correction in Q1FY13 by closing project sites, etc. the actual results will start showing only in Q3 and Q4.
First quarter tends to be tepid for the Engineering Projects division but this year's performance is slightly better than last year. There has been a loss of Rs.7 crore in this segment during Q1FY13 compared to a loss of Rs.7.6 crore in the year-ago period.
We are, however, hopeful of staging a comeback in this segment in the second half of FY13.
In the Lighting segment, sales have seen good growth but the margins were compressed.

What is the outlook going forward?
As a company, we have taken a few initiatives that will stand us in good stead in the future. We have started working on the domestic production of Glassline Water Heaters with the help of our vendors. So far, we have been importing these products from China. This will help us improve margins because the exchange rate impact will reduce dramatically.
Also, Induction Cookers have been a roaring success. In the last 18 months, this product line has moved from zero to Rs.100 crore in sales. We are also planning to launch Industrial Induction Cookers. We aim to cater to institutions such as hotels with our range of Industrial Induction Cookers.
We are also going to launch a product called as Air Fryers, which have become a rage in the market lately. This is basically oil-free frying of foods. Our competitors are selling them right now at a premium. We plan to offer the same product at a competitive rate.

What will be the key growth drivers going forward?
We are planning to set up a new R&D centre soon. At the moment product development is done by various divisions in an independent manner. The new R&D centre will take care of the requirements of all the divisions. This will also reduce the duplication of work. We intend to synergise our in-house R&D strengths and scale it up in a big way.
The restructuring, that we undertook in the earlier part of the year, has certainly started paying some dividends. We split the company into two parts – B2B and B2C. Appliances, Fans, Lighting and Murphy Richards fall under B2C while the Luminaires and Engineering Projects fall into B2B.
It is a 1-2-3 kind of situation. There is one company called Bajaj Electricals. There are two verticals – B2B and B2C. Then there are three segments – Engineering Projects, Lighting and Consumer Durables.
We had the best first quarter in the history of the company. Even the January to March quarter of FY12 was the best fourth quarter. Synergies have started kicking in. We have taken steps to improve customer service. To make it even better, we are implementing a project called "Theory of Constraints".
The focus is getting shifted from primary sales to secondary sales. This is a big mindset change for the company. We are already starting to see some success in a very short span of time. Some areas of operations will still take some time to adjust. But, overall we are on the right track and the benefits have already started to show. We expect to see even more benefits, which will make the company stronger.
We already have a very sound Oracle ERP system, which we put in place a couple of years back. That has also shown its own benefits. The Theory of Constraints will only add to it. Our R&D initiatives will also enhance our products with new innovations based on customer feedback.

What prospects do you see for the Engineering Projects division?
In the Power Transmission lines business, Bajaj Electricals wasn't there 10 years ago. We entered this business in 2002. We have learnt pretty quickly considering the industry standards. We hope to come back strongly in the Engineering Projects segment. We are sitting on an order book of Rs.700 crore and are expecting good order inflows.
Another significant development took place at the start of FY13, when we started exports and imports through Bajaj Electricals. Earlier, it used to happen via Bajaj International Pvt. Ltd. That has also started showing results with the company attaining Rs.130 crore of exports in the first quarter of FY13.

How do you see the overall consumer demand in the country?
Consumer demand is sluggish; it is not growing at a pace it was a couple of years back. Consumers will come back if inflation recedes and the overall sentiment improves.

What is happening now is that stores are getting a lot of footfalls but they are not getting translated into sales. Diwali will be the right time to ascertain the consumer sentiment. Even now, we have Ramzan going on and Onam is also round the corner. Onam will also give a clearer indication of consumer sentiment because it is a very important time of year in South India.
With the rains falling short of the average mark this year in many parts of the country, the rural demand could be affected. Government policies in the coming months will also play an important role in shaping the consumer sentiment.
For our products, at least, the consumers don't have to think too much to buy. If a person wants to buy a CFL, he/she will go ahead and purchase it, recession or no recession. But the situation could be different in case of an Induction Cooker, which is a slightly expensive product. Still, we are lucky that most of our products are not too costly. Most of our B2C products are up to a range of Rs.3,000 to Rs.5,000. Most of them are very much affordable.
Institutional demand for consumer products, including that from the Government side, is a different ball game.
I am optimistic that the Indian consumer will come back strongly. May be they actually want to spend but are worried about inflation rising further. Even for essential items, the consumers are probably thinking twice before spending.

Have you revised prices lately?

Yes, we have increased prices of some B2C segment products in July. There may be another round of price hikes soon. We should be able to improve margins with these price increases.

(Courtesy: www.indiainfoline.com)

GURU SPEAK **- By G.S. Roongta**

Market unlikely to fall

The Indian stock market indices, as reported in the last issue of Money Times, are back at the BSE Sensex 17K plus and CNX Nifty 5200 plus levels after the initial setback faced on account of the July 2012 F&O contracts' expiry on Thursday, 26 July 2012.

G. S. Roongta

The bulls were unable to carry forward their outstanding positions because of government inaction on some important reforms anticipated immediately after the presidential elections.
In reality, the market has been range bound for quite some time while moving between Sensex 16K & 18K and Nifty 4800 & 5400, which has proved to be a battle field for the bulls & bears. Prompted by global and domestic cues, the markets rose or fell as they were mostly influenced by the Euro zone crisis and the slow pace of growth across the world. Despite several relief packages offered to various European nations, their woes and worries are not over leading to a fresh hue & cry time and again.
As lamented before, the Indian stock market is basically a sellers' market dominated by high networth investors (HNIs), mutual funds and domestic institutions who hold quite a large chunk of stake in companies. In a lacklustre market, these entities hedge their stakes through short selling in the F&O market and cover their positions either at lower levels or give delivery if the market goes up on any positive cues and short sell again the next month.
This is a continuous process in weak market sentiments, which is quite evident with the HNIs, mutual funds and domestic institutions turning contrarians whenever the FIIs turn buyers in Indian markets. The FIIs, as reported in this column over the last 3/4 weeks, have been regular buyers worth over Rs.52,000 crore till end July 2012 over the last 7 months of calendar 2012.
Where has this Rs.52,000 crore gone? Had these entities not sold or supplied the stocks to the FIIs there would be significant rise in stock prices.
Mutual funds have been underperformers since 2009-10 with low returns mostly below fixed deposit rates and have been under great pressure to sell as several subscribers opt for a premature closure of policy schemes.
Similarly, HNIs are continuously selling specific stock Calls in the F&O segment at hefty premiums against spot prices hedging their holdings to earn month after month. This is the reason why the volume in the F&O segment is continuously rising to hit a high of Rs.2,00,000 crore a day whereas the volume in the cash segment, where delivery is compulsory, is drifting lower & lower with NSE listed stocks making a new low of Rs.6000-8000 crore per day as against Rs.20,000 crore per day earlier. The BSE volume has hit a low of Rs.1500-2000 crore per day and is proof of the fact that interest has shifted from the cash segment to the F&O segment from an investors' market to a speculators' market!
In a speculative market, greed & fear always prevail leading to sharp fluctuations in sensitive stocks and F&O stocks while the rest of the stocks move within a narrow range between Re.1 to Rs.2.
It is indeed a great irony that the Indian stock market, which is the largest with over 5000 stocks listed on both the exchanges witnesses trading only in 10% of the stocks on a daily basis leaving behind the majority 4500 stocks that are hardly traded even on a weekly basis. This makes the market most dull and devoid of any investor interest at the retail

level. Thus investors continue to flee the market for almost a decade, which is quite evident by the fact that public holding in listed companies is drifting lower and lower from a high of 40% to 45% in the Eighties & Nineties to less than 20% currently.

Most promoters have also enhanced their stake between 40% to 50% and are more comfortable to service a lower number of portfolios with higher stakes like mutual funds, banks, domestic institutions, FIIs and HNIs who mostly play in the F&O segment and very little in the cash segment. This makes the market rather narrow reducing the number of players and the number of transactions, which in turn reduces the popularity of equity markets with retail investors.

In view of these serious developments, the market is gradually turning boring and listless devoid of any retail interest leaving it range bound most of the time. It springs to life only on issue based events temporarily for a few days.

The Sensex after rising 304.49 points on Monday, 30 July 2012, closed at 17143.68 followed by a 100-point rise on the Nifty at 5200, which placed the market once again at a comfortable level. But the question of reliability of this rise to sustain at higher levels remains as higher levels always attract profit booking or selling pressure.

On Tuesday, 31 July 2012, the Sensex gained 92.50 points at 17236.18 followed by the Nifty rising 29 points at 5229, which brought the market to its one month back level. But the next two days again proved to be lacklustre as higher levels seemed risky to sustain without any positive trigger.

Thus the market witnessed a brief rally on Wednesday, 1 August 2012 as the Sensex rose to a high of 17300 and finally closed with a minor gain of 21 points at 17257.38 while the Nifty closed at 5240.50. Both these levels are considered to be sensitive from the F&O segment point of view.

On Thursday, 2 August 2012, the market struggled hard as pointed out above at this level and slipped by 33 points at 17224.36 and the Nifty drifted 12.75 points at 5252.25 finding resistance to move up further.

On Friday, 3 August 2012, the markets opened weak keeping with weak Asian markets when the Sensex hit a low of 17026.97 with a loss of over 197 points. But it recovered mid-session on the back of firm European markets to close the day at 17197.93 with a loss of just 26.43 points. Correspondingly, the Nifty closed at 5215.70 with a loss of 12.05 points.

FIIs have been sole buyers right since 27 July 2012 onwards ploughing Rs.642 crore on 27 July, Rs.1206 crore on 30 July, Rs.928 crore on 31 July and Rs.441 crore on 1 August while domestic institutions, mutual funds, HNIs and retails investors were the sellers as stated in the beginning of this article.

We have been highlighting about the FIIs buying continuously for several weeks now. But this news has just come into focus in mainline business papers on 2 August 2012. Thus readers of Money Times can very well see how our observation about the market is always ahead of any TV or print media covering market sensitive and quality news.

Similarly, I have been pointing out the declining crude oil prices from a high of US $125 per barrel to an average US $100 per barrel, which will have a good impact on Trade & Industry. But this aspect will be featured by the mainline media at a much later date when its impact starts influencing corporate bottomlines.

Presently, the TV channels and print media are busy highlighting inflation, Rupee decline and weaker monsoon thus making the market sentiments more weak forgetting the positive cues.

The Reserve Bank of India Governor once again disappointed the market by keeping the repo and reverse repo rate unchanged but the 1% cut in SLR provided some relief to the market and proved to be a cushion for the time being.

Of all the sectors, it is the Cement sector that is currently contributing to the bullish sentiment in the bearish market despite the weak monsoon. The other sectors will shine from September 2012 onwards as the Indian economy recovers after some positive triggers are provided by the government now that P. Chidambaram is back as Finance Minister.

STOCK WATCH - By Saarthi

Although the Q1FY13 performance of **Orient Paper (Code: 502420) (Rs.65.75)** is subdued, its share price is still hitting new highs. Actually, the company has decided to hive off its cement division into a separate listed entity - Orient Cement Ltd. For Q1FY13, while sales rose 20% to Rs.668 crore, the EBITDA declined by almost 12% to Rs.103 crore and accordingly its PAT was almost 20% lower at Rs.49 crore. However, its FY12 performance was impressive as total income shot up 25% to Rs.2513 crore and PAT zoomed 50% to Rs.212 crore clocking an EPS of over Rs.10 on its equity of Rs.20.50 crore having face value of Re.1 per share. Part of the C.K. Birla group, it is a multi-location, multi-product entity with major interest in cement, paper and electrical items. It has a cement plant in Andhra Pradesh and a grinding unit in Maharashtra with an aggregate capacity of 5 MMTPA. The paper unit at Madhya Pradesh has a total capacity of 1,10,000 tonnes p.a. The electrical division is in Haryana & West Bengal and after the recent expansion has a total fan capacity of 80 lakh units and CFL capacity of 211 lakh units p.a. The cement division manufactures Portland Pozzolana Cement and Ordinary Portland Cement which are sold under the brand names of 'Birla A1' and 'Orient Gold' respectively. The paper products are sold under the brand names of 'Diamond Touch', 'Orient' and 'First Choice'. The electrical division sells all types of electric fans and CFLs under the 'Orient PSPO' brand and offers components & accessories as well. Apart from catering to the domestic market, the company is a leading exporter of fans from India. To reduce its production cost, the company is in the midst of putting up a 55MW power plant in the paper unit, which is expected to go live shortly. The company also has coal linkages which meet 75% of its requirement. To accelerate its growth momentum, the company has decided to augment its cement capacity to 8 MMTPA. For this, it is setting up a 3 MMTPA cement plant in Gulbarga district of Karnataka supported with a 50MW captive power plant and expects to start commercial production in 2014-15. The total cost of this project is estimated to be Rs.1720 crore. At the current market cap of Rs.1300 crore, the scrip is trading at a P/E multiple of little over 6. Although its share price may continue to move up or hold till the actual demerger, investors should buy only at sharp declines.

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For Q1FY13, while total income of **Federal Bank (Code: 500469) (Rs.405.70)** rose 20% to Rs.1,661 crore, PAT shot up 30% to Rs.190 crore. It is an old, mid-sized, private sector bank predominantly operating in the home state of Kerala. It is the fourth largest in the private sector in terms of branch network with 950 branches across India. Recently on 10 March 2012, it created a record by opening 100 new branches on a single day. It is among 22 scrips rated as the most dependable meeting the stringent criteria and performance parameters on the bourses. For FY12, the total business of the bank (deposits plus advances) rose to Rs.86,693 crore from Rs.74,968 crore in FY11. Its total income shot up to Rs.6091 crore from Rs.4569 crore. Net interest income for FY12 rose to Rs.1953 crore from Rs.1747 crore in FY11. Gross NPAs as percentage to Gross Advances stood at 3.35% as against 3.49% in FY11 and Net NPAs at 0.53% of Net Advances as against 0.60%. Notably, the bank enjoys very strong capital adequacy ratio (CAR) in line with Basel II norms at 16.64%, which is significantly higher than the 9% stipulated by RBI. Of this Tier-I capital adequacy is at 15.86% which is among the highest in the banking industry. Last fiscal, the bank strengthened its recovery mechanism with the help SARFESI Act and other recovery tools more effectively. As a result, recoveries picked up significantly over the last few quarters with a recovery rate of 58.12%. The Bank has also strengthened its risk management systems and has separated the two functions of credit appraisal and credit sourcing. Its business per employee and profit per employee as on 31 March 2012 rose to Rs.10.11 crore and Rs.9.11 lakh respectively from Rs.9.23 crore and Rs.7.26 lakh as on 31 March 2011. At the current market cap of Rs.7000 crore, the stock is trading at a P/E multiple of 9, which is not cheap. But long-term investors can accumulate at declines for steady return over the long-term.

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Recently, **Shalimar Paints (Code: 509874) (Rs.546)** reported encouraging results for Q1FY13 as sales improved by 20% to Rs.122 crore and PAT shot up 35% to Rs.3.10 crore. For FY12, it had recorded a topline of Rs.487 crore (up 20%) and bottomline of Rs.14.50 crore (up 25%) thereby posting an EPS of Rs.38 on its tiny equity of Rs.3.80 crore. It is the oldest & one of the most well-known paint manufacturing companies in India having set up the first manufacturing facility in 1902 at Howrah near Kolkata. Today, it is ranked in the top five paint companies having presence in decorative and industrial segments. Its product portfolio comprises a wide product range of architectural coatings - interior as well as exterior, high performance coatings, can coatings, stoving systems, marine coatings along with new generation products like water based and high solid industrial paints, wood finishes, solvent borne paints and aviation coating. In fact, it is the 3rd largest player in high performance coatings and also has a significant presence in packaging coatings. It services marquee clients in industries such as oil & gas, petrochemicals, fertilizers, power, steel, engineering, shipping, auto ancillaries etc. It also has tinting systems under the brand name 'Color Space' wherein it offers over 9000 shades across all product lines to its customers. It boasts of three manufacturing plants spread across east, west & north India with a total capacity over 57,000 TPA. It has established 54 branches and depots that service over 7000 dealers all across the country. At the current market cap of Rs.200 crore, it is trading at a P/E multiple of less than 14. Technically, the scrip has appreciated smartly in the recent past. Since larger players like Asian Paints, Kansai Nerolac, Berger and Akzo command a premium due to higher profitability, Shalimar, too, deserves better valuation. Investors are recommended to buy it at sharp declines and hold it for a couple of years at least. Apart from working fundamentals, its share price can also shoot up due to a change in management. As per the grapevine, both the Jindals and Jhunjhunwalas are looking to sell their stake for quite a long time. The transaction may happen at a significant premium and will also trigger an open offer.

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Last week, **PSL Ltd. (Code: 526801) (Rs.58.10)** came out with its Q1FY13 numbers. While sales grew by 20% to Rs.638 crore, EBITDA rose 30% to Rs.122 crore. However on account of higher interest cost of Rs.72 crore (against Rs.44 crore for Q1FY12), PAT remained flat at Rs.14.80 crore, posting an EPS of Rs.2.80 for the quarter. For the entire FY12, its sales stood at Rs.2291 crore and PAT at Rs.54 crore clocking an annual EPS of Rs.10 on its equity of Rs.53 crore. Against this, it distributed 40% dividend i.e. Rs.4 per share leading to a whooping dividend yield of 7% at the current market price (CMP). Company is one of India's largest producer/manufacturer of HSAW pipes. Today, it boasts of 12 pipe mills with aggregate installed capacity of 13,50,000 TPA and 22 coating plants comprising plants for internal liquid epoxy coating, external 3LPE coating, CTE coating, tape coating, concrete weight coating, cement mortar coating. In addition, its various plants are engaged in manufacturing ancillary products & services related to pipe manufacturing & coating including manufacture of sacrificial anodes, induction pipe bending etc. Importantly, to cater to the overseas markets the company via its subsidiaries has established two facilities abroad – one mill in Sharjah, United Arab Emirates and the second in Mississippi, USA. Over the last six months, the company has bagged some huge contracts amounting to over Rs.2200 crore and has a robust order book position. This includes a prestigious order worth about Rs.570 crore from Indian Oil Corporation for the manufacture of pipes and provisions of ancillary coating services towards the Salaya - Mathura Pipeline De-Bottlenecking Project. Due to full capacity utilization at the Sharjah pipe mill, company has decided to put up another pipe mill with a name plate capacity of 75,000 TPA to undertake bigger projects. With this, its Sharjah capacity will stand enhanced to 1,50,000 TPA and total capacity of PSL to around 18,00,000 TPA. Considering the Indian economic situation and the global scenario, only long-term investors can accumulate this scrip at declines and hold it for couple of years for good returns.

FIFTY FIFTY - By Kukku

*** Zenith Fibres (Rs.36.05)** is the only company in India manufacturing the entire range of Polypropylene Staple Fibre (PPSF). This ISO 9001:2000 company also trades in Polypropylene Spun Yarn. The company was incorporated in 1989 and was promoted by The Rungta Group, a multicrore conglomerate.

FY12 saw the highest revenue, production and sales since the inception of the company. The FY12 turnover was Rs.5349.94 lakh as against Rs.4177.55 lakh in FY11. Operating profit stood at Rs.654.09 lakh as against Rs.481.87 lakh in FY11. Cash profit amounted to Rs.638.58 lakh as against Rs.467.33 lakh in FY11. Profit before tax stood was Rs.544.32 lakh as against Rs.372.55 lakh in FY11 and Profit after tax stood at Rs.354.12 lakh as against Rs.247.81 lakh in FY11.

Production during the year was higher at 4172 tonnes as against 3830 tonnes in the previous year. Sales of fibre including self-consumption for conversion was 4223 MT compared to 3809 MT last year. Sales of yarn was at 1078 MT as compared to 636 MT last year. The general outlook for the industry is bright. Several sectors have been identified where the use of PP fibre is essential. Besides traditional uses its use has started in various 'infrastructure sector' as fabrics are used for soil erosion and collection of ashes from power plants. To meet the increased demand, the company has been doubling capacity and commercial production should commence in the near future. Encouraged by the improved performance, the management has raised the dividend from 15% to 20%.

For Q1FY13, net profit rose 53% to Rs.1.38 crore from Rs.0.9 crore in Q1FY12. Sales rose 17.92% to Rs.12.90 crore in Q1FY13 from Rs.10.94 crore in Q1FY12.

Operating profit margin has shot up from 13.45% to 17.3% and the quarterly EPS is Rs.3.11. Given the encouraging Q1FY13 trend and the sharp rise in capacity, FY13 EPS may touch Rs.12/13 and to Rs.17/18 by FY14 when it gets the full benefit of increased capacity. Company also benefits by the weakening rupee as it has good exports to the Middle East.

It is a debt-free, cash rich, well managed company. FY12 ROCE was 20% while average ROCE of the last 5 years is 24%, which shows the efficiency of the company. Book value of the share is Rs.45. Stock is attracting knowledgeable big investors and has crossed resistance level of Rs.36 after a long time with good volumes.

Investors with a long-term view can accumulate this stock as defensive bet not only for decent appreciation but also for regular dividend.

*** PTC Financials (Rs.14)** has reported excellent Q1FY13 results as sales shot up 76% to Rs.50 crore while net profit jumped by 124% to Rs.22.95 crore.

During the quarter, the company has disbursed loans of Rs.400 crore against Rs.650 crore in full FY12. For FY13 it is likely to disburse around Rs.1500 to 1600 crore.

Outlook of the company is encouraging. Investors having patience can accumulate this stock for decent long-term growth.

*** TCPL (Rs.49.30)** has done exceedingly well for Q1FY13 as sales shot up 39.4% to Rs.86 crore while net profit zoomed 112% to Rs.3.09 crore even after providing 22% higher depreciation of Rs.4.92 crore. Thus the company made a cash profit of Rs.8.01 crore in Q1FY13 on its capital of Rs.8.7 crore. Exports during the quarter moved up sharply. The company is now getting the benefit of expansion and FY13 results are likely to be encouraging.

During the period, the promoter holding has gone up by 6.52% to 54.78% on conversion of warrant.

Book value of the share is Rs.77. With expected FY13 EPS of Rs.13/14 and cash EPS of around Rs.35, the stock looks very attractive at the current market cap of Rs.43 crore.

Investors can continue to hold the stock or even accumulate on dips for decent long-term growth.

***** Fundamentals of **Western India Shipyard (Rs.5.05)** are intact and it has a good order position. Investors can take benefit of this low valuation by accumulating it on dips.

***** Investors can continue to hold or accumulate **Gati Ltd. (Rs.37.90)** on dips as restructuring will help the company.

*** ISGEC Heavy Engineering (Rs.918.80),** previously known as Saraswati Industrial Syndicate, has Rs.2800 crore in sales on a small equity base of Rs.7.37 crore. Besides its strong fundamentals in assets based engineering units, the company also has a subsidiary, which has decent capacity in sugar crushing. Promoters have increased their holding by 5.81% through market purchases over the last 30 months. Investors can accumulate this stock on every dip.

*** EID Parry (Rs.213.20)** is another strong stock, which is likely to benefit from upturn in the sugar cycle. Investors can continue to hold this stock or even accumulate on dips.

*** JBF Industries (Rs.139.65)** stock is cum 80% dividend at the current price till 9 August 2012. It is most likely that company will declare a similar dividend of 80% for FY13. So if investors accumulate at the current level, they will earn 160% dividend over the next 12/13 months. This gives tax-free dividend yield of 11.5%. The company may report better results from Q2FY13 onwards. Thus there is good chance of capital appreciation too. Stock is recommended for accumulation. It has already given decent returns as stock was recommended earlier at Rs.100/102 level.

*** Sugar stocks** were recommended in this column over the last three months and many of these stocks have moved up by 50% as wholesale sugar prices have moved up from Rs.28/29 to Rs.36 per kg. The trend is likely to remain firm in view of expected drought in many parts of India. International prices, too, are firm. On expectations of a further rise in sugar prices, stockists and users will try to increase their stocks while the mills will release sugar gradually as the next crushing season starts only from mid-November or December. Imports, too, are not feasible. So we may see a further rise in the sugar prices.

Sugar stocks have not moved up that much as most sugar mills are now likely to report decent profits at current level of prices. Investors are advised to stay invested in this sector as the best has yet to come.

*** IG Petro (Rs.34.90)** stock has closed well and may be heading for the next upmove. Hold on to the same. This stock was recommended last week.

*** Note:** Many of our recommended stocks have given decent upmoves in an uncertain market situation too. Stocks like **Atul Ltd**, **Divi's Lab**, **Apcotex**, **Shasun Chemicals**, **Relaxo**, **Balkrisna Industries** have all moved up well during the week. Investors can continue to hold the same.

EXPERT EYE **- By Vihari**

Amara Raja Batteries: Expansion to drive further growth

The share of Amara Raja Batteries Ltd. (ABRL) **(Code: 500008) (Rs.306.95) FV (Rs.2)** is recommended for decent gains based on its growth prospects fuelled by expansion. The fundamentals of ARBL continue to excel.

In 2011-12, ARBL embarked on a capacity expansion programme, both in its four-wheeler and two-wheeler battery plants, at a capital outlay of about Rs.85 crore, which was to be completed by March 2012. The entire capital expenditure was funded by internal accruals.

Incorporated in 1985, ARBL, a company with 26% equity each from the Galla Family and Johnson Controls Inc, USA, is the technology leader and is one of the largest manufacturers of lead acid batteries for both industrial and automotive applications in the storage battery industry. The company has an integrated automotive battery manufacturing facility at Tirupati in Andhra Pradesh.

ARBL is a leading manufacturer of automotive batteries under the brands - Amaron and PowerzoneTM, which are distributed through a large pan - India sales & service retail network. The company's Industrial and Automotive batteries are exported to Asia Pacific, Africa and Middle East. ARBL's products comprise large, medium and small VRLA automotive batteries. The industrial battery product portfolio offers capacities ranging from 4.5 Ah to 5,000 Ah. ARBL has a strong pan-India distribution network of 18000 retailers and 240 franchisees, 800 exclusive retail partners across 2300 towns.

In the telecom sector, its batteries support switches and transmission (wire and wireless) networks; the Indian Railways use these batteries in coach air-conditioning; the batteries also support the transmission and distribution networks of power stations. The UPS batteries support IT and ITeS operations as part of UPS systems that regulate power supply to critical equipment during voltage fluctuations. Small VRLA batteries, launched in 2009-10 find application in small UPS and emergency lamps.

ARBL's major clients are OEMs like Ashok Leyland, Ford India, Daimler Chrysler, General Motors, Hindustan Motors, Honda, Hyundai, Mahindra & Mahindra, Maruti Suzuki, and Tata Motors. In the industrial segment, its clients are BSNL, Bharti Airtel, Nokia, BHEL, NTPC, Power Grid Corporation, Crompton Greaves, Doordashan and the Indian Railways.

During Q4FY12, sales rose 34% to Rs.671 crore and net profit by 42% to Rs.58.3 crore (YoY). For FY12, while sales advanced by 34% to Rs.2367 crore, net profit rose 45% to Rs.215.1 crore. The EPS stood at Rs.25.2 Vs Rs.17.3 in FY11. Its equity capital is Rs.17.1 crore and with reserves of Rs.806.4 crore, the book value of its share works out to Rs.96 making it a bonus candidate.

ARBL invested about Rs.62.5 crore in its gross block in 2010-11. It further invested Rs.34 crore in FY12 and the Debt:Equity ratio strengthened to 0.10 from 0.15:1 in 2011 and 0.17:1 in FY10. The value of its gross block is over Rs.610 crore. ARBL had a cash balance of a whopping Rs.229 crore (Rs.27/share) as at 31 March 2012. The promoters hold 52% in the equity capital. With Institutional holding of 19%, FII holding of 6% and PCBs holding of 3% leaves 20% with the investing public.

The recent capacity additions in both the four-wheeler battery plant (4.20 million units to 5.60

million units per annum) and the two-wheeler battery plant (3.60 million units to 5 million units per annum) will help ARBL capitalise on opportunities.

Amara Raja also plans to cap exposure to the low-margin OEM segment to about 25% of its revenues and the product mix is likely to shift 65:35 in favour of the auto segment, thereby reducing its dependence on the slow-moving telecom segment.

The UPS battery market continues to post a healthy annual growth of about 10-14%, which coupled with emerging applications like Solar and Motive Power, will propel the growth of the industrial battery business.

Steady volume growth in the auto segment, growth in the replacement category and strong potential of the UPS and railway/power application batteries could offset the deceleration in telecom. The automotive sector will propel ARBL's growth over the next few years with India expected to become the sixth largest passenger vehicles producer in the world with annual car sales projected to increase to over 9 million by 2020.

Both ARBL's industrial and automotive battery units have reported double digit growth and gained market shares. The continuing Eurozone crisis, volatile rupee and high inflation are causes for concern in the current financial year. However, the softening lead prices and ARBL's capability to perform with differentiated strategy will help it to sustain the growth momentum.

During FY13, ARBL is all set to post an EPS of Rs.30, which would further rise to Rs.34 in FY14. At the current market price of Rs.30.6.95, the share is traded at a P/E multiple of 10.2 on FY13 estimated earnings and 8 times its FY14 projected earnings. The ARBL share has all the potential to touch Rs.360 in the medium-term. The 52-week high/low of the share has been Rs.324/179.

TECHNO FUNDA

- By Nayan Patel

Dynemic Products Ltd.

BSE Code: 532707

Last Close: Rs.20.50

Dynemic Products Ltd. was founded in 1990 and is based in Ahmedabad. It is an ISO 9001:2000 and HACCP certified company that is engaged in the manufacture and marketing of food colours, flake colours, blended colours, salt free dyes, as well as drug and cosmetic colours in India and overseas. Its products are primarily used in food, drugs, pharma, cosmetics, personal care, beverages, confectionery, pet foods, dairy, and edible ink industries. The company also offers dye intermediates, which are used in the manufacture of food colours, acid dyes, reactive dyes, ramazol dyes, metal complex dyes, and direct dyes. The company's manufacturing facilities include two well equipped plants spread over 50,000 Sq. Mtrs. of area.

Last four years performance: (Rs. in crore)

Year	**Net Sales**	**Net Profit**	**EPS** (Rs.)
2008-09	49.11	1.90	1.68
2009-10	62.90	4.80	4.28
2010-11	63.69	5.71	4.99
2011-12	82.94	5.30	4.68

It has an equity base of Rs.11.33 crore that is supported by reserves of around Rs.27.10 crore, which is 2.39 times its equity. The promoters hold 41.28%, non-promoter corporate bodies hold 3.38%, foreign investors hold 0.69% while the investing public holds 54.65% stake in the company.

For Q1FY13, it posted net sales of Rs.23.34 crore with net profit of Rs.1.46 crore against net sales of Rs.17.96 crore with net profit of Rs.1.13 crore in Q1FY12 (Net profit rose 29.20% while net sales was up 29.95% during the quarter). For FY12, it recorded net sales of Rs.82.94 crore with net profit of Rs.5.30 crore against net sales of Rs.63.69 crore with net profit of Rs.5.71 crore in FY11. The Q1FY13 EPS is Rs.1.29 while the FY12 EPS was Rs.4.68. At the current level, the stock is available at a P/E multiple of 3.5. It has paid dividends as follows: FY07: 10%, FY08: 10%, FY09: 10%, FY10: 13%, FY11: 15% and for FY12 it has declared 13% dividend. At the current share price of Rs.20.50 the dividend yield is about 6.3%.

Technically, the stock has found support around its 200-day EMA. We, therefore, expect the stock will make a bottom near the current level and ready for an upward journey. We recommend to buy this stock with a stop loss of Rs.18. On the upper side, the stock will zoom to Rs.25-27 levels in the short-term while a close above this level will take it to Rs.34 level in the long-term.

MARKET FOLIO

Indian Overseas Bank Q1FY13 net up 13.5%

Indian Overseas Bank (IOB) has posted 13.5% rise in Net Profit at Rs.233.43 crore for Q1FY13 as against Rs.205.58 crore in Q1FY12.

The Total Income for the quarter rose 24.37% to Rs.5,402.84 crore from Rs.4,331.77 crore in Q1FY12.

The Bank's Total Business during the April-June 2012 quarter grew by 23.28% to Rs.3,33,248 crore form Rs.2,70,320 crore in the previous corresponding quarter. Of this, Total Deposits grew 22.3% to Rs.1,84,882 crore from Rs.1,51,173 crore in Q1FY12 while Gross Advances rose 24.52% to Rs.1,48,366 crore from Rs.1,51,173 crore in Q1FY12.

The Net Interest Income of the bank rose 11.84% to Rs.1,328.28 crore during Q1FY13 from Rs.1,187.63 crore in Q1FY12.

Its Gross NPA as on 30 June 2012 stood at Rs.4,409.70 crore (2.97%) as against Rs.3,291.64 crore (2.76%) as on 30 June 2011. Net NPA as on 30 June 2012 stood at Rs.2,152.09 crore (1.48%) as against Rs.1,258.16 crore (1.08%) as on 30 June 2011.

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