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Markets await reforms

By Sanjay R. Bhatia

The markets continued to display a range bound and sluggish behavior last week. The Q1FY13 earnings continued to paint an average picture while the monsoon continued to remain a worrying factor. Incidentally, 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 for the week remained negative amidst lower volumes.

Technically, the prevailing technical negatives continued to weigh on the market sentiment. The MACD, RSI and KST were placed below their respective averages on the daily charts. Moreover, the Stochastic was placed below its average and in the overbought zone on the weekly charts. Further, the Nifty's 50-day SMA is placed below its 100-day SMA and 200-day SMA. These negative technical conditions would continue to prompt selling pressure on the bourses.

However, a few technical positives still hold good. The Stochastic is placed above its average on the daily charts. Moreover, the RSI is placed in the positive on the weekly charts. The MACD and KST are placed in the positive territory on the daily charts. The Nifty is also placed above the 50-day SMA, 100-day SMA and 200-day SMA. These positive technical conditions would lead to buying support at lower levels.

The ADX line, -DI line and +DI line are moving sideways on the weekly charts indicating a range bound market. The market sentiment remains cautious. With the Presidential election results to be declared by Sunday, the markets will start hoping to see some reforms initiated by the government. If the Central Government still continues to delay announcing reforms, then increased selling pressure is likely to be witnessed.

Now it is important that the Nifty moves and closes above the 5250 level. Otherwise, increased selling pressure is likely to be witnessed and the Nifty could test its 200-day SMA currently placed around 5099 level. Follow-up buying support at higher levels remains largely absent on the bourses. The market sentiment remains cautious and would remain volatile due to the impending derivatives segment expiry on Thursday 26 July 2012. In the meanwhile, the markets would continue to take cues from the earnings season, global markets, crude prices, RBI's forthcoming monetary policy and the Rupee-Dollar equation.

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 Nifty are placed at 5114, 5099 and 4950 and it faces resistance at the 5250, 5333, 5379, 5464 and 5500 levels.
Investors should wait and watch.

BAZAR.COM

Obaamaa....Obaamaa....!!!

By Fakhri H. Sabuwala

Obaamaaa.... Obaamaaaa.... 'India'... teri.... fantasy!!!

Manmohan Singh's worry about the Indian economy is understandable but Washington getting sleepless nights over the next wave of economic reforms in India is questionable. USA seems overly worried about the deteriorating investment climate in India. President Obama cited concerns over this and endorsed a prescription of another wave of economic reforms. Although positive about the Indian economy, which continues to grow at an impressive pace, it is slower by Indian standards because of the larger slowdown in the global economy.

The US industry is hit hard by the entry barriers in various segments. FDI in retail is what it is waiting to happen and its denial is hitting the Walmarts of USA. He pleaded for approval of this move which shall create jobs in both countries-something that is so necessary for India's growth. To ensure that his comments are not misconstrued, President Obama added "It is not the place of US to tell other nations, including India, how to chart its economic future. That is for the Indians to decide."

It seems the inertia, which the Indian economy experiences, may be cured by his comments and wake-up call. Obama extends his supportive hand as a partner if the Indian government was to bite the bullet and make up for politically difficult yet economically prudent reforms. He praised the Indian government for lifting tens of millions of people out of the poverty net and creating the world's largest middle-class.

Such direct interest of the US President in our growth and his suggestions and support in the matter came as a healing balm to the market moves. It may be noted that 5 days prior to his comments and 3 days after it the FII investment figures remain positive. Manmohan Singh though a little upset with Obama's tweets should take it positively and bring the country out of the economic mess.

A few days before Obama's comments, we had the Singapore Prime Minister (PM), Lee Hsien Loong, also commenting about difficult business environment in

India, which complicates matters for investors who seek policy stability. Our PM responded to this and Obama's remarks and brought a few points home for our statisticians. Manmohan Singh's response to Obama's and Lee's comments was more factual in dispelling the dual fears on the investment climate in India. In the past twelve months, India and China have been the two countries that have attracted maximum foreign investments. Citing the UNCTAD world investment report, the PM said "India is the third most desirable destination for foreign direct investments." FDI inflows touched an all time high in 2011-12 at $50 billion in the post-reform period."

The BJP, too, reacted strongly with ex-FM Yashwant Sinha, lambasting Obama's comments as irresponsible and said that India does not need his advice on improving the investment climate. If we have a problem we are capable of addressing it together and that he better concentrate on his affairs at home, he added. The CPI(M), too, called it pressure tactics on Obama's part. The Congress however said "there was no need to get hot under the collar."

Q1 is over and Infosys (Infy) has begun a new inning on a dismal note ably supported by TCS at the non-striking end. This benchmark heavyweight was responsible for the erosion in the CNX Nifty and the BSE Sensex. It seems that correction in Infy warrants a fresh look at the counter. A contrarian approach seems to be working around Rs.2150+ and the over conservative nature of the Infy management shall bear fruits for investors in the next 6 months. TCS, on the other hand, claims all is well with the order flows and profit margins. Mindtree's Q1 revenue is up by 7% at Rs.563 crore on a sequential quarter basis but is hopeful of achieving Nasscom's target growth of 13% to 14% by the year end FY13.

Blue chips, on the whole, did not fare well in Q1FY13 and have lost nearly 14% in value over this quarter. Only ITC made it to the Top 50, list with a growth in its share price over April 2012 to June 2012. Banking stocks managed to holds the ground on hopes of a rate cut. However, the big guns lake SBI and ICICI Bank lost ground compared to their less-fancied peers. Realty stocks as a pack suffered in value over the last 3 months.

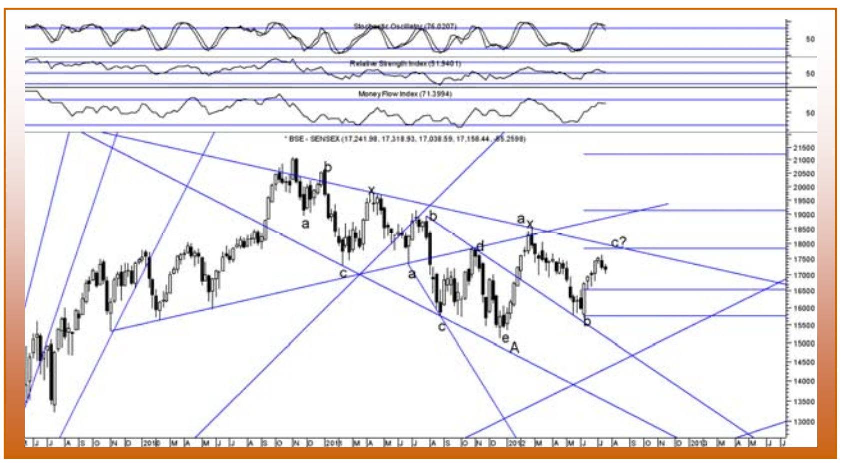
Vijay Mallya's Kingfisher Airlines crashed below face value and this is the worst blow to investors who fancied the stock like the group's calendar. Falling from Rs.67 to Rs.9.80 in 18 months is a sad reflection of how people view its Rs.12000 crore liability, which has made its survival a great struggle.

Last but not the least, inflation may have eased to 7.25% in June 2012 but pressure on food prices remains making it difficult for the RBI Governor to cut interest rates because of which banking stocks reacted negatively. But if political pressure prevails over the Governor, we may see some positive announcement on 31 July 2012. Till then, keep your fingers crossed.

TRADING ON TECHNICALS

Correction & sideways market between 17632-16543

By Hitendra Vasudeo



Last week, the BSE Sensex opened at 17241.88, attained a high at 17318.93 and moved to a low of 17038.59 before it finally closed at 17158.44 and thereby showed a net fall of 55 points on a week-to-week basis.

The retracement levels of the rise from 15748 to 17631 are placed at 16904-16698-16543. A further sustained fall below 17000 may result into a slide towards the retracement levels. Bounce may either come immediately to cross 17632 or a slide down towards the retracement level of 16904-16698-16543 to recover thereafter and get past 17632.

But what happens if 17632 is not crossed from hereon and the Sensex moves down to violate all the retracement levels. In that case, the bottom of 15748 and 15135 will be under pressure.

On a rise above 17320, a rise towards 17585 could be seen. Weekly resistance will be at 17305 and 17585. Weekly support will be at 17025 and 16744.

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	Probably Near Term Top Made

Conclusion

A correction is in progress and a slide towards the retracement level could be seen before moving higher.

Strategy for the week

Exit long and sell on rise to 17320-17585 with a stop loss of 17632. Expect the lower range of 17025-16744 to be tested. Cover short position at 16904-16698-16543 as the opportunity rises. Re-enter long on rise and close above 17632 with the low of the day as the stop loss or 17181, 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			
WOCKHARDT	925.00	890.0	898.3	916.7	943.3	988.3	69.1	913.8	25-05-12
DIVI'S LABS	1082.00	1018.0	1036.7	1063.3	1108.7	1180.7	68.6	1044.5	22-06-12
HATHWAY CABLE	198.10	184.8	188.4	194.5	204.2	219.9	64.2	189.9	08-06-12
IPCA LABS	392.95	371.1	375.8	388.3	405.5	435.2	63.2	373.7	08-06-12
CESC	308.55	297.1	299.7	305.9	314.7	329.6	62.5	300.6	08-06-12

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				
HT MEDIA	90.60	78.7	87.5	93.1	96.3	98.8	26.62	96.26	20-07-12
TORRENT POWER	165.55	139.7	158.9	171.4	178.1	183.9	28.02	177.61	20-07-12
ADANI ENTERPRISES	195.80	142.5	180.3	202.7	218.1	225.0	28.53	218.77	20-07-12
GODREJ PROPERTY	514.70	471.9	500.6	515.2	529.3	529.8	28.82	527.90	22-06-12
ADANI POWER	45.45	37.0	43.3	47.4	49.5	51.5	32.39	49.31	20-07-12

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
UNISYS SOFTWARE	531831	212.00	207.00	212.00	202.00	218.2	228.2	0.62

INNOVENTIVE INDUSTRI	533402	119.65	115.50	120.25	109.80	126.7	137.2	0.72
SBI BIVR	961703	10778.64	10770.00	10788.00	10730.00	10823.8	10881.8	0.93
TALWALKAR BETTER VAL	533200	173.70	171.00	176.65	166.25	183.1	193.5	1.26
UNISYS SOFTWARE	531831	212.00	207.00	212.00	202.00	218.2	228.2	0.62

EXIT LIST

Scrip	Last Close	Sell Price	Sell Price	Sell Price	Stop Loss	Target 1	Target 2
ASIAN PAINTS	3724.00	3744.99	3787.00	3829.01	3965.00	3389.0	3033.0

TOWER TALK

* At one time commanding a market cap of over Rs.500 crore, **Surya Pharma** is available at merely Rs.40 crore. But don't get tempted to buy this scrip.
* Although an MNC, **Moser Baer** is highly over leveraged and reporting huge losses. Share price may not appreciate in near future. Stay away from the counter.
* With a PAT of Rs.15 crore and market cap of Rs.1600 crore, **Den Networks** is grossly over-valued. Best time to book profit.
* **Anjani Portland** is doing well and has posted excellent results for March 2012 quarter. Investors can buy at the current market cap of Rs.55 crore for medium-to-long-term gains.
* **Hyderabad Industries** share jumped on account of robust Q1FY13 results yielding an EPS of Rs.43. Its FY13 EPS is projected to advance to Rs.100 and the share is poised to touch the Rs.700 mark.
* **Morganite India**, the UK based 75% subsidiary is poised to report an EPS of about Rs.45 in FY13 and this MNC may reward shareholders with free shares. Circles close to the management is quietly acquiring shares.
* **Sarla Performance Fibres** is expected to announce an EPS of Rs.30 in FY13. Analysts tracking the share expect a share price of Rs.150 in the medium-term.
* **TT Ltd**, the makers of hosiery and branded products, is doing well in the current year. With a likely EPS of Rs.10, the share may cross the Rs.40 mark.
* **Shilpi Cable Technologies** will come out with a robust Q1FY13 results with a likely EPS of Rs.12 in FY13. Knowledgeable sources project a share price of Rs.30 in the near future.
* **Pochiraju Industries** engaged in floriculture is setting up a biopharma plant to be completed by FY13. It may post an EPS of Rs.11 in FY13 and Rs.14 in FY14. Persons in the know expect a share price of Rs.30 going forward.
* An Ahmedabad based technical analyst forecasts a breakout in **Avon Organics**, **Jyoti Structures**, **Kanpur Plastipack** and **Shreyas Shipping Logistics**.

BEST BET

Genus Power Infrastructure Ltd. (Code: 530343) Rs.11.05

Founded in 1994, Genus Power Infrastructure Ltd. (GPIL) is today India's largest manufacturer & exporter of electronic energy meters. In fact, the company has been a pioneer in providing an extensive range of secured, intelligent, automated and integrated metering solutions for the power transmission and distribution sector. It makes the entire range of meters from transformer meters to household and industrial meters. The high-end technologies and software developed by the GPIL has transformed the way energy metering is done in India. Importantly, it has significantly transformed itself from a pure meter manufacturer to an established power infrastructure player by moving up the value chain and venturing into turnkey projects in the power distribution sector in the last few years. It has successfully established itself as an integrated power infrastructure company deriving significant revenue from turnkey T&D projects where it provides complete solutions for power transmission & distribution systems. Its specialization and proven track record in providing best solutions for energy audit and management like automatic meter reading solutions, prepaid metering solutions, comprehensive billing software, energy management server, etc. have made it the preferred choice among the state electricity boards (SEBs) and private utilities. Its customers include leading private electricity utilities (Reliance, Tata Power, Torrent Power, CESC, etc.), public sector units (NTPC, NHPC, Power Grid Corporation, etc.) and almost all SEBs. Being a part of the US $300 million Kailash Group, GPIL is fast emerging as a force to reckon within the power distribution and management sector. Besides, the company also manufactures state-of-the-art, safe and innovative power back-up and conversion solutions like Inverters, UPS Batteries and Hybrid Microcircuits.

GPIL's operations can be segmented into the following four verticals:

1) ***Metering Solutions (50%)***: This forms the core business activity of GPIL which includes design and manufacture of high-end programmable multi-functional, intelligent single phase & three phase electronic energy meters with in-

built advanced security and tamper proof features, Automatic Meter Reading (AMR) enabled meters, industrial meters, agricultural meters, audit meters, substation meters, pre-paid meters and distribution transformers meters. Till date, it boasts of an installation base of over 15 million meters across the globe It specializes in providing AMR solutions for comprehensive billing using PLCC, RF, GSM and GPRS technologies which ensure dramatic reduction in power pilferage, less AT&C losses, effective load management, improvement in quality of power supplied, customer satisfaction and maximization of revenue generation. It manufactures around 3 million pieces of meters annually.

2) ***Engineering Construction & Contracts (40%):*** GPIL has vast technical expertise for commissioning new substations (design, engineer, supply, installation, erection, testing and commissioning sub-stations) or working out capacity augmentation, renovation and modernization of existing substations. Being an EPC contractor, it also executes turnkey T&D projects like setting up transmission towers, execution of civil work, laying of cables, installation of transformers etc. The company also undertakes rural electrification projects, energy accounting and auditing at all distribution levels, comprehensive billing solutions for utilities etc. Further, it has developed its own SCADA solution named G-SCADA to cater to the varying needs of electricity, water and other manufacturing units.
3) ***Power Backup Solutions (>5%):*** GPIL boasts of successfully introducing the most advanced Sure Sine Wave inverter technology in India. Its revolutionary ASIC technology customizes wave forms needed by different appliances ensuring their 100% safety. It makes several inverters in the range of 400 VA to 100 kVA and for high load electronic systems, it provides home UPS, online UPS and high frequency & line interactive UPS in the range of 3 kVA to 100 kVA. Although on a small scale, GPIL has also forayed into the renewable energy segment with products like solar panels, solar inverters and solar water heaters. Getting itself backward integrated to offer complete power backup solutions, it introduced Lead Acid (Tubular) inverter battery with deep discharge technology under the 'GENUS' brand name.
4) ***Hybrid Microcircuits (<5%):*** GPIL manufactures superior hybrid microcircuits that are used in all electronic components and find vast applications across all industries. The bulky printed circuit boards (PCB) are becoming outdated and are now being aggressively replaced with miniature hybrid microcircuits. It also undertakes customized Hybridization where only a part of the PCB is converted into a hybrid module as per client's requirements.

GPIL has two manufacturing facilities one at Jaipur in Rajasthan the other and at Haridwar in Uttarakhand in a tax-free zone with the latter being a state-of-the-art unit. During 2009-10, the company tripled its meter manufacturing capacity to 65 lakh units from 22 lakh units. Simultaneously, it also tripled its inverter/UPS capacity to 6 lakh units from 2 lakh units earlier. These additional capacities came into operation from March 2010. To cater especially to the Brazilian Market and other South American countries, the company has formed a joint venture in Brazil to manufacture electronic energy meters and provide state-of-art AMR technology. Meanwhile, the company continues to export its products to over 20 countries and is now focusing on meter exports to SAARC, Middle East, African and Latin American countries, where power reforms are taking place in a big way. It has established marketing offices in Singapore & USA and a sourcing office in China. Importantly, GPIL is the proud owner of various certifications like BIS certificate for different rated meters, which is among the highest in the country in the electronic energy meter industry. It possesses the prestigious DLMS certification from Geneva for energy meters, which is the first in India. Recently, it has been awarded the STS (Standard Transfer Specification) certification and is the first and only company in India with this certification. These certifications put the company in an advantageous position to bag orders from various SEBs and private utilities in India and abroad. Moreover, the company has a full-fledged in-house R&D laboratory accredited with 'National Accreditation Body for Testing Labs', which makes it self-sufficient in technology upgradation, innovation activities and in providing customized solutions to its customers.

For future growth, GPIL is setting up a new manufacturing unit at Ramchandrapura in the RIICO Industrial Area, (Sitapura Extension) in Jaipur with a view to shift its existing Jaipur manufacturing facility from SPL-3, RIICO Industrial Area, Sitapura, to the said new facility. After shifting of the manufacturing facilities to the new unit, the existing unit will be used for the administrative work and R&D activities of the company. Last year, the company also purchased a unit situated at SPL-2A, RIICO Industrial Area, Sitapura, Jaipur in order to strengthen the process of backward integration and to expand and modernize its tool room, which is an important segment in the manufacturing process of its products.

As per last reports, GPIL has an order book position of about Rs.600 crore of which 50% is for metering systems and the balance 50% is from ECC – power projects. Further, the company claims to have participated in tenders to the tune of Rs.2000 crore and expects a few orders soon. In India, there is a huge gap between the demand and supply of electricity, besides the peak period shortage. Shortage in electricity is increasing day-by-day mainly on account of increasing population, growing infrastructure needs, expansion of economy, automation in industries and increased domestic consumption. Ironically, despite the noticeable growth of the transmission and distribution (T&D) sector during the last two decades, it could not match the capacity addition in power generation. Furthermore, the T&D sector is suffering from the high Aggregate Technical and Commercial losses, insufficient metering, poor recovery of dues and inefficient T&D networks. To overcome this, the Government of India has taken a number of path-breaking initiatives such as enactment of Electricity Act 2003, Rajiv Gandhi Grameen Vidyutikaran Yojana, Re-structured Accelerated Power Development & Reform Programme, Rural Electrification Policy, etc. The projected investment in the power sector, including renewable energy was pegged at Rs.6.66 lakh crore during the 11th Five Year Plan period and the Government expects an investment of US $300 billion or Rs.15 lakh crore in the power sector including transmission and distribution infrastructure during the 12th Five-Year Plan period. Globally also the demand for electronic energy meters has been on the rise as many countries have decided to replace old electromechanical meters with electronic meters. In short, a huge business opportunity exists for companies like GPIL.

Financially as well as fundamentally, the company is doing well although its order book is not that robust. For FY12, it registered sales of Rs.684 crore against Rs.716 crore in FY11 and EBITDA of Rs.98 crore (against Rs.102 crore) in FY11. Due to significant increase in interest cost, its PAT declined to Rs.34 crore from Rs.61 crore in FY11. At the current market cap of Rs.170 crore, it is trading at a P/E multiple of 5 which is arguably cheap. In February 2011, the company allotted 40 lakh equity shares to the promoter group on conversion of warrants at Rs.19 per share. Currently, the share is available at 40% discount to that price. Since GPIL has tremendous growth potential and is all set to cash in on the future opportunities in the power space, long-term investors should buy at current levels and add more on declines for 50% return in 15-18 months.

STOCK ANALYSIS

R S Software: As good as an ATM

By Devdas Mogili

R S Software (India) Ltd. (RSSIL) is a 22-year old Kolkata based company established in 1990. It produces commercial application software as per specific needs and requirements of customers. R. Raj Jain is the chairman and managing director of the company.

The company came out with a public issue at a premium of Rs.10 in March 1994 to part-finance the project of developing offshore software jobs at its existing hardware set-up in India for overseas clients.

Its range of activities includes on-site consultancy, offshore projects and software products. In 1996, it entered into a strategic alliance with Software AG, Germany, to bring its global solutions into India. It also entered into an alliance with Millenium Dynamics Inc. USA. RSSIL has developed capabilities in the areas of client/server and object oriented technologies. It brought the IBM 390 technology to India way back in 1991.

The company is executing projects using the Internet and New Technology Group technologies. It achieved global benchmarking in the area of best quality practices and its accreditation is assessed at SEI CMM Level 4 by KPMG and at PCMM Level 3 by Q-Labs and KPMG.

The company set up its second subsidiary in UK - R S Software (UK) Ltd. to strengthen its marketing arm to reach clients in Greater Europe.

RSSIL is focused on the Payment Industry domain, which is a technology driven business. Between 1960 and 1990, technology strides in telecommunications, terminals (both point-of-purchase and ATM) and payment platform consolidation made electronic access to credit and demand deposit accounts (DDA) possible. Profiling purchase behaviour for advanced automated fraud detection, increased availability of ubiquitous network like Internet, extended geo-coverage of cellular and mobile technology, semiconductor miniaturization that made a processing chip to be embedded in a payment card and more such innovations have resulted in enabling an ecology for the large scale adoption of the payment platform.

The interplay of Business Systems (acquirer, issuer, network, device and instrument manufacturers, specialized product vendors), diverse payment instruments (credit card, debit card, cheque, Automated Clearing House (ACH), prepaid, money transfer etc. and specific needs of diverse end users like individuals, small and medium enterprises, government/utility enterprises has created a rich complex diverse ecosystem of the payment industry.

RSSIL has been involved in this evolution considerably contributing to engagements involving Integration of software platforms due to acquisitions, Development of virtual terminal technology, Fraud detection/prevention, Stored value/pre-paid programmes, Loyalty programmes, Mobile payments, Business Intelligence, Data monetization, Re-engineering to newer technology, Real-time dispute and chargeback reduction processing.

Performance: For FY12, the company posted total income of Rs.264.03 crore with a net profit of Rs.28.86 netting a basic EPS of Rs.26.10 and diluted EPS of Rs.25.71.

Financial Highlights			(Rs. in lakh)
Particulars	**Q1FY13**	**Q1FY12**	**FY12**
Income from Operations			
Export Income	8006	5597	26186
Domestic Income	60	54	217
Total Income	**8060**	**5651**	**26403**
Total Expenses incl. depreciation	6927	5039	22945
Other Income	104	4	96
Financial Cost	25	12	45
Tax Expenses			
Current Tax	303	119	690
Deferred Tax	(43)	(16)	(67)
Net Profit	**958**	**501**	**2886**
Equity (FV: Rs.10)	1147	1103	1147
Reserves Ex Rev Reserves	8772	4042	7607
Basic EPS (Rs.)	**8.69**	**4.54**	**26.10**
Diluted EPS (Rs.)	**8.39**	**4.42**	**25.71**

Latest Results: For Q!FY13, its sales rose 40.53% to Rs.80.06 crore as against Rs.55.97 crore Q1FY12 while net profit shot up 82.86% to Rs.9.58 crore from Rs.5.01 crore in Q1FY12 registering a basic EPS of Rs.8.69 and a diluted EPS of Rs.8.39 for Q1FY13.

Financials: RSSIL has an equity base of Rs.11.47 crore with a share book value of Rs.84.53. It is a zero debt company with RoCE of 49.28% and RoNW of 41.73%.

Share Profile: The company's share with a face value of Rs.10 is listed on the NSE and the BSE under the 'B' group. Its share price hit a 52-week high/low of Rs.124.30/Rs.42.60. At its current market price of Rs.114.60, the company has a market capitalization of Rs.117 crore.

Dividends: The company has been paying dividends as shown below: FY12 - 30%, FY11 - 20%.

Shareholding Pattern: The promoter holding in the company is 32.27% while the balance 67.73% is held by non-corporate promoters, institutions and the Indian public.

Prospects: RSSIL has over 20 years experience with the world's largest payment card association/network and had been working for leading payment processors in USA & UK. Further, the company has in-depth understanding of core Bankcard domain applications like Transaction Authorization, Clearing & Settlement etc.

In addition, the company has the ability to scale up and manage large applications (Development, Maintenance, Testing, 24/7 Support) for Payment Industry companies and has Specific offerings for Acquiring Processors, Issuers, and Merchants & Payment Networks.

Moreover, it has developed business solutions in Gift & Loyalty, Risk Prediction, Residual Management, Payment Gateway and Merchant Boarding, designed to reduce customers' cycle time for application development/integration.

The Electronic Payment industry continues to grow in double digits annually as cheque and cash transactions continue to get digitized. Even today, trillions of dollars are transacted electronically. This is driving the demand for creative solutions to leverage state-of-art technology developments. US banks have indicated that they expect a 10-to-15 fold increase in the number of electronic transactions over the next five years

In the age of expanding global commerce, the evolution of payments has undergone huge technological advances, which have greatly improved the ease and convenience of doing business. This has led to an increase in payment transactions, which have translated into increased revenue for businesses as well as for the banking industry that processes these payments. The estimated size of electronic retail payments in US is over $29 trillion, which is only 33% of the global market.

According to the 2008 World Payments Report, cards are the fastest growing means of non-cash payments accounting for 54% of payment volumes worldwide. Overall non-cash payments reached $233 billion worldwide in 2006. In the light of this, the prospects for companies in the payment processing field like RSSIL are indeed bright going ahead.

Conclusion: RSSIL is an existing, profit making, dividend paying company with good credential in the electronic payment processing segment.

At its current market price of Rs.114.60, the share price is discounted less than 4.5 times its FY12 EPS of Rs.25.71. Considering its blistering pace of growth, excellent earnings and bright prospects going ahead, the share of RSSIL is worth acquiring at current valuations. The share is sure to provide any time money (ATM) for the discerning investors with a medium-to-long-term investment horizon.

MARKET REVIEW

Market closes on weak note

By Devendra A. Singh

The BSE Sensex (30-share index) settled at 17158.44 for the week ended Friday, 20 July 2012 with a decline of 55.26 points (-0.32%) whereas the CNX Nifty closed at 5205.10 falling 22.15 points (-0.42%). The BSE Small-Cap index skidded -0.92% and the BSE Mid-Cap index lost -1.02%. Both these indices underperformed the Sensex.

The market tanked last week on weak inflation data. Although the WPI inflation eased, the figures are still above RBI's expectations. Even food inflation results in hampering economic growth.

The WPI inflation data eased to 7.25% for the month of June 2012 as compared to 7.55% for May 2012 and 9.51% during June 2011. Fuel and power inflation was down 10.27% in June 2012 compared to 11.53% in May 2012. The manufactured goods inflation settled at 5% from 5.02%.

The primary articles inflation was at 10.46% in June. Vegetables inflation fell to 48.84% in June as compared to 49.43% in May. Inflation in milk was 7.30%, while rice and cereals turned costlier by 7.46% and 6.70% respectively. Food inflation climbed 10.81% in June against 10.74% in May. Food articles have 14.34% share in the WPI.

Inflation is way above the desired threshold level of the Reserve Bank of India (RBI), central bank governor D. Subbarao said early this week. The RBI's threshold level for inflation is around 5%. However, the governor did issue a disclaimer that his statements did not imply RBI's decision in its 31 July 2012 policy.

India's potential growth rate may have fallen to around 7.5% as the uncertainty surrounding economic activity has increased after the financial crisis of 2008-09, Subbarao said in a speech on Tuesday.

The progress of monsoon rains will be closely watched. Rainfall in the country till 15 July was 22% short of the long-term average, raising concerns that farm output may be hurt and could lead to a rise in food prices. The monsoon rains, which make up around 70% of India's annual rainfall, are crucial to the nation's agriculture sector and the broader economy. More than 60% of the country's farmland is rain fed. The timing, distribution and quantity of rainfall are all important for crops.

Fitch Ratings report says that the outlook for Indian infrastructure projects remains negative driven by an expected further increase in macroeconomic challenges and sector-specific stresses.

Fitch expects the ratings of project companies to remain under pressure due to equity capital constraints, high interest rates, slowing GDP growth, currency depreciation, fuel shortages, weak off-takes, execution delays for power projects and prospects of slowing traffic growth in transportation.

Fitch believes that sponsors with stretched balance sheets will struggle to raise funds for a growing number of construction projects and will need to support underperforming assets largely because of the weak and volatile stock market. Thus, developers may be forced to selectively support projects with a long-term economic value in contrast to their earlier strategy of preserving bank relationships by propping up projects. Such a strategy could trigger some project loan defaults or necessitate debt restructuring programmes.

In Fitch's view, lower interest rates will lead to a rebound in economic growth, renewed investor appetite facilitating equity flows into infrastructure and a strengthening rupee could help stabilize the credit quality of infrastructure projects. Government action aimed at removing hurdles to timely project execution, addressing fuel scarcity and initiating sectoral reforms (e.g. strengthening utilities) could also help preserve the credit quality.

FDI in retail may be a reality by 15 August and the Union Cabinet may also take up FDI in domestic airlines in the monsoon session. FDI decisions that need only executive approval will be pushed promptly as a part of the reforms process, according to a government source.

The government is setting up a Project Clearance Board, a new body on the lines of foreign investment promotion board (FIPB) to fast track clearances for infrastructure projects.

The board would be constituted under the chairmanship of the Cabinet Secretary for review and issue of one-time clearance including security clearance. This Board will include representatives from the ministries of home, defence, environment and forests, commerce, coal, department of space and other infrastructure and energy related ministries and departments.

"It will meet regularly on a monthly basis to review the status of clearances for energy and infrastructure projects and expedite issuing of security and other clearances. Ministries would report to this Board the status of issuing of clearances after following their internal due diligence processes," a statement from PMO said.

"A common mechanism for all sectors will be evolved soon and the Board will be set up in the coming weeks," the PMO release said.

Key indices ended lower on Monday, 16 July 2012 on a weak scenario in the Euro zone. The Sensex lost 110.39 points (-0.64%) to close at 17103.31 whereas the Nifty fell 30 (-0.57%) to close at 5197.25.

Key indices witnessed a mixed session on Tuesday, 17 July 2012. The Sensex registered modest gains 1.99 points (+0.01%) to close at 17105.30 while the Nifty was down by 4.40 points (-0.08%) to close at 5192.85.

Key indices climbed on Wednesday, 18 July 2012 on firm European stocks helped domestic market to post gains. The Sensex ended higher 79.71 points (+0.47%) to close at 17185.01. The Nifty edged higher 23.45 points (+0.45%) to close at 5216.30.

Key indices ended higher on Thursday, 19 July 2012 on buying by foreign funds. The Sensex gained 93.84 points (+0.55%) to close at 17278.85. The Nifty ended higher 26.40 points (+0.51%) to close at 5242.70.

Market performance ended weak on the last day trading session on Friday, 20 July 2012. The Sensex declined 120.41 points (- 0.70%) to mark a close at 17158.44 whereas the Nifty edged lower 37.60 points (- 0.72%) closing the week at 5205.10.

Market participants will closely watch the management commentary that would accompany the results this week, which could lead to a revision in their future earnings forecast for the current year or next year.

GURU SPEAK - By G.S. Roongta

Reforms to determine sentiment

By G. S. Roongta

As observed in our last article, the BSE Sensex after rallying over 1250 points till the week ended Friday, 6 July 2012 on hopes of important reform measures expected to be rolled out with the Prime Minister (PM) taking over the Finance Ministry were dashed to the ground. These hopes did not materialize till the end of last week because of some technical reasons but serious discussions are still on as a few reform measures are being given the finishing touch before announcement.


G. S. Roongta

Because of this delay, the euphoria that was generated in the last couple of weeks turned into great frustration among market participants who had built-up long positions. Accordingly, some correction was experienced in the market as such participants proved to be weak holders.

The Sensex that had hit a high of 17631.19 and the CNX Nifty at 5350 was liquidated by such weak holders to correct by 500 points on the Sensex till Tuesday, 17 July 2012 followed by the Nifty, which corrected by 150 points at 5180.

The bull & bear positions in Nifty Futures and Call-Put Options varied between 5200 and 5400 levels and in specific stocks by 10-15% plus/minus against spot prices. Thus the July 2012 Futures position in the bull & bear fight is not much of a worrying factor till now. Nor is it a win-win position for any of them as the market moved in a very narrow range on hopes of something good to materialize for the benefit of the market. Keeping this in mind, the bears, too, did not take any major risk to build up any fresh short positions. The market thus moved in a range bound territory despite the GAAR issue, weak IIP figures, inflation data disappointing Q1 corporate results but that did not impact the market sentiments either way only because some ray of hope was still alive in the minds of market participants. As far as both the pivotal benchmarks are concerned, they are still holding at the same level as that of previous week's closing on Friday, 13 July 2012.

On Monday, 16 July 2012, the Sensex opened at 17241.98 and the Nifty at 5232.35 but lost 110 points and 30 points to close at 17103.31 & 5197.25 respectively on account of frustration as there were still no announcement or action by the government on the reforms.

Again on Tuesday, 17 July 2012, the market was range bound between Sensex 17236 and 17074 but closed flat with a gain of just 2 points at 17105. The Nifty ended lower by 4 points at 5193. This clearly indicates the fear and hopes of likely announcements, which could trigger the market sentiments on either side depending upon the merits or demerits of these announcements.

Stock specific action was witnessed in a few mid cap stocks as punters bought stocks like Thirumalai Chemicals, Goa Carbon, Garden Silk Mills and Aavya Global based on their good performance and they were up by 12-15% from their respective closing levels by the previous day.

National Steel & Agro at Rs.17.50 attracted huge volumes of about 12,10,000 shares as against 17,000 shares on an average in the past 20 days. Garden Silk Mills, too, attracted a volume of 1,77,371 shares and Thirumalai Chemicals attracted volumes of over 9,00,000 shares.

JK Lakshmi Cement: This is one of my favourite stocks and is reported to be doing exceedingly well in the current year too. It is faring well on all parameters and is set to achieve higher growth both in terms of volume, turnover and bottomline in FY13.

The company's cement capacity will touch 5.8 million tonnes in FY13 with the addition of 0.55 million TPA grinding capacity in the Haryana unit and 0.33 million TPA capacity addition at Jaykaypuram. Another greenfield expansion of 2.7 million TPA at Durg in Andhra Pradesh is expected to be ready by end of 2013, which will take its total capacity to 8.5 million tonnes.

Its profitability is expected to double from the current level of Rs.108.78 crore to over Rs.200 crore by next year itself. The company has cash surplus of over Rs.500 crore, which will take care of all its expansion plans and projects without burdening it much with interest cost outgo.

Even after completing these expansion projects, the company's debt:equity ratio will be fairly comfortable at 1:1 or a little less.

JK Lakshmi Cement, which is buying its own shares at a price of Rs.70 per share, is one such company in the recent past whose share price has bounced from the buyback price of Rs.70 to as high as Rs.82 while shares of companies like Reliance, HEG, SRF, which also announced buybacks, fell considerably in the recent past. This speaks much about the strength and strong fundamentals of JK Lakshmi Cement.

Its existing EPS of Rs.24 and book values of over Rs.100 are likely to spurt further in the current year as against its current share price of Rs.80.

The company seems to be going on the lines of Shree Cement as far as quality products and various work standards are concerned. I believe that the share price of JK Lakshmi Cement will cross the Rs.100 mark in the next couple of months because its P/E ratio as per 2012-13 profitability is below 4 as against the industry average of 8 to 10.

Likewise, there are over hundred shares that are lying low and unnoticed by investors on account of their lack of knowledge and information. These stocks have the potential to rise by over 100-200% in a year and will be featured in our Investment Advisory Service (IAS).

Readers may recall that I had recommended Shanthi Gears around Rs.32 several times over the last one year confidently stating that the stocks was worth over Rs.50. Tube Investments is now taking over majority shareholding at Rs.81 per share and will make an open offer at the same price.

Similarly, I had recommended stocks like Arvind Ltd., Andhra Sugars, Ashok Leyland and Gujarat Alkalies based on their strong fundamentals and growth prospects. They are likely to spurt like Shanthi Gears and JK Lakshmi Cement once the accumulation of shares by interested parties is over.

The stock markets in India are not that transparent to allow common investors to benefit so easily as such low lying stocks have to overcome several hurdles when weak holders shy away and exit in a corrective phase.

The market is behaving as if the Sensex is trading between 15800 and 18000 levels for the past two years despite the economic and corporate developments. This is because stock prices have not moved up significantly due to extraneous reasons and not due to corporate performances.

The market is now signaling to come out of the range bound territory or flat trading since Wednesday, 18 July 2012 as evident by the market fluctuations n the latter part of the week.

On Wednesday, 18 July 2012, the Sensex fluctuated between of high of 17205 and low of 17038 and closed with a gain of 80 points at 17185. The Nifty gained 23 points at 5216 while the Nifty Futures game continues between 5200 and 5400 so long as the Nifty stays below 5300.

Again on Thursday, 19 July 2012, the Sensex rallied higher to hit a high of 17319 and the

Nifty touched 5258. But profit booking at higher levels pulled the markets a little low to close with a gain of 94 points on the Sensex at 17278.85 while the Nifty gained 26 points at 5242.70 heading towards the upper limit of Nifty Futures of 5400, which is the most significant barrier of the July 2012 F&O trade.

On Friday, 19 July 2012, the Sensex lost 120.41 points to close the week at 17158.44 while the Nifty shed 37.60 points to close the week at 5205.10.

FIIs continue to plough funds into Indian equities as they did during January to mid-March 2012. Their investment in Indian stocks between 20 January to 16 July 2012 has surpassed Rs.50,000 crore, which is quite an astonishing figure compared to the negative investment in 2011. Despite this massive plough back by FIIs, the market is lying low as it did in 2011, which is really strange for investors whether they are individuals, corporate entities, mutual funds or domestic financial institutions. It is indeed a great irony that domestic entities do not see any future in their own market. But we are at an inflexion point and the market sentiment can witness a sea change if the government pursues its reforms agenda this week.

STOCK WATCH - By Saarthi

Austin Engineering (Code: 522005) (Rs.72.55) is one of the safest bets in the current market with only a nominal risk of any major downfall. It has been a steady performer as far as its business is concerned. It has been consistently reporting a PAT of Rs.6-7 crore over the last 5 years even during a recession period. It has an excellent track record being a profit making company with good accumulated profits and has a sound business model. It is in this line of business for over three decades and enjoys a reputed brand name in the market. It has a wide marketing network with an established customer base. Its manufacturing plant in Patla, Gujarat, is built over 350,000 sq ft and manufactures over 3 million bearings. It has an employee strength of over 650 people. Despite being small in size, it claims to have the widest range of bearings, weighing from 50 gms to over 500 kgs in over 4000 variants. It is among a handful of customized bearing manufacturers worldwide producing bearings of 1800 mm diameter. The majority of its products are import substitutes. In fact being a quality producer, it exports to high-end markets like the USA & Europe. It has even incorporated a 100% subsidiary in the USA that acts as a marketing front. Historically, it has always been generating positive cash flows from operating activities. It has been paying dividend regularly since last seven years and declared 25% dividend for FY12. It is trading cum-dividend offering a yield of over 3% at CMP. Although the management has brought the company to this level, there are challenges to take it forward or to the next orbit because of which it may emerge as a strong takeover candidate. The stock is trading at good 40% discount to its book value of approx. Rs.128. The valuation gap between other bearing manufacturers and this company is quite huge. For FY12, it reported a PAT of Rs.6.4 crore on total income of Rs.102 crore. At the current market cap of Rs.25 crore it is available at a P/E multiple of less than 4. Fundamentally, it's a pure buy.

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The share price of **Empee Distilleries (Code: 532920) (Rs.68.85)** is lying low as the company has been going through a rough phase. There has been a huge delay in setting up its Rs.77-crore Grain Based Alcohol Plant (GBAP) in Andhra Pradesh (AP), which started in 2008. Besides, it has shelved its other expansion plans like the residential project in Tamil Nadu and a bottling plant in Andhra Pradesh. On the other hand, it has made considerable investments of nearly Rs.300 crore in two group companies – Empee Sugar and Empee Hotels for funding a new sugar plant and a hotel project respectively. Unfortunately, both these entites are facing financial difficulties and have gone for corporate debt restructuring (CDR). Meanwhile, the company has decided on a composite scheme of arrangement and amalgamation under which it will be merging Empee Sugars with itself and then demerging the two sugar plants at Naidupet & Ambasamudram into a separate wholly-owned subsidiary. However, all the above negatives have already been factored in the current share price. Being the flagship of the Empee group, the company operates under four business segments viz. Indian-made foreign liquor (IMFL), power, sugar, and industrial alcohol. But its core business constitutes manufacturing and marketing of IMFL in the southern states of Tamil Nadu, Kerala and Karnataka. It has products across various liquor segments. Its premium products are 'Napoleon' brandy, 'Premium' whisky and 'Old Secret' rum. Other brands in the company's stable are 'Victoria' rum, 'Sixer' rum and 'All Gold VSOP' brandy. It has also recently launched 'Power' brand of rum, brandy and whisky and 'Old Secret' brand of Brandy. The company is also coming out with a diet beer and is planning a joint venture to launch foreign liquor brands in India. It has two manufacturing facilities in Tamil Nadu and Kerala and is carrying out an expansion at its Kerala unit. But for future growth, it is setting up a brewery with a capacity of 2.5 lakh hecto litres. It has also acquired a bottling unit in Kolar, Karnataka. On the other hand, it has set up a 7.5 MW power plant that can operate with bagasse as well as other biomass for fuel. Under real estate, it is planning to develop a residential and commercial complex on 8.5 acres at Kuthambakkam in Chennai. For FY12, it recorded a total income of Rs.671 crore with PAT of Rs.18 crore. At the current market cap of Rs.125 crore, it's worth buying and holding for a year.

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Greenply Industries (Code: 526797) (Rs.188) is the market leader in the interior infrastructure sector and is engaged in manufacturing plywood, laminates, decorative veneers, particle boards and allied products. It even markets the most comprehensive portfolio of residential and commercial floor products. The company accounts for almost 25% of the organized plywood and 15% of the organized laminate market in India. Its brands like 'Greenply' & 'Green Club' in the plywood segment and 'Greenlam' & 'Green Decowood' in the laminate segment are the leading brands. 'Greenlam', the flagship decorative laminate brand is exported to over 65 countries. It has the largest pan-India marketing network with 38 branch offices and over 15,000 distributors, dealers, sub-dealers and retailers across 17 states covering 300 cities. It is the only integrated manufacturer in India with manufacturing units spread across six states Nagaland, West Bengal, Uttarakhand, Rajasthan, Himachal Pradesh and Gujarat. Importantly, the company has of late forayed into the lucrative, high-growth MDF market with the largest MDF plant of 180,000 capacity. MDF holds tremendous potential for the future as presently the Indian industry comprises 80:20 of plywood: MDF but the reverse holds true globally. China alone consumes about 10mn–11mn m3/year of MDF vs. 0.6 mn m3/year in India. Incidentally, even out of the present MDF consumption in India, 80% is being met through imports, which the company can easily substitute. On the other hand, it is also looking to expand its overseas presence. It has opened representative offices in Singapore and Dubai and has even formed a subsidiary in USA to explore new market opportunities for laminates in North America. For FY12, its sales increased by 25% to Rs.1644 crore whereas PAT more than doubled to Rs.53 crore on a standalone basis posting an EPS of Rs.22 on its current equity of Rs.12.10 crore having a face value of Rs.5 per share. On a consolidated basis, it is doing slightly better with a PAT of Rs.57 crore. Technically, the scrip has been consolidating between Rs.200-220 range and recently corrected to the current level of Rs.185. Its share price may find strong support at Rs.170 level and may shoot upto Rs.220 in three months or so. Hold on to your position and add more at declines.

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After hitting a low of Rs.9 at end March 2012, share price of **Sona Koyo Steering (Code: 520057) (Rs.14.12)** has recovered smartly by over 50% in the last three months. Importantly, the company reported encouraging results for Q4FY12 after a subdued performance for the earlier two quarters. Sales grew by 20% to Rs.348 crore whereas net profit shot up 35% to Rs.15.80 crore registering an EPS of Rs.0.80 for Q4FY12. Accordingly for the entire FY12, its total income stood at Rs.1144 crore against Rs.1038 crore in FY11 and profit after tax was Rs.39 crore in FY12 against Rs.37 crore in FY11. Thus it clocked an annual EPS of Rs.1.95 on its equity of Rs.19.9 crore having a face value of Re.1 per share. At the current market cap of Rs.280 crore, the stock is available at a P/E multiple of merely 7. Being the flagship company of Rs.4000 crore Sona Group, it is the largest manufacturer of steering systems in India catering to passenger cars, utility vehicles and light commercial vehicles. Commanding 45% share of the Indian steering market, it primarily manufactures steering and driveline components like manual rack and pinion steering system, hydraulic power steering system, electronic steering column as well as intermediate shafts. The company's product range also extends to rear axle assemblies and propeller shafts. It derives almost 85% revenue from steering components whereas the balance 15% comes from driveline components. It supplies to all major vehicle manufacturers such as Maruti, M&M, Tata Motors, Hyundai, GM, HM, Ford Motors, Toyota, Swaraj Mazda, Reva Electric etc. Presently, it boasts of four manufacturing facilities spread across Gurgaon & Rewari in Haryana, Chennai in Tamil Nadu and Sanand in Gujarat. For the first time in 2010-11, it manufactured almost 5 million units of steering & column assembly utilizing 80% of its total capacity. Secondly, the company has been able to successfully localize part of the technology, which has eventually helped it bring down the import content from 33% to 18% of total material cost in FY11. Going forward, the company intends to manufacture and sell its recently developed and patented product EPAM (Electronic Power Assist Module) for off highway vehicle applications. In order to improve quality, reduce costs and increase value addition, the company is exploring options of backward integration and is in the midst of setting up an aluminium die casting plant at Rewari, Haryana. Further, it has decided to set up facilities for in-sourcing, which essentially involves in-house machining of certain key components. For these new projects, the company has planned to invest Rs.50 crore within the next two years. A solid bet for long-term investors.

FIFTY FIFTY - By Kukku

* **Mukand Engineers (Rs.22.90):** This Bajaj Group company is into the Supply and Erection of equipments for Power Generation Plants, Integrated steel Plants, Aluminum Plants and Hydrocarbon Plants. Its contracts cover erection of mechanical plant, Structural Works, Piping Work and Electrical works. The Company also undertakes Engineering and Project Management jobs for Steel plants and Electrical works at Power plants.

For the audited full year FY12, its net profit was Rs.3.29 crore on sales of Rs.65.12 crore as against Rs.75.96 crore in FY11.

The company had strong order position of around Rs. 378 crore in FY12 against Rs.150 crore in FY11. Out of this, it has received an order for Rs.215 crore from NMDC in April 2012, which is to be completed before March 2015.

The management has declared a dividend of 10%. The outlook of the company is encouraging as its order book position is almost five times the average sales of the last two years.

The book value of its share is Rs.46 while the CMP is around Rs.22, which is cum 10% dividend. The average ROCE of the company is around 20% for the last three years.

Since valuations are attractive, the stock is strongly advised for buying on dips.

* As on 31 March 2012, **Kalpataru Power's (Rs.78.65)** standalone order book stood at Rs.6100 crore. After that, the company won orders worth of Rs.660 crore. The company is also the promoter of JMC Projects, which has an order book position of around Rs.5500 crore which include about 50% order from factories and buildings, 30% orders from infrastructure, roads, water related activities and rest from power, ports railways etc.

The consolidated book value of the share is around Rs.120 and the stock is trading cum 75% dividend, which is almost its 52-week low. Investors can accumulate this stock on dips.

* **Engineers India (Rs.230.70)** has secured consultancy services contract from Bharat Petroleum Corporation (BPCL) for Integrated Refinery Expansion Project (IREP) at Kochi at a fee of Rs.720 crore. The project involves enhancing the crude oil refining capacity of the refinery from the present level of 9.5 MMTPA to 15.5 MMTPA.

EIL will provide consultancy services for project management, process design/ residual process design, detailed engineering, procurement, inspection and expediting, tendering, construction management and supervision including quality assurance, assistance in start-up, pre-commissioning, commissioning and guarantee test runs of the units and facilities at the plant.

It is a cash rich company paying 120% dividend on face value of Rs.5 per share. The company also expects some good orders in the near future. Stock has reacted from a high of Rs.295 and looks attractive at the current level.

* **Elecon Engineering (Rs.55.80)** targets Rs.1450 crore turnover on a standalone basis in FY13. The Material Handling Equipment (MHE) division is expected to achieve Rs.825 crore while the Gear division is expected to achieve Rs.625 crore turnover. At present, the company has orders in hand of around Rs.1680 crore and is hopeful of securing orders of around Rs.1800 crore in FY13 as it has live enquiries of around Rs.6000 crore. Its subsidiary, David Brown, is also likely to contribute well to the current year sale & profits.

The Engineering sector is expected to grow in the future and has a positive outlook owing to infrastructure development, favourable Government policies and new investments in Power projects, Metals, Oil & Gas, and Petrochemicals industries. Further industrial and manufacturing growth will boost the growth of the Engineering sector.

Seeing to recent deal of Shanthi Gears at market cap of Rs.661 crore, the valuation of Elecon looks attractive. Compared to the sales turnover of Shanthi Gears of around Rs.187 crore, Elecon has sales of Rs.573 crore. Although a direct comparison cannot be done, it gives a broad idea in terms of valuation.

Investors with long-term view can accumulate Elecon Engineering.

* **Manali Petrochemical's (Rs.11.93)** bio-mass fired 4.2 MW co-generation captive power plant has performed well enabling the company to overcome the problems on account of restrictions imposed on power consumption.

In order to ensure availability of sufficient quantities of Propylene Oxide (PO) for the derivative plants, the company has entered into an agreement for storage of imported PO in bulk, which is expected to be ready by early 2013.

The Indian Polyurethane industry's performance during 2007-2012 has been impressive with double-digit growth. The industry is expected to grow further in the medium-term and the company is confident of increasing its market share. Steps have also been initiated to foray into new segments by developing polyols for the visco elastic and flexible slab stock memory foam application and to improve the physical properties of moulded foam.

The company is poised to increase its market share in the pharmaceutical and industrial application segments, where the value addition is more. Investors with a long-term view can continue to hold this stock.

* **Apcotex Industries (Rs.168.45):** Incorporated in 1986 as a division of Asian Paints India, Apcotex Lattices (ALL) was separated to enable a closer management focus.

The company is one of the leading producers of polymer products namely Synthetic Latices. Sales of the company has grown from Rs.118 crore to Rs.279 crore over the last four years while net profit has grown from Rs.4.55 crore to Rs.10.78 crore on its small equity base of Rs.5.22 crore. During this period, the company has rewarded investors by increasing the dividend gradually from 40% to 80%. Last EPS was Rs.20.67 and book value of the share is Rs.134. It is expected that sales of the company may grow to Rs.480 crore over the next two years time.

This stock was recommended in this column a few weeks back. It is ruling firm and touched a high of Rs.172 at the week end. Investors can continue to hold it in their core portfolio or even accumulate on dips for decent long-term gains.

* **Sugar sector stocks**: We had given a timely buy call on this sector. Sugar prices have firmed up further during the week, which will benefit the sugar sector. International prices, too, have shot up by about 22% from the lower levels. Investors are advised to stay invested in this sector for decent gains.

* Stocks to watch for investment are **Kesar Enterprise (Rs.46)** and **Superhouse (Rs.50.20)**.

*** Note:** Although there was a correction in the CNX Nifty after the results of Infosys but overall most of our recommended stocks have remained firm while **Divi's Labs**, **Supreme Industries**, **Andhra Sugars**, **Rajshree Sugar**, **Bannari Amman** touched new highs during the week. Investors are advised to hold these stocks. Investors are advised to accumulate good stocks whenever there is sharp correction in the market. Power sector stocks are likely to remain in action as many state electricity boards have increased the power rates there is expectations of more benefits to this sector. This sector is likely to play an important role in reviving the economy.

EXPERT EYE

- By Vihari

Ahmednagar Forgings: A quality pick

The share of Ahmednagar Forgings Ltd. (AFL) **(Code: 513335) (Rs.134.30)** is recommended for steady appreciation its strong fundamentals.

AFL was incorporated in 1977 to manufacture forgings and machined automotive components, cold forged parts and high tensile fasteners. AFL's six manufacturing facilities are located at Ahmednagar, Chakan and Kurli in Maharashtra and at Solan in Himachal Pradesh. In 2003, AFL was taken over by the Amtek Group of New Delhi.

The $1 billion Amtek Group is a frontrunner in the global automotive components industry through a number of strategic acquisitions across Asia, Europe and North America and through production level enhancements by technological upgrades and product segment rationalization measures. AFL is a subsidiary of Amtek Auto. The Group has 35 manufacturing units worldwide.

AFL's product range includes connecting rods and caps, shafts and camshafts, transmission components, crankshafts, gears, forks, levers, hubs, spiders, assorted forgings and steering parts. These products are mainly consumed by the automobile sector while the other user industries are defence and railways. With a Rs.300 crore 60,000 TPA expansion initiated in 2009-10, its total capacity for forgings stands at 2,25,000 TPA.

AFL's plant at Ahmednagar has successfully qualified for TS Certification from BVQI and the fastener division at Ahmednagar has also been accredited with ISO Certification. Its customers include Ashok Leyland, Bajaj Auto, Eicher Motors, Tata Motors, Force Motors, BMW, Briggs & Stratton, Aston Martin, CNH Global, Cummins, Fairfield Atlas, King Automotive Systems, Coventry, Letchworth, Zelter GmbH, Hennef etc. It has a global presence in USA, UK, & Germany.

For FY11 ended 30 June 2011, sales rose by 43% to Rs.908 crore and net profit by 69% to Rs.109 crore, which fetched an EPS of Rs.29.5. For Q3FY12 ended 31 March 2012, net profit rose 14% to Rs.32.2 crore on 35% higher sales of Rs.320 crore. During the 9MFY12, net profit advanced by 6% to Rs.86.6 crore on 36% increased sales of Rs.905 crore. The 9MFY12 EPS works out to Rs.23.5.

AFL's equity capital is Rs.36.8 crore. With reserves of Rs.585 crore, the book value of its share works out to Rs.169. The value of its gross block is Rs.1013 crore. Despite adding Rs.336 crore to the gross block for expansion in 2010-11, its debt:equity ratio is at a reasonable level of 1.1.

The promoters hold 55% in the equity capital. FIIs have increased their stake in June 2012 quarter to 20.6% from 17.8% in March 2012 quarter and 15.1% in December 2011 quarter. Institutions hold 9.3% and with PCBs holding 5.2% leaves 9.9% with the investing public.

According to the performance report released by the Association of Forging Industry, the Rs.16,000-crore forging industry in India has registered a growth of over 119%, from 1.05 million tonnes in 2008-09 to 1.8 million tonnes in 2009-10 to 2.3 million tonnes in 2010-11. It is poised to reach 4 million tonnes by 2014 growing at 20%. This growth will be led by exports, which could be worth US $20-22 billion by 2016.

While the production in the forging industry has declined in the developed world, it has been increasing in the emerging world, including India.

The automobile industry is the key demand driver for forgings, accounting for 65-70% of the total forging production worldwide. The increased outsourcing of automotive components by global auto companies and the entry of more automobile multinationals in the domestic market will propel the demand for forgings. The industry is likely to witness increased production and higher capacity utilisation with the revival in demand from the automobile sector.

The Indian forging and auto components industry is one of India's sunrise industries with tremendous growth prospects. The entry of foreign vehicle manufacturers in India, growing cost pressures in the global automotive market, huge export potential, growing middle class from 50 million to 550 million by 2025, low domestic penetration of 7-8 cars per 1000 persons and infrastructure development ($500 billion in the next 5-6 years) are the key growth drivers for the auto components (including forging) industry in India.

The expansion plans laid down by Tata Motors, Ashok Leyland, Maruti Suzuki, Hyundai, GM India and presence of MNCs like Nissan, Toyota, Nissan-Renault, Volkswagen, Honda Motors and Ford Motor will only boost the demand for quality forgings in India.

Apart from expanding facilities to meet the growing requirements of existing and new customers, AFL has also identified other areas that will drive the company's growth plans. Some of the key growth drivers are domain expertise, enhancement of service portfolio to clients, tap new geographies, strengthening marketing teams and inorganic initiatives.

For FY12, AFL is likely to register an EPS of Rs.31, which is slightly higher than FY11. However, in FY13, EPS is expected to register a growth of about 15%, which would rise to an EPS of Rs.35.7.

At the current market price of Rs.135.60, the AFL share is traded at a forward P/E of 4.3 on FY12 estimated earnings and 3.7 times FY13 projected earnings. Investment in this share is recommended with a target price of Rs.180 in the medium-term, which will fetch a gain of over 28%. The 52-week high/low of the share has been Rs.198/78.

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ASM Technologies: Undervalued IT share

The highly improved FY12 results of ASM Technologies Ltd. (ASMTL) **(Code: 526433) (Rs.68)** seem to have been missed by the discerning investors. Based on the current going, an EPS of Rs.28 can be anticipated for FY13.

Established in 1992, ASMTL is a pioneer in providing world-class consulting services in enterprise solutions for Packaged ERP products and in enterprise product development for the SMB segment and in technology solutions covering embedded systems and system software to its global clientele. ASMTL has development centres in Bangalore (India), Singapore, in Chicago, Toledo and Tampa (USA), and London (UK). Advanced Synergic Pte Ltd, Singapore, Pinnacle Talent Inc, USA, ESR Associates Inc, USA and Abacus Business Solutions Inc, USA are its subsidiaries.

ASMTL has various industry verticals, which include Manufacturing, Oil & Gas, Consumer Electronics, Growth Industries, Telecom, Public Utilities & Retail. It offers services and technology solutions in SAP, Oracle Applications, PeopleSoft & JD Edwards, Microsoft Dynamics, Business Process Management, Internet Applications, Outsourced Product Development, White Papers, System Software, Embedded Systems, Network & Telecom, Engineering Services, Outsourced Product Development.

ASMTL has worldwide global presence with offices in India, Singapore, USA (Chicago, Toledo and Tampa), Japan & UK. Focused on enterprise applications and technology solutions, it has development centres in India (Bangalore), Singapore, and USA (Chicago). During FY12, it explored the possibility of setting operations in the LATAM (Latin America) Region.

During Q4FY12, net profit jumped 31% to Rs.3.1 crore on 5% lower sales of Rs.38.6 crore and the quarterly EPS was Rs.7. For FY12, ASMTL posted 75% higher consolidated net profit of Rs.11.7 crore on 28% higher sales of Rs.146 crore and the EPS stood at Rs.23.1. A dividend of 25% has been proposed.

ASMTL is growing inorganically. In FY11, it acquired 100% of US-based Abacus Business Solutions, Inc., in an all cash deal through its wholly-owned subsidiary, Advanced Synergic pte Ltd., Singapore. Abacus has been in the business for over a decade assisting large corporations/Fortune 500 companies with Enterprise Applications, Oracle Applications, Oracle Tools and Technology, E- Commerce, Reporting and Data warehousing. This acquisition provided it an opportunity to expand its offerings to a larger ERP & Oracle client base in the USA and thus broaden its revenue margins.

ASMTL's small equity capital of Rs.5 crore is supported by reserves of Rs.15.6 crore, which gives the share a book value of Rs.41.2. Its debt:equity ratio is 0.8:1. The value of its gross block is Rs.33.8 crore. The promoters hold 61% in the equity capital. With foreign holding of 1.3% and PCBs holding 1.9% leaves 35.8% with the investing public.

ASMTL is working in new areas, specifically in cloud computing, which will be an inclusive solution programme and change the way Industry and Business communicates with internal and external stakeholders across multiple geographies. This solution will be further refined for Specialized Industry Verticals.

Coming to future prospects, the Indian IT sector had an aggregate revenue of US $88.1 billion in FY11 with the IT software and services sector (excluding hardware) accounting for US $76.1 billion up 19% (YoY). Among exports, the IT Services segment was the fastest growing segment growing 22.7% over FY10 and aggregating export revenues of US $33.5 billion, which accounted for 57% of total exports.

The Indian IT service offerings have evolved from application development and maintenance to emerge as full service players providing testing services, infrastructure services, consulting and system integration. There is also growing customer acceptance of Cloud-based solutions, which offer best in class services at reduced capital expenditure.
ASMTL will leverage the growth phase in consolidating and growing the organization by offering more services to existing clients across other geographies and pursue new client acquisitions. This growth phase will also create a platform for more long-term strategic partnerships with customers moving up the value chain from the project mode to centres of excellence.
ASMTL is addressing the needs of the Agriculture Based Industry, Process Industry, Consumer Products, Hi-Tech Industry, Clean Power Industry and Services Industry. These industry specific solutions configured to Global ERPs will ensure rapid implementation and its clients can reap the benefits of an integrated information system.
For FY13, ASMTL is expected to clock an EPS of Rs.28, which could further rise to Rs.33 in FY14. At the current market price of Rs.68, the share is trading at a P/E multiple of 2.4 on FY13 estimated earnings and 2.1 times FY14 projected earnings. A conservative P/E ratio of even 4 will take its share price to Rs.112 in the medium-term and Rs.132 in the long-term. The 52-week high/low of the share has been Rs.87/51.

TECHNO FUNDA

- By Nayan Patel

Mind blowing past preview of Techno Funda

Issue No.	Date	Company	Recom. Rate (Rs.)	High after Recom. (Rs.)	Gain in %
17	05-03-2012	Paper Products	65	74	13.84
18	19-03-2012	Claris Life	149	198	32.88
19	26-03-2012	Zydus Wellness	381	436	14.43
20	02-04-2012	Nutraplus	19.35	31	60.2
21	09-04-2012	Jenburkt Pharma	70	83	18.57
22	16-04-2012	Jagsonpal Pharma	13.4	14.25	6.34
23	23-04-2012	Puneet Resins	37	45	21.62
24	30-04-2012	Premier Ltd	67	84.5	26.11
25	07-05-2012	Chamanlal Setia	27.8	36.4	30.93
26	14-05-2012	AMD Industries	14.9	16.45	10.4
27	21-05-2012	Solimac	18	18.20 (ex 15% div)	9.44
28	21-05-2012	CEBBCO	67	91.5	36.56
29	28-05-2012	Cenlub Industries	31.85	37.75	18.52
30	04-06-2012	Puneet Resins	35.5	45	26.76
31	11-06-2012	Austin Engineering	69.8	72.5	3.86
32	18-06-2012	Anuh Pharma	120	128	6.66
33	25-06-2012	Bajaj Steel	99	107	8.08

Gulshan Polyols Ltd.

BSE Code: 532457
Last Close: Rs.68

Muzaffar Nagar based Gulshan Polyols Ltd. (GPL) has emerged as the largest manufacturer in India of 70% Sorbitol and Calcium Carbonate. Its production facilities are spread over 6 locations in 5 states covering a land area of over 150 acres. The company has an installed capacity of 1,05,000 TPA of Calcium Carbonate and 60,000 TPA of Sorbitol. In order to reduce its energy costs, GPL has also set up 10MW of cogen power.
Sorbitol 70%: GPL has fully integrated facility for producing Sorbitol (Corn to Starch to Dextrose to Sorbitol) with 3MW cogen power. Sorbitol is used as a Sugar substitute and a bonding agent and the main user industries are Healthcare, Cosmetics, Confectionery, Textiles, Paper and Paints.
Calcium Carbonate: The company produces a variety of calcium carbonates including PCC, GCC, ACC and WGCC. Its installed capacity is 1,05,000 TPA with 7MW cogen power plant to meet the energy requirements. GPL is also the first

company in India to install an on-site PCC plant at a paper factory. The main user industries for Calcium Carbonate are PVC & Cables, Dentrifice, Detergents, Rubber and Plastics.

GPL is setting up a new plant for producing 50,000 TPA of Calcium Carbonate in Rajasthan, which is likely to become operational in the near future. Its full impact will be felt from the second half of the current year.

It has an equity base of Rs.4.22 crore that is supported by reserves of around Rs.122.31 crore, which is 28.98 times its equity. It has a share book value of Rs.154.50.

The promoter holding in GPL is 68.85% while the non-promoter corporate bodies hold 5.81%, foreign investors hold 0.53% while the investing public holds 24.81% stake in the company.

GPL's net profit rose 54.91% to Rs.3.47 crore in Q4FY12 as against Rs.2.24 crore in Q4FY11. Total turnover declined 5.39% to Rs.68.23 crore in Q4FY12 as against Rs.72.12 crore in Q4FY11.

In the standalone full year FY12 results, the company reported a net profit of Rs.17.91 crore as against Rs.16.30 crore in FY11. FY12 total turnover was Rs.272.81 crore as against Rs.274.94 crore in FY11. The company reported an EPS of Rs.2.97 for Q4FY12 while for FY12 it reported an EPS of Rs.20.07. The company has been paying dividend as follows: FY12 - 25%, FY11 - 25%, FY10 - 25%, FY09 - 20%, FY08 - 15%.

Last four years performance:		(Rs. in crore)	
Year	**Net Sales**	**Net Profit**	**EPS** (Rs.)
2008-09	216.22	17.34	20.77
2009-10	220.09	12.68	15.19
2010-11	274.94	16.30	19.29
2011-12	272.81	17.91	20.07

In FY08, GPL turnover was Rs.111.47 crore and net profit was Rs.9.65 crore when its share price kissed Rs.600 level. Now the company's turnover is Rs.272.81 crore and net profit is Rs.17.91 crore but the share is available only at Rs.72 level. At its current market price of Rs.68, the share discounts less than 3.4 times its FY12 EPS of Rs.20.07. In the light of its highly encouraging performance in the last decade and bright future prospects, the share of GPL is likely to provide steady growth to the portfolio. We, therefore, recommend a buy in the GPL stock from a short-to-long-term perspective with a stop loss level of Rs.62 level for a price target of Rs.90 and Rs.115-120 thereafter.

MARKET FOLIO

Shriram Transport Finance's NCD issue opens on 26th July

Shriram Transport Finance Company Ltd. (STFC), the largest asset financing NBFC in India, plans to enter the debt capital market on 26 July 2012 with a public issue of Secured Non-Convertible Debentures (NCD) of face value of Rs.1,000 each, aggregating Rs.300 crore with an option to retain over-subscription upto Rs.300 crore for issuance of additional NCDs aggregating a total of Rs.600 crore. The NCDs carry a coupon rate of 10.25% p.a. to 11.40% p.a. for individuals through various options.

The Issue shall be open for subscription from 26 July 2012 to 10 August 2012 with an option to close the Issue on such earlier date or extended date as may be decided at the discretion of the duly authorised committee of directors of the company subject to necessary approvals. The NCDs proposed to be issued under this Issue have been rated 'CRISIL AA/Stable' by CRISIL for an amount of upto Rs.600 crore and 'CARE AA+' by CARE for an amount of upto Rs.600 crore. The rating of the NCDs by CRISIL and CARE indicates the high degree of safety regarding timely servicing of financial obligations and carrying very low credit risk.

The NCDs will be listed on the NSE and the BSE.

The funds raised through this Issue, after meeting the expenditures of and related to the Issue, will be used for STFC's various financing activities including lending and investments, for repaying the existing loans and for the business operations including capital expenditure and working capital requirements.

Jupiter Infomedia IPO opens on 30th July

Jupiter Infomedia Ltd. is coming out with a public issue of 20.40 lakh equity shares of Rs.10 each for cash at a price of Rs.20 per share aggregating Rs.408 lakh. Out of these, 5.40 lakh shares will be reserved for the promoters 1.80 lakh shares will be reserved for the market maker and 13.20 lakh shares will be offered to the public.

The issue of will open on Monday, 30 July 2012. The equity shares offered through the prospectus will be listed on the SME platform of the BSE.

Jupiter Infomedia is a growth oriented web Infomedia Company with online publications on business, encyclopedia and yellowpages. Presently, the company has three online publications, which include an online business directory (B2B Portal operating through the website – www.jimtrade.com), an encyclopedia with thousands of informative articles on India (www.indianetzone.com) and an online yellowpages directory of India (www.jimyellopages.com).

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