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# Nifty touches a 52-week high

**By Sanjay R. Bhatia**

As indicated, the markets continued to remain buoyant albeit with occasional bouts of sideways correction last week. The breadth of the market remained positive amidst higher volumes, which is a positive sign for the markets. Incidentally, the FIIs were net buyers in the cash segment but were net sellers in the derivatives segment. The domestic institutional investors (DIIs) were seen booking profits and remained net sellers during the course of the week. On the domestic front, the Rupee continued to appreciate and traded below the Rs.53 level against the green buck, which is a positive sign.

Technically, the prevailing positive conditions continued to trigger a rally on the bourses as the Nifty touched a new 52-week high. These technical positives continue to hold good and would lead to further buying support. The Stochastic is placed above its average on the weekly charts. Moreover, the KST, RSI and MACD are all placed above their respective averages on the daily and weekly charts. The KST and MACD are also placed in the positive territory on the daily and weekly charts, which augurs well for the markets. The Nifty remains placed above its 50-day SMA, 100-day SMA and 200-day SMA. More so, the Nifty's 50-day SMA is placed above the Nifty's 100-day SMA and 200-day SMA, the latter being called the 'Golden Cross' breakout. These positives would lead to buying support at regular intervals. The ADX line and +DI line are moving higher on the daily and weekly charts and are placed above the 36 level indicating that buyers have an upper hand.


However, a few prevailing technical negatives continue to hold good. The Stochastic is placed below its average on the daily charts. Moreover, the Stochastic is placed in the overbought zone on the daily and weekly charts. The RSI, too, is placed in the overbought zone on the daily charts while the Stochastic is placed in the overbought zone on the weekly charts. These technical negative conditions would lead to intermediate bouts of profit booking and selling pressure at higher levels.

The market sentiment remains positive as the Nifty touched a 52-week high. In the meanwhile, the markets would take cues from the global markets, crude oil prices, and the Ruppe-Dollar exchange rate, which touched a 5 month high of 52.8850.

Technically, on the upside the BSE Sensex faces resistance at the 18859, 19132, 19602 and 19811 levels and seeks support at the 18524, 18290, 17667, 17429, 17250 and 16718 levels. The support levels for the Nifty are placed at 5703, 5630, 5607, 5526, and 5448 while it faces resistance at 5741, 5884 and 5912 levels.

Traders and speculators can Buy HUL at Rs.545 with a Stop Loss of Rs.535 and a Target Price of Rs.560.

## BAZAR.COM

# PM's Viagra dose works!

**By Fakhri H. Sabuwala**

A Viagra dose it is for the economy from Prime Minister, Manmohan Singh and look it has cured the ill of growth dysfunction of the benchmarks. Had it not been so, how could 61 stocks from the list of BSE 500 hit the roof?

At least one in 10 stocks that figure on the BSE 500 index has hit a 52-week high since the government stepped on its accelerator of reforms. Believe me, 25 such stocks hit the roof on just one single day i.e. Wednesday, 26 September 2012.

It just took an announcement of diesel price hike and FDI approval in four segments to unleash this wave of rise at the stock markets and the expansion in market cap and consequently the wealth of investors. Media companies like Zee Entertainment, airline player like Spicejet or Tata's retail play of Trent Ltd. are amongst the gainers since then.

On the broader front, out of the 3015 listed stocks on the BSE no less than 285 have hit their yearly high since 14 September 2012. Sadanand Shetty, Vice President and Senior Fund Manager-Equity Taurus Mutual Fund, feels that the government moves have had a positive impact on certain sectors. "Capital goods and engineering companies have benefited from power sector reforms because distribution companies/SEBs are their biggest customers. Media companies moved up on digitization and oil & gas companies moved up on the easing of the regulatory uncertainty," he added. Meanwhile, the Sensex whose movement seemingly has more of sex and less of sense and is representative of how the market is faring had gained a neat 611 points or a clean 3.39% by mid-week.

It was also seen that some sectors and specific stocks in them had already got the hint of the Viagra dose a little earlier than the actual dose and were seen firming up in anticipation. Mehraboon Irani of Nirmal Bang Securities, however, feels that some stocks hit their highs even before such reforms were announced and viagra administered, ironically on the downside elsewhere. "The top quality names in private banking, IT and cement have been going strong and have hit a yearly high as almost everybody was hiding behind these defensives till about two weeks back. The market sentiment has improved a lot in recent weeks after the government took steps to avert a rating downgrade. This has led to buying in beaten down stocks in infrastructure and power on hopes of further reforms in these sectors," he said.

Cement companies remain high despite the heavy penalty burden on their heads on grounds of price cartelization. This is due to the expectation of a price hike taking into account the rise in production cost and its subsequent realization from customers. ACC, Ambuja Cement, Shree Cement and Ultratech are some of the names that readily come to mind and which have hit their yearly high.

But like in real life, this economic close of Viagra can have its side effects as some analysts see a number of problems in this recent run up. For some industries, like the people in real life who have inherent problems of blood pressure or diabetes the Viagra dose can cause immense problems despite the initial positivity. The real challenges (financial, operating and regulatory) for the economy in general and companies in particular cannot be wished away. Hence relying totally on this fortnight's rise in the Sensex and Nifty as a panacea would be foolish and imprudent.

Booking profits at every rise and entering on reactions may be a sound strategy for now at least. FIIs have been very kind with their inflows of over Rs.10384 crore since the first viagra dose. Global liquidity remains easy thanks to the easing of Euro problems and US Federal's QE3. The market may show some strength in view of such liquidity but treat it as an erotic exception and book your pleasure instead of postponing it. In India and around the globe, it is not the fundamentals that matter in equity play as much as the whims and fancies of the potent yet docile politicians. Hope you get the message right.

Manmohan's Viagra dose may work but for how long? Seek an answer to this poser.

## TRADING ON TECHNICALS

# Mid Caps cap Sensex upmove

**By Hitendra Vasudeo**

Last week, the BSE Sensex opened at 18756.31, attained a low at 18552.68 and moved to a high of 18869.94 before it closed the week at 18762.74 and thereby showed a net rise of 9 points on a week-to-week basis.

A *doji star* occurred (where a *doji* gaps above or below the previous candle). This often signals a reversal with confirmation occurring on the next bar.

Support will be at 18552 and 18291. Fall below the support level may show near-term sideways movement or minor correction or consolidation above 18200 before making an attempt to move higher above 18900.

The 61.8% retracement level of the fall from 21108 to 15135 is placed at 18815. The high registered last week was 18869.94 and formed a doji ,which suggests that a momentary halt to the rise could be seen unless another sharp rise and close above 18910 is witnessed.

Weekly resistance will be at 18904 and 19221. Weekly support will be at 18728, 18586, 18552 and 18291.

The 100% projection is at 19129 and the important lower tops from the peak of 21108 are 19131, 19811 and 20664.

On a further rise above 18910, expect the rise towards 19129-19221. The upper channel line for the larger degree Wave B is 19332. Wave c of Wave B may end at the current level or on rise to 19129-19221-19332. In the event of a vertical rise above the upper channel a rally towards the peak could be seen with step by step resistance coming from lower tops. Later, we may look at 78.6% and 88.6% retracement levels which will be at 19811 and 20452.

Initial task for the Sensex is to survive above 18200.

## BSE Mid Cap Index

Resistance will be at 6695. On a further sustained rise and close above 6695, expect the rally to continue towards 6900 at least and to an outer extent to 7500. The projection targets are 6900 and 7500.

The retracement levels of the fall from November 2010 high of 8791 to a fall of 5073 in December 2011 are placed at 6907 and 7370. These are 50% and 61.8% retracement levels.

The 50% is coinciding with 61.8% projection which is at 6900. Till 6300 is not violated strongly, the broad market bias may remain to buy selective stocks on decline. This may be the time to look for fundamentally genuine stocks to buy on decline for good returns in the medium-term.

## Wave Tree

| Wave Tree | | | | | Month | Year | Sensex | Month | Year | Sensex | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| aWave 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 | Sept | 2012 | 18869 | In progress |

## Conclusion

Broadly, it looks that 18200 is important to hold the current uptrend and must sustain above 18900 to keep the positive momentum going on weekly charts.

## Strategy for the week

Traders who are long may keep the stop loss of 18200 and those who cannot take much risk can keep it at 18500. Buy on a breakout above 18910 with the low of the day as stop loss or 18500, 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 | | | |
| GRASIM INDUSTRIES | 3315.00 | 3197.0 | 3225.7 | 3286.3 | 3375.7 | 3525.7 | 72.4 | 3157.5 | 14-09-12 |
| DEN NETWORK | 173.20 | 154.1 | 159.9 | 167.4 | 180.7 | 201.4 | 70.5 | 155.0 | 08-09-12 |
| PIDILITE INDUSTRIES | 206.40 | 199.3 | 200.9 | 204.8 | 210.3 | 219.8 | 69.1 | 204.0 | 27-07-12 |
| ORACLE FINAN. SER | 3011.00 | 2938.0 | 2955.7 | 2993.3 | 3048.7 | 3141.7 | 68.8 | 2977.5 | 03-08-12 |
| MOTHERSON SUMI SYS. | 223.05 | 214.8 | 216.3 | 221.5 | 228.2 | 240.1 | 68.4 | 210.9 | 10-08-12 |

## 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 | | | | |
| GILLETE INDIA | 2122.00 | 2014.7 | 2089.7 | 2132.3 | 2164.7 | 2175.0 | 38.82 | 2146.75 | 17-08-12 |
| NATIONAL ALUMINIUM | 51.15 | 45.8 | 49.7 | 52.1 | 53.6 | 54.5 | 39.60 | 52.64 | 28-09-12 |
| NICHOLAS PIRAMAL | 463.35 | 404.8 | 446.1 | 470.2 | 487.4 | 494.3 | 45.17 | 471.68 | 17-08-12 |
| G.E.SHIPPING | 247.10 | 226.2 | 240.7 | 248.7 | 255.1 | 256.8 | 46.72 | 249.14 | 28-09-12 |
| VIDEOCON INDUSTRIES | 171.65 | 158.1 | 167.9 | 173.9 | 177.7 | 179.9 | 46.99 | 175.27 | 28-09-12 |

## 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 |
|---|---|---|---|---|---|---|---|---|
| EIH | 500840 | 80.30 | 79.30 | 80.80 | 72.50 | 85.9 | 94.2 | 0.72 |
| PERSISTENT SYSTEM | 533179 | 427.35 | 415.55 | 430.00 | 410.50 | 442.1 | 461.6 | 0.87 |
| ADVANTA INDIA | 532840 | 739.25 | 726.00 | 743.00 | 718.00 | 758.5 | 783.5 | 0.90 |
| BARTRONICS INDIA | 532694 | 25.25 | 24.15 | 26.00 | 23.05 | 27.8 | 30.8 | 1.17 |
| NIFTY BEES | 590103 | 573.40 | 568.00 | 577.00 | 565.00 | 584.4 | 596.4 | 1.31 |
| PVR | 532689 | 192.95 | 189.15 | 196.00 | 186.00 | 202.2 | 212.2 | 1.33 |
| SUNIL HITECH ENG. | 532711 | 72.40 | 70.00 | 73.90 | 69.00 | 76.9 | 81.8 | 1.33 |
| INFINITE COMPUTER | 533154 | 132.70 | 129.00 | 136.70 | 124.05 | 144.5 | 157.2 | 1.37 |
| GAYATRI PROJECTS | 532767 | 105.65 | 102.00 | 110.00 | 100.55 | 115.8 | 125.3 | 2.00 |
| ICRA | 532835 | 1285.05 | 1201.30 | 1364.00 | 1195.00 | 1468.4 | 1637.4 | 2.04 |

## BUY LIST

| Scrip | Last Close | Buy Price | Buy Price | Buy Price | Stop Loss | Target 1 | Target 2 |
|---|---|---|---|---|---|---|---|
| BAJAJ FINSE | 870.75 | 826.79 | 808.88 | 790.96 | 732.95 | 978.6 | 1130.5 |
| EICHER MOTORS | 2300.00 | 2222.66 | 2189.50 | 2156.34 | 2049.00 | 2503.7 | 2784.7 |
| GRASIM INDUSTRIES | 3315.00 | 3170.90 | 3116.50 | 3062.10 | 2886.00 | 3631.9 | 4092.9 |
| AMBUJA CEMENT | 201.95 | 194.95 | 191.60 | 188.25 | 177.40 | 223.4 | 251.8 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ORACLE FINANCIAL SER | 3011.00 | 2994.95 | 2973.00 | 2951.05 | 2880.00 | 3181.0 | 3367.0 |
| JUBILANT FOODWORK | 1372.60 | 1309.66 | 1282.68 | 1255.69 | 1168.35 | 1538.3 | 1767.0 |
| PIDILITE INDUSTRIES | 206.40 | 203.57 | 200.98 | 198.38 | 190.00 | 225.5 | 247.5 |
| SHREE CEMENT | 3954.00 | 3731.53 | 3652.00 | 3572.47 | 3315.00 | 4405.5 | 5079.5 |
| TITAN INDUSTRIES | 261.55 | 246.30 | 241.20 | 236.10 | 219.60 | 289.5 | 332.7 |
| ZEE ENTERTAINMENT | 195.65 | 185.67 | 180.57 | 175.48 | 159.00 | 228.8 | 272.0 |

**EXIT LIST**

| Scrip | Last Close | Sell Price | Sell Price | Sell Price | Stop Loss | Target 1 | Target 2 |
|---|---|---|---|---|---|---|---|
| NESTLE INDIA | 4374.00 | 4445.05 | 4488.00 | 4530.95 | 4670.00 | 4081.1 | 3717.1 |
| TATA CONSULT. SER | 1294.00 | 1328.68 | 1349.55 | 1370.42 | 1438.00 | 1151.8 | 974.9 |

## TOWER TALK

* **Network 18 Media & Investments** Rights issue at Rs.30 is a quasi IPO facilitating Mukesh Ambani who has taken a stake in Raghav Behl's Network 18 group.

* Jaguar's bucking the declining trend in the premium car segment comes as a great relief to **Tata Motors** as Jaguar makes inroads into China.

* Vijay Mallya needs to revisit the sermons of his onetime guru, Sri Sri Ravi Shankar of the Art of Living fame and relearn the art of not only living within his means but also of negotiating with his saviours!

* Buy **Idea**, **RCom** and **Bharti Airtel** as safe bets in the telecom sector as the worst is over for them and the time ripe for making it good.

* Rupee strengthens after recent reforms...Gold too corrects...so does silver making it a perfect bet for 'teji' at the market.

* Stock market history indicates that the monthly trend of September... continues in October with nearly the same percentage rise or fall as in September.

* Finally **Balaji Amines** is in a strong bull grip and its share price is moving up with good volumes. Hold on to your position. Still a long way to go.

* **Indag Rubber** has shot up too much too fast. Book partial profits and play safe.

* Watch out for **Suprajit Engineering**. Its share price may cross the Rs.30 mark soon. A good short-term play to gain around 20% in a month's time.

* **JK Lakshmi Cement** has been consistently rising over the last few months. At the current market cap of over Rs.1300 crore, it seems reasonably valued. Book profits.

## BEST BET

### Sanghvi Movers Ltd. (Code: 530073) Rs.95.50

Incorporated in 1989, Sanghvi Movers Ltd. (SML) is engaged in providing hydraulic and crawler cranes on a rental basis to various industries in the infrastructure and core sectors like power, cement, steel, aluminium, wind energy, oil & refineries etc. In fact, it is the largest crane hiring company in India, 3rd largest in Asia and the 7th largest in the world as per Cranes International Magazine - June 2011. Its core competency lies in procuring, maintaining & operating cranes. As of 31 March 2012, it boasts of a diversified fleet of 397 medium-to-large sized Hydraulic Truck Mounted Telescopic & Lattice Boom Cranes and Crawler Cranes with lifting capacity from 20 to 800 MT. Of these, about 90% cranes are with a lifting capacity of above 100 MT and contribute nearly 90% of its total revenue. Cumulatively, its lifting capacity stands at over 66,087 MT. All the cranes are imported from Germany, USA, UK, Japan, China and Singapore. The list of global suppliers comprises reputed names like Terex Demag and Liebherr from Germany, Manitowoc from USA, Kobelco, Kato and Tadano from Japan and Zoom line, Sany from China. With its pan India presence, SML has a dominant market share of over 80% in the domestic crane hiring business of heavy duty 250 MT plus segment and approx 65% market share in 100-150 MT segment. It also undertakes implementation of turnkey projects, which includes providing of well maintained equipments, expert technical services and skilled manpower. Having pioneered crane hiring in India, the company enjoys the first mover advantage. It has set a benchmark and is known for its efficiency in operation and adherence to time schedules. It leases out cranes from 3 months to 30 months with hire charges varying as per crane specifications, duration of lease and the client relationship. To complement its crane hiring business, the company also provides several value added services like heavy lift, plant erection and maintenance, movement of materials, erection of equipment, assistance in fabrication, offering skilled personnel and the required engineering services. The company has also been earning regular income, though marginal, by sale of power generated from its windmills commissioned in Jaisalmer, Rajasthan and Chitradurga, Kamataka. Presently, it has a total installed wind power generation capacity of 5.05 MW for which it has entered into power supply agreements with the State Electricity Boards (SEBs) for 20 years.

SML has an extensive service network all over India with over 12 depots located at Pune, Vadgaon, Chakan, Nagpur, Jamnagar, Bharuch, Delhi, Ghaziabad, Cuttack, Bangalore, Gadag, Chennai, etc. for parking & overhauling the cranes. These depots not only reduce the transportation cost but also the time spent on transporting the cranes from the depot to the client's location. Presently, it has over 30 operational sites across Inida. In the near future, the company plans to establish new depots at Satara, Jodhpur, Jamshedpur etc. and has even bought 5.50 acres of land in Satara. SML has an enviable list of clientele both from the private and public sectors across all industries including Reliance, Aditya Birla group, Suzlon, NTPC, BHEL, Tata group, L&T, ONGC, ACC, BHEL, Thermax, Hind Zinc, Vedanta group, Lanco group, Bhushan Steel, Shree Cement, Chambal Fertilizers, GNFC, Siemens, Ispat etc. The company caters its product to 75% of traditional power sector's and 65% of the windmill sector's crane requirement. To maintain its competitive edge & cater to bigger power projects requiring very heavy duty cranes, the company is continuously expanding its fleet size & adding cranes with capacity of 400 MT, 600 MT to 1600 MT. Recently, SML has diversified its business and has entered the Logistics industry by adding 132 hydraulic multi axle modular trailers. It has become Asia's first company to order 132 trailers in a single order and has imported the best technology for the Indian market. Under its Transport Division, it will offer single window service for all over dimensional cargo and bulk movement. It is now competent to carry any type of Over Dimensional consignments in difficult terrains and long distances across India. This division is well-supported by other vehicles such as Volvo (upto 520 HP), MAN, TATA & Hydraulic axles (Scheuerle Axles).

In the next couple of years, SML will focus more on renting cranes to Power, Steel, Cement and Aluminium plants, Refineries, Windmills, Metro and Hydro Power sectors. It foresees immense opportunity in power projects under the 12th Five-Year Plans. It has fully geared itself to play a major role in the implementation of these power plants as it has versatile fleet of cranes, which meets all the requirements for construction of power plants. Since the Central Government continues to give priority to infrastructure, road construction, housing, power and ports, the demand for heavy lift cranes witness strong growth on the back of massive investment in Ultra Mega Power Projects (UMPP) to add 80,000 MW over the next 5 years, continued growth in Infrastructure including large scale investments in oil & gas refineries, road construction, ports and nuclear treaty entered with U.S.A. Taking these above developments into consideration, SML is expected to grow at a CAGR of 20-25% for next 2-3 years on the back of a rise in rental volumes and increase in rental charges.

Technically, the scrip is trading in a very narrow range of Rs.90-120 for quite long. Although the company reported a good performance for FY12, its share price did not appreciate even in the bullish market sentiment. For 2011-12, its revenue jumped up by over 25% to Rs.473 crore whereas PAT increased by almost 20% to Rs.102 crore. Importantly, due to the nature of its business, the company provides for huge depreciation of over Rs.100 crore, which means that its cash profit is more than double its net profit. Besides, SML is among the few companies which boast of reporting an OPM of over 70% and NPM of 20-25%. Even for Q1FY13, it recorded an operating profit of Rs.74 crore on a revenue of Rs.103 crore, whereas the PAT stood at Rs.20.50 crore. With 45% stake held by promoters, it is a regular dividend paying company. It has huge free reserves of Rs.620 crore on its tiny equity of Rs.8.66 crore. SML will be celebrating its Silver Jubilee in 2013-14 and investors can expect a liberal bonus from the company. At the current market cap of Rs.400 crore, it discounts the estimated forward earning of Rs.120 crore by barely 3 times. At a reasonable discounting by 6 times, its share price can double in 15-18 months. Long term investors can expect much higher returns if held for 3 years or more. It is a strong buy at the current level and for addition at every decline.

## STOCK ANALYSIS

# Atul Ltd.: For good portfolio gains

**By Devdas Mogili**

Atul Ltd., formerly known as Atul Products Ltd., is a 37-year old Ahmedabad based Lalbhai Group company established in 1975. It manufactures dyes and dye intermediates, agro-chemicals, aromatics like para-Anisaldehyde, epoxy resins and pharma intermediates. Mr. Sunil S Lalbhai is the chairman and managing director of the company.

Atul operates through six business divisions viz: agrochemicals, aromatics, bulk chemicals & intermediates, colours, pharmaceuticals & intermediates and polymers. The company made a reassessment of the risks and returns of its portfolio of products, the nature of its businesses, the industries it serves etc., and has accordingly reclassified its portfolio of products into two Reporting Segments namely, Life Science Chemicals and Performance & Other Chemicals. Generally products used by Agriculture and Pharmaceutical industries are classified under the Life Science Chemicals Segment while the other products are classified under Other Chemicals Segment.

**Crop Protection:** The company's Crop Protection Business mainly comprises Fungicides, Herbicides and Insecticides, which are used by the Agriculture industry. The company's business comprises about 13 products and 54 formulations.

**Pharmaceuticals:** The Pharmaceutical business mainly comprises API intermediates and a few APIs, which are used by the Pharmaceutical industry under five broad therapeutic categories viz cardiovascular, anti-depressant, anti-diabetic, anti-infective and anti-retroviral totalling 28 products.

**Aromatics:** The Aromatics business comprising p-Cresol and its downstream products used by the Flavour & Fragrance and Personal Care industries has 29 products.

**Bulk Chemicals:** Its Bulk Chemicals business mainly comprises Sodium Hydroxide, Chlorine, Sulphuric Acid, Oleum, Sulphur Trioxide, Chlorosulphonic Acid and Resorcinol etc. totaling 22 products. Barring Chlorosulphonic Acid and Resorcinol, most of the products are used for captive consumption. Resorcinol is mainly used in the Tyre industry.

**Colours:** The Colours business mainly comprises dyes for natural fibres such as Vat, Sulphur Black and Reactive and in a small way high performance pigments. Products in this segment include Textile dyes, Textile chemicals, Pigments, Paper dyes, Inks and Others.

These products are used in the Textile and Paint & Coatings industries and comprise about 500 products.

M. Dohmen S. A., a JV company, manufactures dyes for synthetic fibres such as Speciality Disperse that are mainly used in automotive textiles.

Rudolf Atul Chemicals Ltd., a new JV company, provides the complete range of textile chemicals and has made a modest beginning.

**Polymers:** Polymers Business mainly comprises Epoxy Resins and Hardeners and their formulations together with other components such as air release agents, reactive diluents, rheological modifiers, wetting agents, etc. and Sulphones. These products are used in Aerospace, Automobiles, Construction, Defence, Electronics, Footwear, Handicrafts, Marine, Paint & Coatings, Paper and Wind Energy industries. This product group comprises about 90 products and 240 formulations.

**Subsidiaries:** Atul Ltd. has nine subsidiaries: Atul Rajasthan Date Palms Ltd., DPD Ltd., Atul Bioscience Ltd., Atul USA Inc, Atul Europe Ltd., Atul Deutschland GmbH, Atul China Ltd., Atul Brasil Quimicos Ltd. and Ameer Trading Corporation Ltd.

**Performance:** For FY12, the company posted net sales revenue of Rs.1745.67 crore with a net profit of Rs.88.11 crore netting an EPS of Rs.29.70.

**Financial Highlights:** (Rs. in lakh)

| Particulars | Q1FY13 | Q1FY12 | FY12 |
|---|---|---|---|
| **Net Sales** | **49559** | **40372** | **174567** |
| Other Operating Income | 639 | 690 | 3475 |
| Total Income | 50198 | 41062 | 178042 |
| Total Expenses | 44546 | 37732 | 162092 |
| Other Income | 314 | 89 | 1164 |
| Finance Cost | 1117 | 661 | 4310 |
| Ex Rate Diff Gain/(loss) | 562 | (223) | (1207) |
| Exceptional Items | - | - | 651 |
| Current Tax | 1665 | 845 | 3510 |
| Deferred Tax | (2) | (164) | (75) |
| Total Tax | 1663 | 681 | 3435 |
| **Net Profit** | **3748** | **1854** | **8811** |
| Equity (FV: Rs.10) | 2966 | 2966 | 2966 |
| Res Ex Rev Reserves | - | - | 50573 |
| **EPS (Rs.)** | **12.64** | **6.25** | **29.70** |

**Latest Results:** For Q1FY13, the company registered net sales revenues of Rs.495.59 crore with a net profit of Rs.37.48 crore recording an EPS of Rs.12.64.

**Financials:** The company has an equity base of Rs.29.66 crore with a share book value of Rs.180.51, a debt:equity ratio of 0.62 with RoCE of 20.49% and RoNW of 17.73%.

**Share Profile:** The company's share has a face value of Rs.10 and is listed on the BSE under the B group. It hit a 52-week high/low of Rs.329.50/Rs.135. At its current market price of Rs.338.25, the company has a market capitalization of Rs.1001.53 crore.

**Dividends:** Atul has been giving dividends as shown: FY12 - 45%, FY11 - 45%, FY10 - 40%, FY09 - 30%, FY08 - 30%, FY07 - 30%, FY06 - 30%, FY05 - 20%, FY04 - 15%, FY03 - 20%, FY02 - 15%.

**Shareholding Pattern:** The promoters hold 50.22% while the balance 49.78% is with the non-corporate promoters, institutions, mutual funds and the Indian public. Mutual Funds like DSP BR, Reliance, and Goldman Sachs have added the company's shares to their various investment schemes.

**Prospects**: The segment wise prospects for the company's products are as under:

**(1) Crop Protection -** The world market for crop protection chemicals is estimated at US $51 billion and is growing at about 3% while the Indian market for them is estimated at US $1 billion and growing at about 5%. There are around 60 big companies that dominate the world market, and there are about 10 companies in India with sales of US $100 million.

Agriculture, is growing the world over because of the rising population and improved standard of living. The Company is expected to participate in this growth by introducing new products and new formulations, by improving efficiencies and by promoting its brands in other countries particularly in Africa and South America.

**(2) Pharmaceuticals** - The global market for pharmaceuticals is estimated at US $730 billion while the Indian Pharma market is estimated at US $22 billion including exports and is growing at about 8%. There are around 20 major companies that dominate the world market with about 67% share in prescription drugs and around 8 companies in generic drugs with about 70% share.

Healthcare is growing because of increasing awareness about diseases and health. The company along with Atul Bioscience will participate in this growth by debottlenecking, by adding capacities, introducing new products, by improving efficiencies and by widening its market reach.

**(3) Aromatics -** The world market of p-Cresol is estimated at 55,000 MT and growing around 3% p.a. Earlier, this product was manufactured in the UK and USA but China and India are the major suppliers now.

The main user industries, Flavour & Fragrances and Personal Care, are growing well because of the increasing population and improving lifestyles. The company will encash on this growth by expanding capacities, introducing new products, improving efficiencies and expanding its market reach.

**(4) Bulk Chemicals**

The world market for bulk chemicals is growing at about 0.5% and the Indian market is growing at about 2%. The world market for Resorcinol is estimated at US $295 million and is growing at about 3% while the Indian market for it is estimated at US $13 million and growing at about 5% p. a.

The captive consumption of bulk chemicals is expected to grow as the Company expands manufacturing capacities of its various products. The Tyre industry, too, is recording good growth in keeping with the growth of the automobile industry in India.

**(5) Colours** - The world market for dyes and textile chemicals is estimated at US $11 billion and is growing at about 2% while the Indian market is estimated at US $800 million and growing at about 3% p.a.

Growth in the Textile industry, is dependent on the markets of USA and Europe; due to difficult economic situation in some of these countries, the industry has shown considerably sluggish growth. The growth of the domestic Textile industry has been affected by the closure of textile units in Tirupur and the volatility in cotton prices. The company is trying to overcome the downward pressure on prices by debottlenecking capacities and reduce the cost per unit, introducing new dyes, pigments and textile chemicals, improving efficiencies and improving its market reach particularly in selected countries in South America, Asia and Africa.

**(6) Polymers -** The world market for Epoxy Resins and Hardeners is estimated at US $6 billion and is growing at about 2% whereas the Indian market is estimated at US $210 million and growing at about 10% p.a. There are around 7 major companies that dominate the world market and the two key raw materials i.e. Bisphenol-A and Epichlorohydrin are imported into India. The world market for Sulphones is estimated at US $300 million and growing at about 4% p.a.

Polymer user industries like Automobiles, Construction and Paint & Coatings, are growing well particularly in India. The company will participate in this growth by debottlenecking the capacities of Epoxy Resins and Hardeners, by introducing new products and formulations, by improving efficiencies and by expanding its market reach.

**Conclusion**: Atul Ltd. is an established player in speciality chemicals like Dyestuffs, agro chemicals, aromatics etc. with an excellent track record of growth and payment of dividends.

At its current market price of Rs.338.25, its share price discounts less than 11.5 times its FY12 EPS of Rs.29.70. Recently, its share price shot up significantly following its block buster results. As such, considering its spectacular performance, reputed pedigree, good payouts, and bright prospects, the shares of Atul Ltd. may be accumulated on market declines for portfolio gains in the medium-to-long-term.

## MARKET REVIEW

# Markets post gains

**By Devendra A. Singh**

The BSE Sensex (30-share index) settled at 18762.74 with an advance of 9.91 points (+0.05%) whereas the CNX Nifty closed above the 5700 mark after long since 7 July 2011 at 5703.30 gaining 12.15 points (+0.21%) for the week ended Friday, 28 September 2012. The BSE Small-Cap index climbed 59.43 points to close at 7017.89 and the BSE Mid-Cap index was up 74.52 points to close at 6607.29 on the last day of the trading session. Key indices gained in 2 out of the 5 trading sessions last week.

They registered modest gains during the week on strong rupee appreciation against the dollar and sound performance of FMCG stocks cheered market sentiment.

India's infrastructure output sector, which consists of 8 core sectors, grew 2.1% in August 2012 as against 3.8% in August 2011 due to slower growth in crude oil, natural gas, fertiliser and cement. The infrastructure sector weighs 37.9% in the India's Industrial Production (IIP) index. During April-August 2012, the cumulative growth rate of the core industries stood at 2.8% as against 5.5% during the previous corresponding period.

Finance Minister (FM), Mr. P. Chidambaram, speaking on reforms last week said "I am very confident that between now and October 30, the government is expected to take a number of additional policy measures and also lay out a plan of fiscal consolidation. The response of RBI on October 30 will be far more supportive of growth".

On the global front, France has unveiled measures in its budget to plug a €36.9 billion hole in its public finances with the toughest package of tax hikes and spending cuts.

On the 2013 budget adopted by France President, Francois Hollande, has said "the Budget is the most important fiscal effort in 30 years that is expected for austerity cuts and tax hikes needed to cut France's budget deficit to 3% of GDP by next year from level of 4.5% of GDP this year".

Jean Marc Ayrault, Prime Minister of France, said "This is a fighting budget to get the country back on the rails". He further said "the combination of cuts and tax increases would ensure France could continue to finance its high level of debt at historically low interest rates, unlike Spain and Italy."

S&P's credit rating analyst, Andrew Palmer, said "it has cut India's GDP growth forecast to 5.5% from 6.5% and China's GDP to 7.5%. We have lowered our base case forecasts of 2012 real GDP growth by about half a percentage point for China to 7.5%, Japan to 2%, Korea (Republic of) to 2.5%, Singapore to 2.1% and Taiwan to 1.9%."

"Our lower forecast for China recognizes that the central government had elected not to inject an economic stimulus of a size and speed necessary for a 8% growth rate. It appears that the approach by Chinese authorities is influenced by the unpleasant experience of the inflationary effect particularly on real estate prices of the stimulus they initiated in late 2008-2009," Andrew added.

The economic crisis in China, turmoil in the Euro zone and weaker recovery in USA have lead the S&P's to forecast lower economic growth rates for Asia Pacific.

The lack of monsoon rains has badly affected India, for which agriculture still forms a substantial part of the economy. Additionally, the more cautious investor sentiment globally has seen potential investors become more critical of India's policy and infrastructure shortcomings.

The International Monetary Fund (IMF) has also lowered its forecast for the world growth over the next two years. It expressed concern that Europe's financial crisis and slower expansion in China and India have weakened the world economy. According to a quarterly update to its World Economic Outlook, the IMF said it expected the world economy to expand 3.5% this year slightly down from its previous estimate of 3.6% in April. It has also cut its USA growth forecast to 2% this year from its previous estimate in April of 2.1%.

The Bank of Spain, said that 9.9% of banks total loans were in arrears up from 9.4% a month before. It was the highest bad loan ratio since the central bank began compiling the data in 1962.

Deputy PM of Spain said that Spain is assessing the conditions of assistance from the European Central Bank (ECB).

ECB governing council member, Luc Coene reiterated on Monday that, "Spain must submit to the conditionality, before it can buy up its bonds. However if it does not, I don't think it will take long for Spanish spreads to rise."

Spain's banking sector needs recapitalising, and much of the money would come from €100 billion in European Union funds already pledged by euro zone finance ministers in June.

The timings on a possible bailout however are unclear. Following the ECB's promise to support countries like Spain that find themselves having to pay record levels to borrow from investors, the market pressure on Madrid has reduced substantially.

S&P's gloomier economic forecast for the Euro zone and its strained members had no impact on the firm's sovereign ratings. Economists at S&P's further cut their forecasts for the Euro zone's economy for 2012 to -0.8% from -0.7% previously and for 2013 to zero growth from growth of 0.3%.

Key indices fell on Monday, 24 September 2012 on corrective selling. The Sensex tanked 79.49 points (-0.42%) to close at 18673.34 whereas the Nifty edged lower marginally 21.55 points (-0.38%) to close at 5669.60.

Key indices registered decent gains on Tuesday, 25 September 2012 on positive local cues. The Sensex edged higher 21.07 points (+0.11%) to close at 18694.41. The Nifty was up 4.30 points (+0.08%) to close at 5673.90.

Key indices fell on Wednesday, 26 September 2012 on Euro zone cues. The Sensex fell 62.24 points (-0.33%) to close at 18632.17 while the Nifty was down 10.45 points (-0.18%) to close at 5663.45.

Key indices tanked on Thursday, 27 September 2012 due to high crude price. The Sensex fell 52.67 points (-0.28%) to close at 18579.50. The Nifty edged lower by 13.95 points (-0.25%) to close at 5649.50.

Market performance settled higher on the last day trading session on Friday, 28 September 2012 on strong rupee appreciation against the dollar. The Sensex surged 183.24 points (+0.99%) to mark a close at 18762.74. The Nifty ended higher to cross 5700 mark since 7 July 2011 by 53.80 points (+0.95%) to close at 5703.30.

The Sensex advanced 9.91 points to settle at 18762.74 during the week. The HSBC India Manufacturing PMI data for September 2012 will be released on Monday, 1 October 2012 and HSBC India Services PMI for September 2012 will be released on 4 October 2012.

The stock market remains closed on Tuesday, 2 October 2012 on account of Mahatma Gandhi Jayanti.

On the global front, the stock markets in China are closed the whole of next week on account of Mid-Autumn Day Festival and National Day from 30 September 2012 to 7 October 2012.

Investors will eye the governing council meet of the European Central Bank (ECB) in Ljubljana in the next month scheduled on 4 October 2012.

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

# Sentiment improves

**By G. S. Roongta**

The stock market moved exactly in line with what we had indicated in our article last week, i.e. that it would remain sluggish for a few days on account of the political agitation launched against the hike in diesel prices and FDI in multi-brand retail on the back of the complete pull out by the Mamata Banerjee led TMC from the UPA2 Government.

The impact of the Bharat Bandh called by the BJP dominated Opposition on Thursday, 20 September 2012, against the diesel price hike and the FDI in retail proved to be an utter failure as far as the stock market is concerned as it rallied sharply the very next day! The benchmarks opened strong and the BSE Sensex gained 403 points to close at 18752 while the CNX Nifty gained 137 points to close at 5691 even though there was no fresh trigger.

G. S. Roongta

This higher weekly closing for the second week in succession confirmed the northward direction that the Sensex had taken as headlined 'Sensex eyes 19,000' in the last article. While we were not surprised by this move, it did finally impress the technical experts who for the first time in 15 months revised their outlook from bearish to bullish. They immediately started projecting the next Sensex hurdle at 19200 and the next resistance level on the Nifty at 5800.

Predictably, almost all business channels started projecting Sensex 19100-19200 levels to be achieved in the coming week 'as the market sentiment has turned extremely bullish' right since Friday, 21 September 2012. But it once again proved to be their wishful thinking as the market remained bearish till the F&O expiry on Thursday, 27 September 2012 as the bulls were in no mood to push the market further and preferred to book profits steering the market sideways.

In this context, Money Times readers may be reminded that this column has been forecasting a bullish trend around the corner since 2-3 months and we have been firm in our view unlike the technical analysts who keep changing their stand in tune with the rise & fall of the popular indices keeping the traders in suspense.

In fact, this column has remained firm in its view and guidance since the end of December 2011 and beginning of January 2012 that the market will continue to make higher tops with higher bottoms from the low level of 20 December 2011 till it hits the previous two highs above Sensex 20K & 21K. Money Times is now proud to reaffirm that our guidance proved to be far superior, firm and realistic compared to all other print & TV media that keep on forecasting both ways with no firm long-term guidance, which kept the investors at bay wondering what to do.

We have consistently highlighted the massive buying by FIIs in August & September 2012 that will lead to a strong rally. And we have repeatedly pointed out to the negative role of technical analysts who were forecasting a bearish trend, which led mutual funds and domestic institutions to keep selling thereby supplying stocks to FIIs at dirt cheap values. Mutual funds and domestic institutions did not show any degree of foresightedness. On the contrary, they have played a negative role to keep the domestic bourses at a 18-month low ebb thus resulting in heavy losses compelling lakhs of investors to withdraw from mutual fund schemes after fetching negative returns over the last two years.

Few weeks back, we had observed the significance of P/E ratios stating that whenever the average P/E ratio falls below 15, it is the right time to enter the market and to book profit whenever it touches the 24-30 multiple and illustrated the same with examples from the past.

We had also observed that the stupendous rise of the market from April 2009 to December 2010 was too fast and too high as it recovered over 100% without proper consolidation, which led the market to remain sideways throughout calendar 2011 to consolidated massively between Sensex 16K and 18K. The big rise of 10,000 points without proper consolidation during April 2009 till December 2010 proved to be risky as evident by the dull calendar year 2011.

Tell us, which analyst or print or TV media has made such basic observations about the market turning bullish? But now that the market has crossed Sensex 18K comfortably, every Tom, Dick and Harry has started forecasting abnormally high levels without realizing that the rise of nearly 1500 points from Sensex 17K and 400 points from Nifty 5280 so soon is itself astonishing and the market needs a pause to consolidate.

In view of this, the bulls preferred to slowly push the market further while technical experts started predicting that Nifty Futures would cross 5800 by the expiry of September 2012 F&O contracts on Thursday, 27 September 2012, which failed to materialize. On the contrary, the market slipped in 3 out of the 5 sessions last week to close at Sensex 18762.74 on Friday, 28 September 2012 while the Nifty closed at 5703.30, nowhere close to the 5800 level!

The F&O expiry for September 2012 was not as volatile as expected despite the stupendous rise on both the popular indices and the F&O stocks. The bulls have indeed exercised caution by choosing not to hunt for their pound of flesh unlike the bears when they held the reins and hammered the bulls to no end. The rollover position has been quite satisfactory and will impart the desired trigger in days to come.

The market sentiment has also improved despite the fact that a number of stocks have been removed from the F&O segment for trading w.e.f. October 2012 and were compulsorily squared up in the September 2012 F&O expiry session. Traders were thus denied the opportunity to carry forward their positions to the October 2012 series, which put pressure on the F&O segment.

FIIs have been the sole net buyers to hit a record buying of over Rs.80,000 crore in 2012 till the end of last week. Imagine the state of those who sold such massive chunks of stocks in just 9 months. It was none other than the mutual funds, domestic institutions and retail investors who unloaded their holdings heavily on the advice of technical experts, who have been repeatedly forecasting a bear market threatening to breach even the low levels of 2008, which this column has challenged and dismissed several times.

Crude oil prices are once again correcting with Brent Crude again falling from US $116 to US $110. The Rupee has also gained at Rs.52.85 from a low of Rs.57 per US Dollar.

I had once remarked that if the stock market turns bullish, everything will be set right be it the Rupee value, inflation, fiscal deficit or current account deficit, industrial production or GDP.

The Congress led UPA government has slept through its second term and did not act firmly for fear of losing its majority. But it has now awakened and dealt firmly with its allies and the opposition to push ahead the reforms process. If it continues on the right track and acts boldly & firmly, the GDP rate, which has fallen from 9% plus to 6%, might recover in the second half of this fiscal to touch 6.8% or 7% thus putting the wheels of the Indian economy back on track.

**Cement stocks:** Almost all cement stocks have hit a new 52-week high despite media reports that cement prices have fallen by Rs.20 to Rs.15 per bag about a week back, which led investors to sell cement stocks. Such reports, whether right or wrong, impact the market sentiment and few smart speculators take advantage of the doubts created along investors.

In the week under review, cement stocks have been outperformers to rally smartly. My favourite stocks: ACC, JK Lakshmi Cement and OCL India have been outperformers to a hit a new 3-year high! However, Kesoram Industries and India Cement have yet to join the rally. Both are still available very cheap at Rs.138 & Rs.95 respectively and are expected to flare up this week.

**Steel sector:** The steel sector, on the contrary, has been an underperformer, which is quite strange because cement & steel go together and cannot move in opposite directions. The market is giving steel stocks a step motherly treatment, which is unfounded as without steel there is not meaning for cement alone whether it be in housing, roads, infrastructure or anywhere else.

In view of this, a rally in steel stocks should be around the corner. Analysts in media outfits are silent about steel stocks or issuing bearish guidelines but I feel that within a month or so there will be frontline news about steel stocks rallying. Tata Steel, SAIL, JSW, Sarda Energy & Power, which have a good track record, might flare up followed by second rank stocks.

Power, Sugar, Textile will follow suit post Diwali when the market euphoria would have gained further momentum.

The market has already entered into a new orbit and will go up at least till Diwali to either hit Sensex 20K or 21K after proper consolidation.

The market euphoria will continue with stock specific action from investors at large like Aegis Logistics, which rose smartly from Rs.120 a few days back to Rs.168 on Friday, 28 September 2012. OCL India flared up from Rs.90 three months ago to Rs.166. Likewise, the list is quite large with number of stocks rising by 10-20% to hit the upper circuit filter.

Various stocks recommended in our Investment Advisory Service (IAS) during the month have also flared up.

## STOCK WATCH - By Saarthi

Technically, **Gujarat Alkalies & Chemicals Ltd. (GACL) (Code: 530001) (Rs.132.95)** displayed some strength last week although the scrip has been trading in a narrow range for over a year. Its share price may hit a new high and continue its upward march in the near future considering the market sentiment. It is the largest producer of Caustic Soda with an installed capacity of 429,000 TPA and enjoys 17% share in the domestic chlor-alkali market. Since inception, the company has expanded operations in the chlor-alkali sector from time to time and has diversified into several higher end products through forward/backward integration. Its products basket comprises 27 chemicals including caustic soda, chlorine, hydrochloric acid, hydrogen, chloromethanes, potassium hydroxide, potassium carbonate, phosphoric acid (85%) sodium cyanide, sodium ferro cyanide, hydrogen peroxide, calcium chloride, stable bleaching powder, anhydrous aluminium chloride, toluene based chemicals and chlorinated paraffin wax etc. It derives around 65% revenue from the chlor-alkali business and 35% from the other value added products. Its products are used by various industries viz. textiles, pulp & paper, soaps & detergents, alumina, water treatment, petroleum, fertilizers, pharmaceuticals, agrochemicals, plant protection, dyes & dye intermediates etc. and it has marked its presence overseas even against stiff global competition by exporting to USA, Europe, Australia, Africa, Far East, Middle-East, China and South Asia. Apart from a 90MW gas based captive power plant and participation in a 140 MW joint captive co-generation power plant, the company has taken a major initiative for green energy by setting up three wind farms of 83.75 MW. Importantly, the company enjoys a strong competitive edge vis-à-vis its competitors in terms of economies of scale, state-of-the-art eco-friendly technologies, economical and reliable power supply, extensive usage of renewable energy, integrated downstream plants, strong network for marketing and distribution, in-house research and development facilities, proximity to major raw material sources and markets etc. Known for constantly modernising, expanding and diversifying its activities, the company is now taking effective steps for putting up a 21 MW Wind Farm, 8000 TPA of Hydrazine Hydrate project, 600 TPD Caustic Soda project over the next 3-4 years. Further, it is also considering a project to manufacture 150 KTPA of propylene oxide and its downstream products like propylene glycol and polyols with world renowned technologies. Recently, the company terminated its deal with Dow Chemicals for setting up a 600 TPD Chloromethane project because Dow was reportedly taking long in implementing the project apart from other problems. The company has now decided to go solo to implement this project with half the originally planned capacity i.e. 300 TPD. Fundamentally, for FY12 its sales stood at Rs.1722 crore (20% up) whereas net profit rose 35% to Rs.154 crore. Even for Q1FY13, its PAT rose 20% to Rs.55 crore on 5% higher sales of Rs.442 crore. At the current market cap of Rs.975 crore, it is worth accumulating at declines.

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**Puneet Resins (Code: 526492) (Rs.28.70)** is making new lows on the back of poor performance in Q1FY13. While sales declined by 30% to Rs.12 crore, net profit fell 50% to Rs.0.75 against Rs.1.70 crore in Q1FY12. However for full FY12, it recorded around 15% growth both in sales and PAT to Rs.63 crore and Rs.6 crore respectively thereby posting an EPS of over Rs.11 on its equity on Rs.5.20 crore. The company is a part of the Rs.500+ crore Rishiroop Group with a 50-year history in the Rubber sector and is a pioneer in introducing various grades of rubber compounds in India. It has been manufacturing Rubber and PVC compounds that have specialised properties such as oil resistance, flame retardant, ozone resistance, fuel and solvent resistance etc. These compounds are used to make products such as petrol hose, LPG tubes, footwear, auto parts, protective clothing, seals, conveyor belts, etc. and many of these products are exported to developed markets across the globe. Broadly, the company's operations can be segmented into two divisions namely trading and manufacturing divisions, which contribute almost two-third and one-third of revenue. Under trading, it imports synthetic rubber and other chemicals and sells it to domestic non tyre rubber industries. In manufacturing, its plant at Stapur in Nasik district produces polymer blends for the non-tyre rubber industry. It also has a second facility at Wadivare (Nasik) which is closed for a long time. Last month, the company was granted the status of an 'Export House' for a period of 5 years till 2017 in accordance with the provisions of the Foreign Trade Policy 2009-2014. Besides, it has also been featured in the Forbes Asia's Top 200 List of 'Best Under A Billion $ Company. Although the company operates in commodity products and is vulnerable to foreign exchange fluctuations, it's worth a punt at the current market cap of Rs.15 crore.

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The share price of **Bharat Seats (Code: 523229) (Rs.13.85)** is trading low as it is expected to report a poor performance quarter due to labour unrest at Maruti Suzuki its biggest customer. However, the situation has now improved and Maruti's Manesar plant has re-started manufacturing 670 vehicles per day and hopes to reach back to the 850 vehicles per day in the near future. For FY12, Bharat Seats' sales stood at Rs.432 crore (down marginally) whereas net profit declined by 30% to Rs.5.70 crore posting an annual EPS of Rs.1.80 on its equity of Rs.6.30 crore having face value of

Rs.2 per share. The company is a joint venture of Suzuki Motor Corporation, Japan, Maruti Suzuki India Ltd. and the Relan family of New Delhi. It is engaged in the manufacture of complete seating systems and interior components for the automotive and surface transport sector. It has installed the latest state-of-the art equipments for the complete range of seating systems such as high pressure polyurethane machines for foam moulding. During 2010-11, the company had set up an additional assembly line for making car seats for the modified Wagon-R model of Maruti Suzuki. It started manufacturing Polyurethane Pads with its newly developed technology called 'Dual Hardness' for more comfort in the seating system. Last year, it added a PU line for making head rest pads. Further, the company also installed an additional assembly system for 2-wheeler seats to cater to the increased demand. Notably, the company has started a new product range involving technology of swaging and boring for the frames used in two wheeler manufacturing. To maintain its growth momentum, the company has planned further capacity expansion and is venturing into the manufacture of extruded components for the Maruti range of vehicles. For this purpose, it has entered into an agreement with INOAC of Japan and has started setting up the facility at its plant at Bohrakalan and the production is scheduled to commence this year. Importantly, the company has an excellent uninterrupted track record of dividend payments for the last two decades and has been consistently clocking profits even during the recession period. For FY12, despite lower profit it distributed 40% dividend (i.e. Rs 0.80 per share) which gives an impressive yield of almost 6% at CMP. Long-term investors who believe in the Indian auto story can keep accumulating this auto ancillary at declines.

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**AMD Industries (Code: 532828) (Rs.15.35)** manufactures of packaging articles like crown caps and plastic closures which are being used in soft drinks, beverages, water, beer, liquor and pharmaceutical industries. In fact, it is one of the largest manufacturers of Crown Caps in India. It has a reputed clientele comprising FMCG majors like Coca Cola India, Pepsico India, Hindustan Unilever, Foster India, United Breweries, Dabur and SAB Miller Plc. It enters into yearly contracts with these clients and has established a strong relationship with them over the years. Broadly, the company has segmented its revenue model into two product lines – Crown caps (Metallic closure) for glass bottles and PET Preforms & Plastic Closures for PET bottles. Incidentally, it derives almost equal revenue i.e. 50:50 from each product line. However, the closure business is seasonal with the June quarter contributing the highest revenue. The company has multi-location manufacturing facilities with two units in Ghaziabad (Uttar Pradesh) and one unit in Neemrana (Rajasthan). As of 31 March 2011, it had installed capacities of 3,66,000 cases p.a. of crown caps, 18,000 TPA of PET preforms and 9,720 lakh pieces p.a. of Plastic closures. During March 2011, the company made its 5th PET Preform line operational at Neemrana, Rajasthan. It is now planning to install 6th line by end of October 2012. The main raw materials for the company are TFS (Tin Free Steel) sheet, Polyvinyl Chloride (PVC) compound, Resin and Polypropylene, the prices of which are linked with crude oil. Of late, the company has been trying to diversify into Textiles for which it has acquired 26 acres of industrial land at Haridwar, Uttarakhand, to establish an integrated textile unit. But due to adverse market conditions, it has been put on hold. Secondly, the company has ventured into real estate development through its subisidiaries: AMD Estates & Developers and Prime Techno Build and the construction of a Commercial complex in Sector 114, Gurgaon, has started in collaboration with M/s VSR Infratech. Fundamentally, the company reported 30% growth sales of Rs.182 crore growth while PAT grew by 15% to Rs.6.50 crore for FY12 on a standalone basis. For Q1F13, it clocked sales of Rs.53 crore with PAT of Rs.4.25 posting an EPS of Rs.2.2 for the quarter. At the current market cap of less than Rs.30 crore, the stock is trading cheap. In fact, as per market grapevine, the company is the now looking to sell off its land in Hardiwar, which itself will fetch Rs.20-25 crore. Buy at declines.

## FIFTY FIFTY - By Kukku

### Investment Calls

*** Dynemic Products Ltd. (DPL) (Rs.20.55)** is a major manufacturer and exporter of the complete range of Food Colors, Lake Colors, Blended Colors, FD&C Colors & Dye Intermediates. The company's products find wide application in the food, cosmetic, pharma, Ink and edible ink industries.

The company has been a consistent performer with an average ROCE of around 20% for the last three years and an average dividend payout out of the total earnings for the last five years while the last dividend was 13% on EPS of Rs.5.81.

During FY12, sales revenue was Rs.8066.44 lakh with net profit of Rs. 530 lakh as against sales of Rs.6369.34 lakh and profit of Rs. 571 lakh in FY11 i.e. an increase of Rs.1697.10 lakh over FY11. Other income rose from Rs.169.46 lakh to Rs.256.70 lakh during the year. 76% sales of the company is from exports and the company has benefited from the weaker rupee.

Last year, DPL had incurred capex the benefit of which is expected to accrue in the current year.

In Q1FY13, sales rose 29% to Rs.23 crore while net profit went up to 28% to Rs.1.46 crore. The current year sales is estimated around Rs.95/100 crore with net profit of around Rs.7 crore.

**Outlook:** The processed food industry has done exceeding well even in the recent turbulent times as more and more people worldwide choose readymade foods, drinks and other consumables rather than make it themselves. DPL foresees a steady increase in the demand for its colours in time to come.

There is promoter buying in the stock over the last 15 months slowly, which boosts the confidence of investors. With an expected EPS of around Rs.6 and ROCE of 20% and expected dividend of 15%, the stock looks attractive for accumulation at current levels.

*** Ruby Mills (Rs.694.30)** was incorporated in 1917 and is engaged in the business of textiles. Its manufacturing units are located at Khalapur (Raigad district) and in Mumbai.

In the realty division, its new building at Dadar, which is one the most modern, has around 10 lakh sq. ft. ready. 25% of which is said to have been sold at an average rate of Rs. 16000 per sq.ft. while around 25% has been leased out at rate of around Rs.130 per sq.ft. as per the recent statement at the AGM. The company has a loan of Rs.325 crore in the realty division and is very likely to repay it in the current year from the sale and rental proceeds thus emerge debt-free. Besides this, the company is left with land where it can develop another 3.5 lakh sq.ft. Of the remaining 7.5 lakh, it can easily earn lease rental of Rs.108 crore per year at the rate of Rs.120 per sq. ft. per month if fully utilized.

It also has an existing office from which it has recently leased out around 1 lakh sq. ft., which will fetch a return of another Rs.14 crore per year.

Thus when there is a pick-up in the economy, we may see the remaining part of the building leased out in the current year. This is likely to fetch decent returns over the long run on its small capital base of Rs.4.18 crore. The book value of the share is Rs.498 while FY12's dividend was 50%.

Investors may please note that this stock was first recommended in this column at very low level of Rs.85/100 from which it shot up to Rs.2200 and profit booking was advised between Rs.1800 to 2200 levels long back. At that point, this building was at the proposal stage which has now become a realty rate if at Rs.680.

Investors can accumulate this stock on dips for decent long-term growth.

### Market Guidance

*** Modison Metals' (Rs.41.45)** business is mainly related to the power sector. Since the government has announced restructuring of SEB loans along with an increase in the power tariff, the company will benefit from the same. The company has been consistent performer even during adverse conditions.

* **UCAL Fuel Systems (Rs.70.50)** engages in the manufacture and sale of carburetors, mechanical fuel pumps, and multipoint fuel injection parts to the auto industry in India. The company's products include 4 wheeler carburetors, fuel pumps, 2-wheeler carburetors, genset carburetors, oil pumps, throttle body assembly, delivery pipe assemblies, air suction valves, fuel filters, electric throttle valves, and machined castings. It sells its products primarily to original equipment manufacturers. The company was incorporated in 1985 and is headquartered in Chennai.

It is a 40% dividend paying company, the stock looks good for accumulation around Rs.70 levels and the book value is around Rs.132.

* **KCP Ltd. (Rs.34.15)** is facing power shortage in the area where it has created new cement capacity and its captive power plant will be ready by next year. Price realization, too, has come down in Andhra Pradesh, which is likely to affect margins. Ban on sand mining in Andhra has also affected cement consumption. Investors can think of switching to **Suprajit Engineering (Rs.28.20)** or any of the other stocks, recommended.

* There is good improvement in the working of **KEI Industries (Rs.16.75)** over the last few quarters. Investors who bought this stock at higher levels can average the same at the current price as its downside is limited. The share book value is Rs.33 while the current market price is almost half of it.

* **First Leasing (Rs.50),** which has strong fundamentals, is a stock that has not participated in the mid-cap rally. Investors can accumulate this stock at the current price of about Rs.50.

* **Tata Global Beverages (Rs.142.80)** has moved well, investors are advised to stay invested to review profit booking only above Rs.160 level.

* **Cipla Ltd. (Rs.380.60)** is another defensive stock where investors can think of SIPing systematic on dips.

* **Balaji Amines (Rs.59)** has flared up from Rs.42 to Rs.59 level. Investors can think of booking part profit at Rs.60/65 level.

* **Rapicut Carbides (Rs.71.30)** is firm and there is promoter buying in the stock. Its outlook is good. Stay invested or accumulate below Rs.68 level on corrections.

* **Suprajit Engineering (Rs.28.20)** has given a good breakout and the stock may move up to Rs.35 level. Investors can continue to hold the same

* **Note**: Market has closed well and the trend is likely to remain firm with some intermediate corrections, which should be used to accumulate good stocks.

Since market is already heated up, fresh buying in the above stocks should be done in stages on dips.

From our recommended stocks, these stocks have touched a new high: **Apcotex** at Rs.220, **Haldyn Glass** at Rs.21, **Balaji Amines** at Rs.59, **Cummins** at Rs.507, **EID Parry** at Rs.238, **Liberty Phosphate** at Rs.98, **Bharat Fertiliser** at Rs.71, **Atul Ltd.** at Rs.338, **FAG Bearings** at Rs.1800. Investors can continue to hold the same.

**EXPERT EYE** **- By Vihari**

## Central Bank of India: Shaping up

The share of Central Bank of India (CBI) **(Code: 532885) (Rs.78.20)** is recommended for steady appreciation in the long-term. The Bank is taking all steps to eliminate its bad debts over the next 2/3 years and clean its balance sheet, which would enhance its rating going forward.

Established in 1911, Central Bank of India (CBI) is present in 27 out of 29 States and in 3 out of 7 Union Territories and holds a very prominent place among the Public Sector Banks with its network of 4034 branches, 27 extension counters and 1840 ATMs of which 1509 are rural branches, 1042 are semi-urban, 782 are urban while 701 are located in the metropolises. With 100 years of banking experience, it has over 25 million account holders, which is one of the largest in the banking industry.

It also has two subsidiaries: (a) Centbank Financial & Custodial Services which provides specialised services and facilities to protect investments and estates during an owner's lifetime and dispose them according to his will or trust and (b) Centbank Home Finance which provides financial assistance for the construction, purchase, extension and renovation of homes.

Central Bank plans to float a subsidiary in Mozambique to establish its presence in Africa. It is also looking at a 50:50 joint venture with Punjab National Bank and is awaiting the Government's clearance in this regard. The bank also plans to set up a representative office in Kenya in the next three months. This apart, it has also applied to the Reserve Bank of India for an office in Dubai.

In FY12, it posted 57% lower net profit of Rs.533 crore on 25% higher income of Rs.20,545 crore. The EPS stood at Rs.5 and a dividend of 20% was paid. Its performance in FY12 was adversely affected by slippages, which resulted in higher provisioning.

During Q1FY13, CBI has come out with a good performance. Total Business increased by 11.3% to Rs.3,51,221 crore from Rs.3,11,929 crore in Q1FY12. Deposits grew by 6% on y-o-y to Rs.1,96,977 crore from Rs.1,85,885 crore in June 2011. Gross Advances stood at Rs.1,54,244 crore as against Rs.1,26,044 crore in the previous corresponding period, registering y-o-y growth of 22.37%.

During Q1FY13, net profit climbed 20% to Rs.336 crore on 16% higher revenue of Rs.5,625 crore and the quarterly EPS stands at Rs.4.6. Total Income grew by 16.2% from Rs.4,840 crore in Q1FY12 to Rs.5,625 crore in Q1FY13 even as Net Interest Margin was lower at 2.64% against 2.99%.

The Asset quality of the bank deteriorated sharply. Slippages increased to Rs.1,448 crore in Q1FY13 from Rs.598 crore in Q1FY12. Gross NPAs more than doubled to 4.87% compared to 2.29% a year ago. The bank wrote-off Rs.287 crore of bad loans in the quarter ended 30 June 2012. Its Capital Adequacy Ratio (CAR) (as per Basel II norms) stood at 11.58% as on 30 June 2012, lower than 12.4% as on 31 March 2012 and 12.68% as on 30 June 2011.

Net NPAs rose to 3.22% from 0.9% (Y0Y) and from 3.1% as on 31 March 2012. CBI's current and saving account (CASA) percentage is around 33% much better than what it was in 2009 where it was 30%. This was on prudent policy of providing for non performing debts.

It restructured 28 loan account worth Rs.2,674 crore in the first quarter. Of these, electricity distribution companies (discoms) accounted for about Rs.2,400 crore, which indicates that the balance sheets of discoms continue to be stressed.

CBI's equity capital is Rs.736 crore and with reserves of Rs.8200 crore, the book value of its share works out to Rs.121. The central government holds 79.2%. FIIs hold 2.9%, DIIs hold 10.8% and with PCBs holding 1.2% leaves only 5.9% with the investing public.

To sustain it credit growth, the bank raised its credit deposit ratio consciously bringing down its high-cost deposits as it saw a spurt in the cheaper CASA deposit ratio of nearly 32.9% because of which it could keep lending. The NIM is expected to remain stable led by better credit-deposit ratios and the ability of the bank to maintain spreads due to better credit demand in FY13 and a stable CASA share.

The Housing Loan portfolio of CBI stands at Rs.6,167 crore comprising 35% of the total Retail Portfolio. The Bank has tied up with reputed builders like NYATI, MCHI, Lodha, Hiranandani, Rustomjee, Hashmukhbhai Patel Group and Godrej Properties Ltd. etc. in Mumbai, Chennai, Hyderabad, Delhi, Kolkata etc.

The Bank has launched the SMS facility in various languages and a customer can get the SMS in the regional language of his/her choice whenever their account is credited/debited. It already provides mobile banking service 'Kabhi bhi, Kahin bhi' to its customers and has also introduced the facility of funds transfer upto Rs.5000/- per day to its customers.

Retail loan is an area where the profitability is high. Going forward, CBI will reduce its focus on corporate credit and increase it on retail credit and thereby enhance its profitability.

It has launched a CASA deposit mobilisation campaign and a fair momentum has developed. It requires capital infusion of Rs.1,200 crore to fund its growth needs and will approach the Union Government for infusion of Rs.700 crore this year.

The liquidity situation of CBI is comfortable but it needs to reduce the cost of funds. It expects loan growth, which has been sluggish so far to pick up in Q3. The bank also does not expect significant slippages in Q2. The bank is eying credit growth of 20% in FY13 and the planned branch expansion will contribute to revenue and profitability growth going forward.

For FY13, CBI is likely to post a consolidated EPS of Rs.18 and Rs.25 in FY14. At the CMP of Rs.78.20, the CBI share is trading at a P/E multiple of 4.2 on FY13 estimated earnings and 3 times the FY14 projected earnings. The share is recommended with a target of Rs.100 in the medium-term. The 52-week high/low of the share has been Rs.112/62.

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## Shiva Texyarn: Long-term bet

The share of Shiva Texyarn Ltd. (STL) **(Code: 511108) (Rs.27)** is recommended for decent gains in the long-term. STL has already performed exceedingly well in Q1FY13 based on which an EPS of Rs.10 can be projected.

Belonging to the reputed $500 million (Rs.2700 crore) Bannari Amman Sugar group, Shiva Texyarn, formerly known as Annamalai Finance was incorporated in 1989 and produces Cotton Yarn that is sold in India and abroad. The name of the company was changed to Shiva Textyarn from Annamalai Finance in October 2002.

The Bannari Amman Group is one of the largest industrial conglomerates in South India with a wide spectrum of manufacturing, trading, distribution and financing activities. Manufacturing and trading across sugar, alcohol, liquor, granite and cotton yarn, the group is also into distribution of automobiles and related accessories of renowned brands with financing activities. In the services sector, it is into wind energy, education, healthcare, real estate etc. The Group's net worth exceeds US $270 million (Rs.1400 crore) with sales turnover in excess of US $570 million (Rs.3000 crore).

STL's principal line of business is manufacturing and marketing of Cotton Yarn and other textile products viz. Knitted Fabrics and Knitted Garments. The company has two spinning units viz. Unit I near Dindigul with 39,072 spindles and unit II near Coimbatore with 50,400 spindles aggregating 89,472 spindles; a Knitting unit near Coimbatore with a capacity to produce about 12 MT of knitted fabric and a Garment unit near Coimbatore to produce knitted garments.

STL has a Joint Venture Company, Bannari Amman Apparel Private Limited for production of branded apparels near Chennai, in which it holds 50% equity along with its associate and has a representation on the Board.

STL has 80 wind mills in Coimbatore with an aggregate capacity of 28.8 MW. The power generation from the windmills is captively consumed by the textile divisions of the Bannari Amman group companies: Bannari Amman Spinning Mills and Shiva Textiles.

In FY12, STL incurred a net loss of Rs.19.4 crore Vs net profit of Rs.26.6 crore in FY11 on 18% lower sales of Rs.325 crore. The performance of the textile spinning units was seriously impacted due to various adverse factors that affected the textile industry. The price of cotton (raw material) witnessed a wild fluctuations in the cotton season 2010-11. Frequent changes in the policies of the Central Government on yarn export and export of cotton adversely affected the price realization on sale of yarn and also the prices of raw materials.

The severe economic crisis and recession in overseas markets had an adverse impact on producers of garments resulting in a subdued demand for yarn in the domestic market. Consequently, the yarn and fabric produced by textile units from high priced cotton was sold at a loss during the first six months of 2011-12. Even though the prices of cotton fell substantially during the second half of the year, the company could not recover the losses in full.

However, the situation has since improved and the company has turned the corner dramatically in the current year. Margins, too, have improved. During Q1FY13, net profit has zoomed by 355% to Rs.5.9 crore, which yields a quarterly EPS of Rs.2.7.

Its spinning units have reached optimum production levels and it is exploring the scope for increasing the capacity utilization in its Knitting division to maximize profits from this division. Exports in FY12 rose 26% to Rs.107 crore, which amounted to 33% of sales. Efforts are being made to boost exports further.

STL's equity capital is Rs.21.6 crore and with reserves of Rs.86 crore, the book value of its share works out to Rs.50. The promoters hold 74.9% in its equity capital with PCBs holding 3.7%, leaves 21.4% with the investing public. The value of its gross block is a whopping Rs.400 crore while debt:equity ratio is 1.6:1.

India's young, upwardly mobile and lifestyle-conscious demographic profile and the growing mall culture are likely to enhance the domestic market opportunity. Export prospects also look encouraging because economists worldwide are now increasingly convinced that recovery is gathering pace and are therefore revisiting their GDP forecasts. Thus, there is no reason why Indian textile and clothing exports should not witness an upsurge from and sustain growth in the years to come.

Both its spinning mills specialize in production of 100% cotton yarn for knitting and currently manufacture major counts between Ne 20/1 to 40/1. Its strong brand image is established in major knitting centres like Tirupur, Kolkata & Kanpur and around 25% of the production is exported to Far East & European countries.

The Garmenting division has also stabilized its operations. Hence, the full benefit of the expanded capacity in spinning, knitting and garmenting will be derived in the ensuing year. The improvement in demand for Textile products in both domestic and export markets augurs well for the company.

Indian textile industry contributes about 11% to industrial production, 4% to the country's GDP and 16.6% to export earnings. Nearly 35% of the textiles produced in the country are exported (Exports $22 billion). The global trade is expected to touch US $800 billion by 2014.

High labour cost in the developed countries is driving out the textile and clothing business to low cost Asian countries such as India and China. The sector targets US$6 billion foreign direct investment (FDI) by 2015 to be invested in greenfield units in textiles machinery, fabric and garment manufacturing, as well as technical textiles.

For FY13, STL's net profit is expected to touch Rs.22 crore, which would fetch an EPS of Rs.10.2. Its EPS is expected to touch Rs.14 in FY14 on robust growth prospects of the textile industry.

At CMP of Rs.27, the STL share is traded at a P/E multiple of 2.7 on FY13 estimated earnings and 1.9 times on FY14 projected earnings.

A reasonable P/E of just 4 will take its share price to Rs.40 in the medium-term and Rs.56 in the long-term. This would fetch a decent gain of over 100% in the long-term. The 52-week high/low of the share has been Rs.29/16.

* * * * * *

## ITD Cementation India: Cementing profits

ITD Cementation India Ltd. (ITDCIL) **(Code: 509496) (Rs.243.55)** has come out with robust H1CY12 results wherein it posted half-yearly EPS of Rs.16. Based on the current going, it is expected to post an EPS of Rs.30 for CY12, which will take this MNC share into a higher orbit.

Investors may recall that the name of this company was changed often from Ceminindia (1978) to Trafalgar House (1994) to Kvaener Cementation (1996) to Skanska Cementation (2000) and finally to ITD Cementation (2005) upon its acquisition by ITD (Italian Thai Development).

ITDCIL's presence in India dates back to 1931 when Cementation Piling and Foundation Company Ltd., UK, started operations in India and was engaged to provide seepage control and stability related solutions to a few distressed dams in the country.

ITDCIL operates in 3 business divisions comprising (a) the bridges and industries division which is involved in the construction of highways, flyovers, expressways, bridges, steel and petrochemical plants, refineries, technical centres, shopping malls and airports, (b) marine division, which undertakes the construction of quays which handle cargo at ports and (c) the specialist engineering division which constructs railways and roads, hydro power stations, diaphragm walling, piling, telecommunications, dams, tunnels and power plants.

Today, ITDCIL is a part of the Italian Thai Development Public Company (ITD), Thailand. During various transitions, ITDCIL diversified into the core infrastructure segments and has developed expertise in design and construction of large infrastructure projects over time. The strong international parentage that ITDCIL has continuously enjoyed over eight decades provides a distinct advantage in delivering key technical solutions in line with international companies in this field.

The promoter, Italian-Thai Development Public Company Ltd. (ITD), is engaged in civil and infrastructure construction and development and has been a major builder of Thailand's infrastructure for over 51 years. It had annual consolidated revenue for 2011 of approximate Baht 44,247 39 million (about Rs.6,637 crore), which puts it in the lead position amongst contractors in Thailand.

Over the years, ITDCIL has built many iconic projects; notable amongst these are the Birla Copper & the Gujarat Chemical Jetties at Dahej, Shiplift Facility for Seabird, Karwar, 2nd Container-terminal at Chennai, Elevated viaduct, road projects for NHAI and underground tunnels and stations at Delhi Metro. A sample of large projects awarded to ITDCIL are the Dry Dock & Slipway for Garden Reach, Kolkata, Wet Basin at Mazgaon Dock, Mumbai, Kolkata Airport modernisation, Sripadsagar Dam in Andhra Pradesh, and Tallah Palta Pipeline and Micro Tunnelling at Kolkata.

For the year ended 31 December 2011, ITDCIL posted 17.1% higher sales of Rs.1712.2 crore but net profit zoomed 140.4% to Rs.22.6 crore and the EPS stood at Rs.19.7. A dividend of 20% was paid. During Q1CY12, sales rose 9% to Rs.503.6 crore and net profit by 203.9% to Rs.12 crore EPS for Q1CY12 stood at Rs.10.4. During Q2CY12, net profit advanced 39% to Rs.6.4 crore on flat sales of Rs.332 crore and the EPS for Q2CY12 stands at Rs.5.6. For H1CY12, net profit rose 114% to Rs.18.4 crore and the H1CY12 EPS works out to Rs.16.

Its equity capital is Rs.11.5 crore and with

### Mind blowing review from your popular column Techno Funda in the last 6 months

Earlier, we had reviewed the performance of Techno Funda stocks featured in issue numbers 1-18. Given below is the performance review of issue numbers 19-44.

| Issue No. | Issue Date | Stocks | Recom. Price Rs.) | High after Recom. (Rs.) | Gain % |
|---|---|---|---|---|---|
| 19 | 05-03-12 | Paper Products | 65 | 74 | 13.84 |
| 21 | 19-03-12 | Claris Lifesciences | 149 | 246 | 67.11 |
| 22 | 26-03-12 | Zydus Wellness | 381 | 469 | 23.09 |
| 23 | 02-04-12 | Nutraplus Products | 19.35 | 31 | 60.2 |
| 24 | 09-04-12 | Jenburkt Pharma | 70 | 83 | 18.57 |
| 25 | 16-04-12 | Jagsonpal Pharma | 13.4 | 15.35 | 14.55 |
| 26 | 23-04-12 | Puneet Resins | 37 | 45 | 21.62 |
| 27 | 30-04-12 | Premier Ltd. | 67 | 84.5 | 26.11 |
| 28 | 07-05-12 | Chamanlal Setia Exports | 27.8 | 39.5 | 42.08 |
| 29 | 14-05-12 | AMD Industries | 14.9 | 18 | 20.8 |
| 30 | 21-05-12 | Solitaire Machine Tools | 18 | 18.2 (ex 15% div) | 9.44 |
| 30 | 21-05-12 | CEBBCO | 67 | 100 | 49.25 |
| 31 | 28-05-12 | Cenlub Industries | 31.85 | 46 | 44.42 |
| 32 | 04-06-12 | Puneet Resins | 35.5 | 45 | 26.76 |
| 33 | 11-06-12 | Austin Engineering | 69.8 | 72.5 | 3.86 |
| 34 | 18-06-12 | Anuh Pharma | 120 | 158 | 31.66 |
| 35 | 25-06-12 | Bajaj Steel | 99 | 107 | 8.08 |
| 36 | 02-07-12 | Shreyas Shipping & Logistics | 41.4 | 45.7 | 10.38 |
| 37 | 09-07-12 | Zicom Electronics | 53 | 72.25 | 36.32 |
| 38 | 16-07-12 | Avon Organics | 23.2 | 32.7 | 40.94 |
| 39 | 23-07-12 | Gulshan Polyols | 67.65 | 72 | 6.43 |
| 40 | 30-07-12 | Kanpur Plastipack | 29.7 | 43.8 | 47.47 |
| 40 | 30-07-12 | Kalpataru Power Transmission | 68 | 76 | 11.76 |
| 41 | 06-08-12 | Dynemic Products | 20.5 | 21.7 | 5.85 |
| 42 | 13-08-12 | Camlin Fine Sciences | 22.2 | 26 | 17.11 |
| 43 | 20-08-12 | Hindustan Hardy | 91.85 | 105 | 14.31 |
| 44 | 27-08-12 | Acropetal Technologies | 14.68 | 19.55 | 33.17 |

reserves of Rs.369.7 crore, the book value of its share works out to Rs.331. The value of its gross block is a whopping Rs.485 crore whereas debt:equity ratio is 1.7:1. The promoters hold 69.6% in the equity capital. Institutions hold 0.8%. With PCBs holding 1.9% leaves 27.7% with the investing public.

Infrastructure including ports, urban infrastructure, airports, roads, irrigation and power, has emerged as an asset class with long-term growth. The Planning Commission has projected an investment requirement of Rs.40,99,240 crore for the Infrastructure Sector for the 12th Five Year Plan (2012 – 2017), which cannot be met by the public sector alone and will need to be funded by both public and private sectors. Despite the increase in participation of the private sector in bridging the infrastructure gap, public investment still has to play a significant role.

The Government envisages a mammoth investment of US $1 trillion during the Five Year Plan (2012-17) and it is clear that India's economic prospects will be driven by the future infrastructure investments.

Driven by the continued growth in developing and emerging economies, growth in the construction sectors is likely to witness a robust growth. Road development is recognized as essential to sustain India's economic growth. Over $50-60 billion investment is required over the next 5 years to improve road infrastructure. The likely investments worth $34 billion in irrigation projects also augur well for infrastructure construction companies.

The medium and long-term scenarios seem to be positive for infrastructure investments in India and estimated to be twice that in the 11th Five Year Plan. ITDCIL, therefore, looks forward with cautions optimism to a period of growth.

Significant successful execution track record, ability to forge joint ventures to foray into larger projects, repeat quality orders on a continuous basis from reputed clients give good revenue & earning visibility in coming years.

During CY12, ITDCIL is expected to post an EPS of Rs.30 based on the bright prospects and improving performance. At CMP of Rs.243.55, the share is traded at a P/E multiple of 8.1 on CY12 earnings. A conservative P/E of even 15, as applicable to MNCs, will take its share price to Rs.450 in the medium-term, and fetch a decent gain of about 85% in the medium-to-long-term.

## TECHNO FUNDA

**- By Nayan Patel**

# Gulshan Polyols Ltd

**BSE Code: 532457**

**CMP: Rs.67.80**

Muzaffarnagar based Gulshan Polyols Ltd. (GPL) has emerged as the largest manufacturer of 70% Sorbitol and Calcium Carbonate. Its production faciliities are spread over 6 locations in 5 states covering a land area of more than 150 acres. It has an installed capacity of 1.05 lakh tonnes of Calcium Carbonate and 60,000 tonnes of Sorbitol. In order to reduce the energy costs, GPL has set up 10MW of cogen power. GPL is setting up a new 50,000 TPA plant for producing Calcium Carbonate in Rajasthan that is likely to become operational soon. Its full impact will be felt from the second half H2 of the current year.

GPL 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, and has a share book value of Rs.154.50.

Its net profit rose 18.94% to Rs.5.65 crore in Q1FY13 from Rs.4.75 crore in Q1FY12. Total turnover, however, declined 12.42% to Rs.67.78 crore in Q1FY13 from Rs.76.20 crore in Q1FY12.

For the standalone full year FY12 results, it reported a net profit of Rs.17.91 crore as against Rs.16.30 crore in FY11. Total turnover in FY12 was Rs.272.81 crore as against Rs.274.94 crore in FY11.

Thus GPL reported on EPS of Rs.6.69 for Q1FY13 while for FY12 it reported an EPS of Rs.20.07. It has paid dividends as follows: FY09: 20%, FY10: 25%, FY11: 25% and for FY12 it has paid 25% dividend on its share with face value of Rs.5.

| **Last five years performance:** | | (Rs. in crore) | |
|---|---|---|---|
| **Year** | **Net Sales** | **Net Profit** | **EPS** (Rs.) |
| 2007-08 | 111.47 | 9.65 | 15.53 |
| 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 |
| 2012-12 (E) | 293 | 22.6 | 26.77 |

In FY08, when the company’s turnover was Rs.111.47 crore and net profit was Rs.9.65 crore, its share price had kissed the 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 at Rs.65 level only. At its current market price of Rs.65, the share price discounts less than 2.5 times its FY13 estimated (E) EPS of Rs.26.77. In view of its encouraging performance in the last decade and bright prospects going ahead, the share of GPL is likely to provide steady growth to your portfolio. We, therefore, recommend to buy the GPL stock from a short to long-term perspective with stop loss of Rs.55 level for a target price of Rs.85-90 in the near term and Rs.110-115 in the long-term.

## Invesco to acquire 49 % in Religare AMC

Invesco Ltd, a global investment management firm listed on the NYSE with a market cap of US $11 billion has entered into an agreement with Religare Enterprises Ltd. (REL) to acquire a 49% stake in Religare Asset Management Company (RAMC) Ltd., which is the asset management arm of REL with assets under management (AUM) of over $2.6 billion as on 31 August 2012 and present in 53 cities across India.

Invesco is present in India through its affiliate, WL Ross & Co., and employs over 600 people at its enterprise centre in Hyderabad for global support functions including information technology, investment operations and finance. With its alliance with Invesco, RAMC hopes that its retail and offshore business will be propelled to the next level of growth.

## Arvind Lifestyle to retail 3 global brands

Arvind Lifestyle Brands, a subsidiary of Arvind Ltd, one of the largest players in the apparel brands and the retail space, has acquired the business operations of British fashion retailers 'Debenhams' and 'Next' and the American lifestyle brand 'Nautica' from Planet Retail.

This move is significant as the company enters the Department Store segment and the fast growing apparel speciality retail segment.

While Debenhams and Next will strengthen its position in Women's wear & Kids wear segment Nautica will makes it the dominant player in the sportswear segment.

The company hopes to achieve Rs.500 crore revenue over the next five years from the current Rs.70 crore by investing Rs.150 crore in these three brands. Also the acquisition of Debenhams signals the entry of Arvind into the bridge to luxury department store segment and it plans to increase the number of Debenhams stores from two to eight over the next three years.

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**Nifty (Pre-market)** (Online)
☐ 1 mnth = Rs.2000, ☐ 1 yr = Rs.18000
**Nifty Options (Pre-market)** (Online)
☐ 1 mnth = Rs.1500, ☐ 1 yr = Rs.12000
**Bank Nifty (Pre-market)** (Online)
☐ 1 mnth = Rs.1500, ☐ 1 yr = Rs.12000
**Nifty & Bank Nifty (Live Market)** (SMS/Chat)
☐ 1 mnth = Rs.3000, ☐ 1 yr = Rs.24000
**Live Market Intra-day Calls** (SMS/Chat)
☐ 1 mnth = Rs.4000, ☐ 1 yr = Rs.36000
**Profitrak Daily** (Email only)
☐ 1 mnth = Rs.2500, ☐ 3 mnths = Rs.7000
☐ 6 mnths = Rs.13000, ☐ 1 yr = Rs.20000
**Daily Fresh Buy** (Email only)
☐ 1 mnth = Rs.2500, ☐ 1 yr = Rs.25000
**EasyTrade Daily** (Email only)
☐ 1 mnth = Rs.2000
**Profitrak F&O** (Email only)
☐ 1 mnth = Rs.3500, ☐ 3 mnths = Rs.7000
☐ 6 mnths = Rs.13000, ☐ 1 yr = Rs.20000
**Profitrak Daily Fresh Futures** (Online only)
☐ 1 mnth = Rs.4000, ☐ 1 yr = Rs.36000
**Profitrak Short-term Gains** (Email only)
☐ 1 yr = Rs.8000

**PORTFOLIO RELATED:**
**Portfolio Advisory Service** (One-to-One/Email)
☐ Upto 15 stocks = Rs.1500
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a) ☐ I have enclosed Demand Draft/Cheque No. _______________payable at par in Mumbai favouring 'Time Communications (India) Ltd.' dated _________ on ______________________ Branch __________________________ for Rs. _____________.

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