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Markets cautious ahead of Q2 results

By Sanjay R. Bhatia

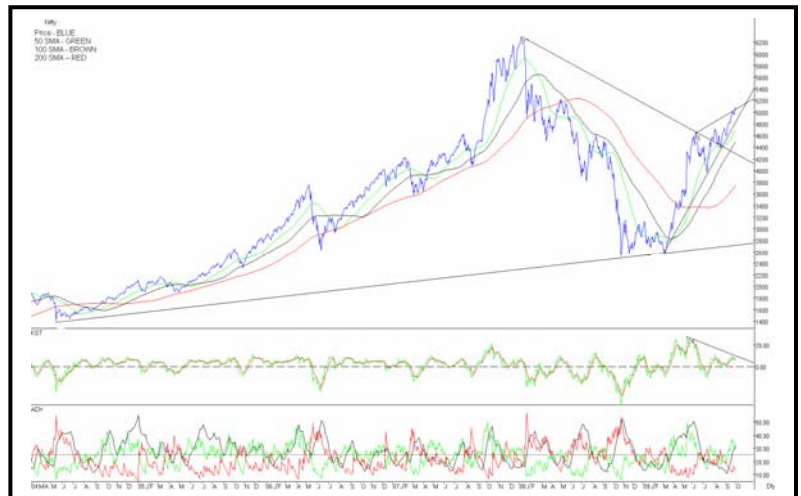
The markets moved higher during the truncated trading last week. The anticipated correction failed to materialise on positive global cues. However, the volumes recorded failed to keep pace with the rise on the bourses. The breadth of the market remained positive for the week while the volumes were lower than the previous week. Traders and speculators were seen taking stock specific positions but were also seen booking profits at regular intervals. Incidentally, FIIs remained net buyers in the cash segment as well as the derivatives segments. Cash rich mutual funds also remained net buyers during course of the week.

The global cues have remained mixed. The US economy displayed mixed economic data. Crude oil prices moved higher on hopes of recovery in the global economy and moved above the \$70 per barrel level. The wholesale price index (WPI) continued its uptrend. It rose 0.83% for the week ended 19 September 2009 as against 0.37% recorded on 12 September 2009 due to rise in the prices of essential food items. The annual inflation rate was 12.13% during the previous corresponding week of 2008.

Although the Nifty has managed to sustain above the 5000 level, it is important that the volumes continue to improve. It is also important that the markets witness regular follow up buying at higher levels for the Nifty to test its next important resistance level at 5230. The markets continue to be placed in the overbought zone on the daily and weekly charts, which could trigger a bout of correction. The negative divergence pattern formed on the daily and weekly charts still holds good. Both these patterns are a negative for the markets and could cap the upside. For these obstacles to be negated and the impact of these two patterns to turn mild, it is necessary that the market sustains above the 5000 level. The next big trigger for domestic markets is the Q2 earnings season. The results would start coming from next week and it could make or break the markets. The overall market sentiment remains cautious. In the meanwhile, the markets would continue to take cues from global markets and crude prices along with the Q2 results.

Technically, on the upside, the Sensex faces resistance at the 17300, 17434, 17600 and 18115 levels and seeks support at the 16750, 16000, 15600, and 15167 levels. On the upside, the Nifty faces resistance at the 5150 and 5230 while 4957, 4732 and 4655 are its important support levels.

Investors should book profits at regular intervals.



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Liquidity v/s Reality

By Fakhri H. Sabuwala

The current form in which the Sensex and Nifty are at the wicket is thanks to the immense liquidity pumped in by FIIs. It is believed that no less than \$9 billion has been pumped into the Dalal Street through FII route and a lot more is still waiting at the sidelines. The upbeat sentiment is created by this liquidity, which is the truth in the short run. Liquidity will always have an upper hand in the near term and will belie the reality. Abundance liquidity always creates an euphoria or near euphoria. Hence shrinkage in liquidity always creates a panic and distress. In the medium-term, it is the fundamentals that will support the market and liquidity, if in excess, will get blocked in imprudent deals.

From Nifty 4800 a positive breakout was witnessed braving inflationary fears drought, rising interest rates, rising costs of living was experienced. Technical pundits went ga-ga over this breakout and see a resistance some 200-300 points from hereon. The market is displaying a large variance in the number of advanced to declines as could be very well notices in Wednesday's, 30 September 2009, trading. Although the volume was reasonably good, the Sensex rose 257 points at the end of the day, stayed well above the psychological mark of 17000 but the feel-good factor of the Sensex was not felt by the broader market. The declining stocks lost anything between 2-6% on a day when the Senesx was up 1.5%. This is the outcome of excessive liquidity, which keeps the flag flying high without taking note of the strength of the flag pole.

The market is looking for a trigger, which can ignite a correction and that may come in any of these ways. The failure of MTN-Bharti deal may be a great setback to the telecom sector. On the basis of this, many proposed M&As would undergo the re-thinking process. The Q2FY10 results season is on within a fortnight. The Q2FY10 or H1FY10 results, whichever way you look at it, may compare very well to the figures of Q1FY09 or Q1FY09 but if compared to Q1FY10, the growth momentum it may display a slowdown and margins under pressure due to insufficient monsoon, drought fears, shrinkage in demand, rising cost all coming to surface. This could make Diwali a little less luminous that what the markets are today.

The large fund houses and market pundits are still not feeling very safe with the growth in developed economies. They fear knocking down of some more banks (marginal players) in USA and Europe and see a great erosion in consumer confidence index there. Well such guesses and misses keep on happening but what is certain is that the 100% rise in the Sensex in the last six months and more than doubling of majority stocks in the same period tells us that even good times come to an end. The rally cannot go on at this rate. Add another 50% or more from this level as some of the dream merchants propagate and even if it manages to do so what shall follow will be another 2008 type crash. So let prudence prevail; a bird in hand is worth ten in the bush (at Dalal Street). Please book partial profits in your trading exposure and investment portfolio too. Redeem mutual funds too partially and stay in cash. During the time when inflation and interest is rising, Cash is the King.

TRADING ON TECHNICALS

Market must survive above Sensex 16400

By Hitendra Vasudeo

Last week, the Sensex opened at 16829.11 attained a low at 16802.80 and moved up to a high of 17195.61 to finally close the week at 17134. The week was short comprising 3 trading days only but it still managed to post week-to-week gains of 441 points.

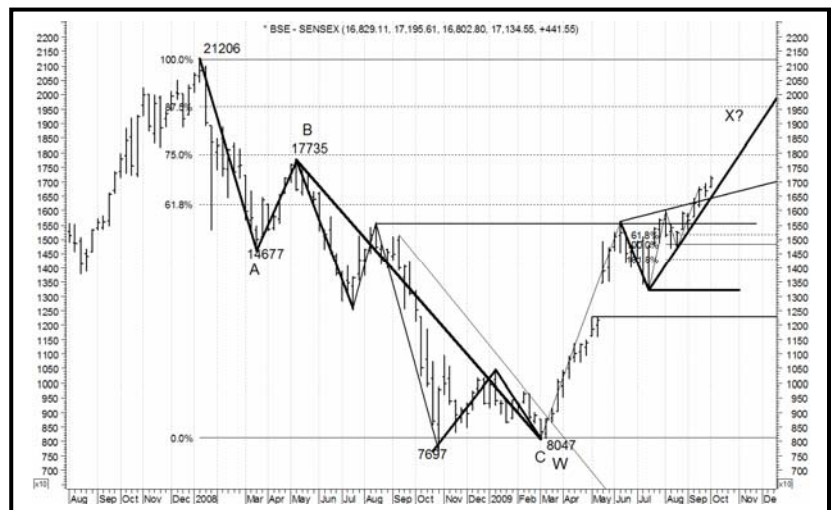
The 3 trading days displayed momentum but it needs to be seen if it continues into the new week. Support will be at 16943-16802-16693-16494. Resistance will be at 17144 and 17734. No meaningful resistance exists in between these two resistance points. If the Sensex sustains above 17144, expect the rise to spike towards 17734. These were the levels that we had indicated when the Sensex was trying to sustain above 15500.

Resistance is at the higher level of 17144, which is the low of the October–December 2007 quarter. In the January–March 2008 quarter, the same low of 17144 was violated and the trend was down on a sustained basis for over a year. We had seen a sustained quarter on quarter (QoQ) rise on an average from April–June 2004 quarter to October–December 2007 quarter. After that in January–March 2008, the close was below October–December 2007 low of 17144. The same was tested last week and needs to survive above it to maintain the momentum.

Sensex Wave Analysis

Count I-

Wave I-2594 to 3758 ↑



Wave II-3758 to 2904 ↓
 Wave III-2904 to 12671 ↑
 Internals are as follows:
 Wave 1- 2904 to 6249 ↑
 Wave 2-6249 to 4227 ↓
 Wave 3-4227 to 12671 ↑
 Wave IV- 12671 to 8799 ↓
 Wave V- 8799 to 21206 ↑
 Wave W-X-Y structure has developed
 Wave W- 21206 to 8047 ↓
 Wave A-21206 to 14677 ↓
 Wave B-14677 to 17735 ↑
 Wave C-17735 to 8047 ↓
 Wave X- 8047 to 17195 (current ongoing move)
 Wave a-8047 to 15600 ↑
 Wave b-15600 to 13219 ↓
 Wave c-13219 to 17195 ↑ (current ongoing move)

The Broad Market

The BSE Mid Cap Index has resistance at 6354-6508. Support will be at 6181-6078. The 50% retracement level is around 6425. The BSE Mid Cap Index must cross the resistance level to sustain a further upmove.

The BSE Small Cap Index seems to have more space to move higher. Support of 7310-7272 must not get violated. If the BSE Small Cap Index manages to remain above the support level, then we could find the BSE Small Cap index outperform the market and can spurt towards 8550 from the current level of 7587. Since the overall market is the key for any stock index to perform, support needs to be held across the board for the overall market to climb higher.

Conclusion

Some momentum was witnessed last week but it

needs to continue in the new week. Overall, it looks that the Sensex might be able to move towards 17735 but global clues on Monday, 5 October 2009, could impact the opening as Indian markets are closed on Friday, 2 October 2009. Any

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	Center				Relative	Weekly	Up	
	Close	Level 1	Level 2	Point	Level 3	Level 4	Strength	Reversal	Trend
		Stop Loss	Buy Price	Buy Price	Book Profit	Book Profit		Value	Date
TORRENT POWER	306.05	277.8	297.5	308.6	317.2	336.9	79.7	285.9	11-09-09
BHUSHAN STEEL	1392.00	1151.3	1304.3	1369.7	1457.3	1610.3	77.7	1301.5	17-07-09
TATA CONSUL SER	631.95	539.8	598.4	623.5	657.1	715.7	77.2	590.6	28-08-09
HCL TECHNOLOG	337.15	317.4	331.2	339.1	345.0	358.8	76.6	331.0	17-07-09
JINDAL SAW	766.00	658.7	725.7	752.3	792.7	859.7	76.6	718.5	11-09-09

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	Center				Relative	Weekly	Down	
	Close	Level 1	Level 2	Point	Level 3	Level 4	Strength	Reversal	Trend
		Cover Short	Cover Short	Sell Price	Sell Price	Stop Loss		Value	Date
MTNL	90.80	87.1	89.8	91.4	92.4	95.1	28.96	91.60	07-08-09
RELIANCE POWER	166.70	160.7	165.1	167.8	169.4	173.8	36.58	166.95	01-10-09
IDEA CELLULER	73.80	68.7	72.5	74.9	76.3	80.1	36.90	75.79	04-09-09
KSK ENERGY VENT	200.25	189.6	197.3	202.1	205.0	212.7	38.40	202.73	25-09-09
HINDUS, COPPER	221.80	205.2	217.2	224.6	229.2	241.2	40.66	227.17	18-09-09

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
KAVERI TELECOM PRODU	590041	59.30	57.20	59.60	54.80	62.6	67.4	0.73
NETLA GELATIN INDIA	506532	144.70	138.00	150.00	132.20	161.0	178.8	1.30
ORISSA SPONGE IRON S	504864	348.45	343.75	352.00	338.00	360.7	374.7	1.17
SARASWATI INDL. SYND	533033	841.65	824.00	847.50	783.15	887.3	951.6	0.78
SREE RAYALSEEMA ALKA	507753	15.68	15.05	16.40	14.36	17.7	19.7	1.50
SUPREME INFRASTRUTUR	532904	120.85	117.50	120.85	111.50	126.6	136.0	0.62

BUY LIST

Scrip	Last Close	Buy Price	Buy Price	Buy Price	Stop Loss	Target 1	Target 2	Monthly RS
MAHINDRA & MAHINDRA	891.00	886.16	882.50	878.84	867.00	917.2	948.2	66.75
SRF POLYMERS	229.85	225.29	222.75	220.21	212.00	246.8	268.3	72.71
TVS SRICHAKRA	154.15	152.72	151.62	150.53	147.00	162.0	171.2	70.11

adverse opening below 16494 and a close below it could impact the up current ongoing uptrend. If you refer to our earlier columns over the last 2 months, we had indicated that Sensex 17000-18000 range would be tested. The same has been witnessed. We could find a tapering movement with volatility and spikes, which can account for a topping formation. Therefore, how the trend survives this week will decide about fireworks at Diwali or a Black Diwali. Still, on the whole, it will be a better Diwali is in comparison to the last Diwali, which was nothing short of mourning.

Strategy for the week

Traders long in Sensex stocks must maintain a stop loss at 16494.

TOWER TALK

- * Thanks to the market sentiment, operators are back in action in the **Vakrangee Software** counter. Scrip is tipped to cross the century mark soon!
- * Something is cooking in **3i Infotech**. After the QIP placement, institutional interest has built-up in the counter. Scrip may shoot up to Rs.120 by next week.
- * **KLG Systel** has been hitting non-stop circuits. Book profit and shift to **ICSA Ltd.**
- * **Mazda Ltd.** displays some signs of accumulation. Technically, the scrip is looking strong and is poised to hit a new 52-week high.
- * **Heritage Foods** has shot up smartly from Rs.140 to Rs.200 in just 7 trading sessions. Is there something more than meets the eye?
- * **Ajanta Pharma** is all set to post an EPS of about Rs.28 in FY10. This pharma share is going cheap.
- * **Austin Engineering** shares are being acquired by investors. It could post an EPS of about Rs.30 in FY10.
- * An analyst recommends **Unity Infra** projects for decent appreciation in the long-term. With a likely EPS of about Rs.65 in FY10, the share has the potential to appreciate by over 50%.
- * **Panama Petrochem** shares are recommended by some analysts. The share is likely to touch Rs.150 as it is likely to post an EPS of above Rs.30 in FY10.
- * **Sahyadri Industries**, which is into building materials, is likely to post an EPS of Rs.40 in FY10. The share is likely to touch Rs.150 in the medium-term.
- * **Prithvi Information** is going cheap. With a likely EPS of above Rs.30 in FY10, the share is available at a P/E of just 2.7.
- * Some mutual funds are eyeing a good stake in **Era Infra Engineering** as the company is likely to post an EPS of Rs.22 in FY10. Reliance Mutual Fund has recently bought a stake in Era Infra and the share is likely to cross Rs.250 mark.
- * **Surya Pharma** is expected to end fiscal FY10 with an EPS of Rs.40+. The share is likely to go above Rs.150 in the near term.
- * Due to the excellent listing of Oil India, the grey market premium for **Pipavav Shipyard** has shot up to Rs.4-5.

BEST BETS

By Saarthi

Jindal Poly Films Ltd. (Code: 500227)

Rs.305

Incorporated in 1974, Jindal Poly Films Ltd (JPFL), the flagship company of the BC Jindal Group is India's largest manufacturer and exporter of flexible packaging films. It makes polyester films (BOPET), polypropylene films (BOPP), metallised films and coated films with in house ability to produce polyester chips for captive consumption. It delivers the full range of PET films which includes chemical coated films, opaque white films, matte films, co-extruded clear and ultra clear films, high strength yarn grade films etc. Thick BOPET films (50-350 microns in thickness) find application in photographic/X-ray, electronics, printing, textiles, pre-press and office supplies, motor insulations and document lamination. And thin films (10-36 microns in thickness) are used in metallic yarns, cables, transformers, capacitors, audio/video tapes, hot stamping foils, release films, labels and decorative ribbons. On the other hand because of better moisture retention properties, BOPP films are more suitable for packing food products like snack foods, biscuits, pasta, dried foods and meat. It also finds application in wrapping cigarette cartons, ready-made garment bags, adhesive tapes and print laminations. Due to the growing preference for premium and sophisticated packaging, TQPP (Tubular Quenched Polypropylene Film) is being fast replaced by BOPP across the world including India. JPFL is among the few manufacturers to offer speciality films such as specialised hot stamping foils, isotropic films, pinhole free yarn grade films, low oligomer milky white films, flame treated 5-layer films and high speed tobacco over wrapping films. In fact, it is the only company in India to offer PVDC coated BOPP & PET films. It also has the facility to produce polyester yarn but due to adverse market conditions it has been non-operational for quite some time now.

JPFL operates the world's largest single location facility for flexible packaging films at Nasik, (Maharashtra) and employs modern technology to produce high quality products at the lowest cost. As a part of the forward integration of BOPP and PET films, the company has installed two coating lines for manufacturing the entire range of specialty coated films like PVDC, Acrylic, low temperature seal and high seal integrity coatings. Moreover, it has recently started two metallizers

having a width of 2850 mm, which is the biggest in India, and are equipped with plasma treatment facility, which is also the first in India, to increase the shelf life & barrier properties of the films. With its new unit at Silvassa, JPFL currently boasts of an installed capacity of BOPET (1,11,000 TPA), BOPP (1,80,000 TPA), metallised films (40,000 TPA), coatinga (18,000 TPA), polyester chips (93,800 TPA) and polyester yarn (54,000 TPA). The company has been constantly expanding its capacity every year and has further lined up an aggressive capex plan to maintain the growth momentum going forward. It is in the midst of installing two lines (one thin film and the other thick) of 25,000 MTA each for BOPET, one line of 20,000 MTA for BOPP and two new metallizers of 7000 MTA each. All these capacities are estimated to be operational by mid-2010. In order to sell the additional production, JPFL is concentrating more on exports. It already has a well-established international marketing network in over 40 countries with several Fortune 500 companies as its end users. Of late, it has also developed new markets in South America, East Europe, Bangladesh, Middle East and Australia. Moreover, it has a foreign subsidiary viz. Rexor SAS, a leading metallised and coated film producer in France, which it acquired in 2003.

Fundamentally, JPFL is doing well although it took a major hit in FY09 due to rupee depreciation on foreign currency loans and import of raw materials. Ironically, the company did not opt for the new amendment to AS-11 and debited the forex loss to the P&L A/c itself. Accordingly it took a massive forex loss of Rs.61 cr. in FY09 posting a PAT of Rs.124 cr. on sales of Rs.1417 cr. Simultaneously, to benefit from the bearish market sentiment and reward shareholders, JPFL announced a buy back in July 2008 for Rs.150 cr. at a maximum price of Rs.350 per share. It closed the buy back in December 2008 by actually buying back nearly 32 lakh shares at average price of Rs.270 absorbing an amount of Rs.87 cr. Thus the current equity stands reduced to Rs.24.90 cr. against Rs.28.10 cr. earlier. After the completion of this buy back, JPFL has announced a second buy back in July 2009 for Rs.73 cr. at maximum price of Rs.400 per share from the open market through the stock exchanges. Further reduction in its equity will automatically boost its EPS going forward. For Q1FY10, it recorded a marginal fall in the topline at Rs.381 cr. but the net profit shot up 70% to Rs.85 cr. including extraordinary forex gain of Rs.25 cr. Even excluding the forex gain, it recorded a healthy 20% rise in bottomline on the back of improved operating margin. For FY10, it is expected to clock a turnover of Rs.1500 cr. with net profit of Rs.150 cr. (excluding extraordinary item) i.e. an EPS of Rs.60 on its current equity of Rs.24.90cr. Investors can buy at current levels for 50% appreciation within a year. Besides, as the company has strong reserves, it may also announce a bonus after completion of the second buy back.

ANALYSIS

Tantia Constructions: Good for the medium-term

By Devdas Mogili

Tantia Constructions Ltd. (TCL) is a 45 year old Kolkata based company established in 1964. The company provides infrastructure services to aviation, railways, roads, marine and power transmission sectors in India. It specialises in railway infrastructure, bridges, roads, highways, power transmission, pipelines, aviation, marine, urban development and buildings. Ishwari Prasad Tantia is the chairman of the company.

TCL established a structural steel fabrication unit in the Braithwaite Facility dedicated to BHEL's fabrication of boilers and ducts for power plants (250-500 MW). The company also created a focused water and sewerage treatment division and within a year bagged a prestigious Public Health and Environment project in West Bengal. In the current year, it bagged three orders cumulatively worth Rs. 147.86 cr.

TCL was awarded a challenging rail-cum-road double-deck bridge project in Bihar over river Ganga in March 2009. The bridge requires girder fabrication comprising a massive 70,000 tonnes of steel, perhaps the largest quantity used in any such project in India.

In addition, the company bagged the prestigious Delhi Metro project in December 2008. The assignment comprises the construction of a 600 metre elevated structure for railway tracks in one of the most congested areas of Delhi.

The company also completed its first airport

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project at Dibrugarh and bagged two fresh projects at turnkey job for the Cooch Behar terminal airport building and the Mizoram runway and parking bay refurbishment project.

It has also commissioned a milling factory for bitumen recycling near Kolkata. This is environment friendly and will enhance customer proximity and optimize cost of road building. The company has acquired a state-of-the-art Writgen machine to execute the first such recycled bitumen road project.

TCL has also commissioned a ready-mix concrete (RMC) project at Dum Dum near Kolkata with two modern machines of 90 cu. Mtrs. hourly aggregate capacity. The company has progressively invested in captive equipment and recorded a CAGR of 24.64% over the last 5 years ending 31 March 2009.

Order Book Position: TCL has secured 18 new projects worth Rs. 501.63 cr. taking the order book to Rs.1,699.78 cr. as on 31 March 2009. In addition, the company had in May 2009 secured an order worth Rs.58.15 cr. from South Eastern Railway, Kolkata, for construction of a bridge over river Damodar.

The company has received the following prestigious projects in the recent past: 1. Construction of high level pre stressed Concrete Bridge over river Tut in Mizoram worth Rs.10.80 cr. and construction of high level pre-stressed concrete bridge over river Tlawng in Mizoram worth Rs.69.95 cr. Construction of steel superstructure of the new railway bridge to replace the existing Jubilee Bridge across River Hooghly in the Naihati-Bandel section of Eastern Railway worth Rs.140.23 cr.

On 24 September 2009, the company received a prestigious project from the Government of Meghalaya for the construction of a two stage Raw Water Pumping System, Augmentation of capacity of the existing water treatment plant, Laying of Clear Water Gravity Main and Feeder Main pipelines and Construction of Clear Water Pumping System for worth Rs.1.40 cr.

Performance: TCL has reported encouraging results for FY09. The company registered income from operations of Rs.449.45 cr. with a net profit of Rs.17.26 cr. posting an EPS of Rs.11.07 for FY09.

Financial Highlights:

(Rs. in lakh)

Particulars	Q1FY10	Q1FY09	FY09
Net Sales	12047.82	9891.24	44945.10
Other Income	-	-	24.43
Total Expenditure	10576.88	8658.00	39780.20
Interest	732.97	642.99	3294.32
Depreciation	165.49	155.47	655.40
Tax	131.23	116.75	336.73
Net Profit	624.52	508.00	1725.86
Equity Capital (FV: Rs.10)	1557.31	1557.31	1557.31
Basic/Diluted EPS (Rs.)	4.01	3.26	11.07

Latest Results: TCL recorded 21.8% rise in net sales to Rs.120.47 cr. in Q1FY10 over Rs.98.91 in Q1FY09. Net profit rose 23% to Rs.6.25 cr. from Rs.5.08 cr. in Q1FY09. The company netted a basic/diluted EPS of Rs.4.01.

Financials: The company's equity capital is Rs.15.57 cr. It has a debt:equity ratio of 2.85 with a RoCE of 13.45% and RoNW of 16.71%.

Share Profile: The company's share with a face value of Rs.10 is listed and traded on the BSE under the B group.

Its share price touched a 52-week high of Rs.116.80 and a low of Rs.27.30. At its current market price of Rs.108, it has a market capitalization of Rs.167 cr.

Dividends: The company has been paying dividends as shown: FY09 - 15%, FY08 - 15%, FY07 - 20%.

Shareholding Pattern: The promoter holding in the company is 51.34% while the balance 48.66% is held by non-corporate promoters, institutions, mutual funds and the investing public. Among mutual funds, funds like DSP BR, Escorts, Principal, Sundaram BNP Paribas and Sahara have been adding its shares over the last few years.

Prospects: Infrastructure remains the backbone of economic development. With the Government of India and State Governments aggressive thrust on infrastructure, the outlook for the construction industry continues to be bright. The new government has formed a committee for infrastructural development that will focus on improving railways, roads, energy availability and modernisation of airports.

The Union Budget 2009-10 indicated that IIFCL would provide long-term financial assistance to a range of infrastructure projects like roads, ports, airports, railways, power generation and telecommunications, catalyze project implementation and infrastructure creation. The Union Budget 2009-10 also enhanced fund allocations across most infrastructure schemes of national importance.

Increased allocations for Bharat Nirman and the National Highways Development Programme (NHDP) will accelerate road building and benefit players like Tanta.

Increased allocations for Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and Accelerated Irrigation Benefit Programme highlights the government's emphasis on urban infrastructure and irrigation projects, both of which will enhance the prospects of LCL.

Focus on rural infrastructure creation: The allocation for Rajiv Gandhi Grameen Viduytikaran Yojana (RGGVY) increased from Rs.5500 cr. in FY09 to Rs.7000 cr. in FY10, while budgetary allocation for Pradhan Mantri Gram Sadak Yojana increased to Rs.12000 cr. in FY10 for strengthening rural connectivity.

Allocation to the Accelerated Power Development and Reform Programme (APDRP) increased by a massive 160% to Rs.2080 cr. for FY10. The increased rollout of projects will benefit related support companies like Tanta.

Higher allocation for RGGVY, Larger allocation to the Rural Housing Fund, Pradhan Mantri Adarsh Gram Yojana also augurs for companies like TCL.

Conclusion: TCL is one of the oldest general civil infrastructure solution providers in India. It established its credentials in the construction, widening, conversion, maintenance, strengthening and beautification of roadways, road bridges, highways and flyovers. Further, the company has a strong presence in the field of civil railway projects. At the current price of Rs.108, the share discounts its FY09 earnings of Rs.11.07 by less than 10 times. In view of its strong presence in infrastructure projects, good performance, excellent order book position, the TCL share may be added to one's portfolio with a medium-to-long-term investment horizon.

MARKET REVIEW

Market sentiment is very bullish

By Ashok D. Singh

The key benchmark indices gained in a truncated trading week on heavy buying by foreign institutional investors backed by a slew of positive domestic economic indicators, hopes of strong Q2FY10 earnings and gains in global stocks. The BSE Sensex rose 441.55 points or 2.64% to settle at 17,134.55 past the 17,000 mark for the week ended Friday, 1 October 2009. The NSE Nifty rose 124.45 points or 2.5% to end at 5,083.40 for the week. The Sensex and Nifty rose to their highest level in more than 16 months. The market was closed on Friday, 2 October 2009 on account of Gandhi Jayanti and had remained closed on Monday, 28 September 2009 due to Dussehra. The Sensex rose in all the three trading sessions in the week. The BSE Mid-Cap index rose 75.08 points or 1.2% to 6302.01 and the BSE Small-Cap index gained 136.93 points or 1.83% to end at 7,587.18 for the week. Both the indices underperformed the Sensex.

The Sensex rose 2,633 points or 18.16% to in the quarter ended 30 September 2009 from its closing of 14,493.84 on 30 June 2009. The Sensex is up 7,487.24 points or 77.6% in CY09 as on 1 October 2009. From a 3-year closing low of 7697.39 on 27 October 2008, the Sensex is up 9437.16 points or 122.60% as on 1 October 2009.

There is optimism about Q2FY10 results after advance tax collections registered a positive growth in the second quarter after witnessing negative growth in the first quarter. Corporate advance tax and advance personal income-tax were up by 14.7% and 1.7%, respectively in the September 2009 quarter. Infosys kickstarts the reporting season on Friday, 9 October 2009.

Foreign investors are positive on India as a recovery of the Indian economy is underway. Some large IPOs and placement to qualified institutional investors by India Inc in recent past also attracted huge FII inflows. FII inflow in calendar year 2009 (CY09) totalled Rs.58,627.30 cr. till 29 September 2009.

Latest economic data shows that the economy is recovering from a slowdown last year. The HSBC Markit Purchasing Managers' Index, based on a survey of 500 companies, surged 55 in September 2009 from a five-month low of 53.2 in August 2009. An index reading above 50 shows expansion while below 50 denotes contraction. The new orders index rose to 58.3 in September 2009 from 56.2 in August, which was its lowest in four months.

The index of six core industries having a combined weight of 26.7% in the index of industrial production registered a growth of 7.1% in August 2009 compared to a growth of 2.1% in August 2008. During April-August 2009-10, six core industries registered a growth of 4.8% as against 3.3% during the corresponding period of the previous year. Coal and cement sector boosted the overall growth of six infrastructure industries in August 2009.

On the flip side, exports fell for the eleventh

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straight month as the global slump crimped demand for Indian goods. Exports fell 19.4% to \$14.29 billion in August 2009 over August 2008, while imports dropped 32.4% to \$22.66 billion in August 2009 over August 2008. India's trade deficit shrank to \$8.37 billion in August 2009 from \$15.79 billion a year earlier.

Inflation based on the wholesale price index (WPI) rose 0.83% in the year through 22 September 2009 - higher than the previous week's annual gain of 0.37%, government data showed on Thursday, 1 October 2009. The government revised upward headline inflation for the year through 25 July 2009 to a fall of 0.71% from a provisional decline of 1.58%. Most auto and cement firms will unveil their monthly sales data for September 2009 starting 1 October 2009.

The International Monetary Fund (IMF) on 1 October 2009 said China and India will lead Asia's expansion in 2010, growing at rates of 9% and 6.4%, respectively. The IMF said that the global economy will grow next year but it will be a sluggish recovery that could stall if policymakers around the world announce a premature exit from accommodative monetary and fiscal policies. The Fund said it now expects the world economy to contract 1.1% in 2009 before growing 3.1% in 2010. This is more upbeat than its last update in July 2009 when the Fund projected the world economy would shrink 1.4% in 2009 before expanding 2.5% in 2010. Over the four years starting at the end of 2010, global growth is expected to average a little over 4% a year below the 5% growth rates before the financial crisis erupted, the IMF said.

Data indicating a surge in growth in the core sector boosted domestic bourses on Tuesday, 29 September 2009 with the Sensex rising 159.91 points or 0.96% to close at 16,852.91 and the Nifty settling above the psychological 5,000 level.

The key benchmark indices extended gains for second straight day on Wednesday, 30 September 2009 on optimism about Q2FY10, which will start trickling in from the second week of October 2009. A decent listing of Oil India, which settled at a premium of 8.62% over the IPO of Rs.1,050 also supported market. The BSE 30-share Sensex rose 273.93 points or 1.63% to 17126.84 on that day.

Key benchmark indices ended flat on Thursday, 2 October 2009 after seeing wild swings throughout the day on alternate bouts of buying and selling. The Sensex rose 7.71 points or 0.05% to 17,134.55 on that day.

The Sensex rose 441.55 points to close at 17,134.55 last week. The undercurrent of the market appears to be very bullish and there is an element of optimism about Q2FY10 results after advance tax collections registered a positive growth in the second quarter. IT bellwether Infosys will kickstart the result season by announcing its Q2FY10 result on 10 October 2009. And a positive result announcement by the company may lead the further rally in the market.

MARKET

Ongoing rally to peak by mid-October

By G. S. Roongta

Last week under review was short of two trading sessions - on Monday, 28 September 2009, on account of Dussehra and Friday, 2 October 2009, on account of Gandhi Jayanti. Thus the tempo in the market remained at a low ebb as marketmen were not very enthusiastic to take fresh positions even though the week closed with positive gains of 441.55 points at BSE Sensex 17134.55 whereas the CNX Nifty gained 124.45 points to end the week at 5083.40.

The benchmarks have been struggling hard and moving within a narrow range for the past two weeks. The Nifty, which had pierced the strong psychological level of 5000, has been fluctuating between 4950 and 5030 for the past two weeks. Although the Sensex crossed the sensational level of 17000 as forecast in this column over two weeks back, it is hovering around the same level for the past few days.

In the stock market, there are two different schools of thought as indicated last week. One section feels that the market is overbought because of which it must pause for sometime by liquidating some of the overbought positions and shed the extra fat gathered over some period of time. The other school believes that the Q2 corporate results that will start pouring in next week will cheer the market going by the September 2009 advance tax collections. They expect corporate earnings to exceed market expectations and blow away the pessimism of the earlier school.

But technical experts maintained a southward journey for the market based on its subdued closing on Friday, 25 September 2009. The pink papers supplemented this viewpoint as most Asian markets closed in the red on Monday, 28 September 2009, and expected Indian bourses to be hit as they re-opened for trading on Tuesday, 29 September 2009. However, both the Sensex and Nifty recorded gains on the back of positive signals from the Dow Jones and European markets. Technical experts were once again proved wrong.

As usual, it was this column that confidently forecast 'Market to remain bullish' when all other media were talking of a correction just as it was the first to forecast that the Nifty would cross 5000 two weeks back and the Sensex to hit the 17000 mark in sharp contrast to bear operator, Mr. Shankar Sharma, who boldly proclaimed on CNBC that the Sensex would first retreat to 13000 before it marched to 17000!

On Tuesday, 29 September 2009, the Sensex climbed towards the 17000 level to hit a high of 16907.84 while closing at 16852.91. The Nifty, however, managed to close above the 5000 mark at 5006.85. The rally in Sensex stocks were mixed as IT and banking stocks attracted buying while cement, metals and realty stocks faced resistance or encountered some selling. Infosys, Wipro, TCS gained grounds by 3-5%. Pharma stocks also firmed up as Sun Pharma gained 6% at Rs.1391

followed by Cipla, which gained by 5% at Rs.280. In the mid cap category, stocks like MRPL, Gujarat Petronet, Patni Computers and Petronet LNG were in good demand.

Sarda Energy & Minerals, recommended extensively between Rs.90-115 under our Investment Advisory Service (IAS), proved to be a star performer as it hit a 52-week high of Rs.204 on Tuesday, 29 September 2009. Two weeks back, we had indicated that we have identified some more growth stocks in emerging sectors and there was a good response from some subscribers who wanted to catch these new scrips at a nascent stage. Quite like Sarda Energy & Minerals, our advisory service has achieved milestones and several subscribers who exited our recommendations for short-term gains are repenting their rash action.

For example, Bajaj Holding & Investments was recommended between Rs.350-400 and it has already hit a 52-week high at Rs.568 on Thursday, 1 October 2009. But it has still to go miles ahead. If JSW Holdings can go as high as Rs.1625 and be actively traded at this level, why should Bajaj Holdings not hit the Rs.1000 mark? It has superior quality of investments in its portfolio whose market value is over Rs.14000 cr. as highlighted last week. The stock is available at Rs.540 and is sure to move up.

Apart from these stocks recommended in IAS, we have also recommended several stocks like SRF Ltd., GSFC, JK Lakshmi Cement, OCL India, Elecon Engineering, etc. Readers will be happy to know that GSFC touched Rs.183 on Wednesday, 30 September 2009 and SRF hit a 52-week high of Rs.201 on Thursday, 1 October 2009. Both these stocks gained between 30-35% in the past 5-6 weeks alone.

Similarly, OCL India hit a 52-week high at Rs.139 from its recommended price of Rs.110 gaining over 30% before it closed at Rs.134. Elecon Engineering, recommended two weeks back at Rs.85-86, climbed to Rs.88-89 next week but fell back to Rs.85-86 when I again strongly recommended it for those who had missed the bus as its target price was Rs.105. The stock touched Rs.92 on Wednesday, 30 September 2009 and Rs.98 on Thursday, 1 October 2009.

Thus the stock market, which moved sideways till Friday, 25 September 2009 and created the impression that it was due for a sharp correction proved all market pundits wrong as it gained over 2.5% on the benchmarks during the week. Global investment gurus like Marc Faber and Jim Rogers, who were prominently featured on a TV channel, seemed to support this popular perception. One technical expert of a leading pink paper declared 'Nifty to fall below 4910' as it had failed to cross 5019 and closing above 5010. Readers can, therefore, differentiate the quality of analyses and recommendations between Money Times and other newspapers and TV channels considering that this column has firmly held that the market will remain bullish and cross the psychological important levels of Nifty 5000 and Sensex 17000.

Our forecast, right from March 2009, has been cent per cent accurate. This column has also fearlessly contradicted Mr. Shankar Sharma's forecasts on TV channels since January 2009 and spelt out the fundamental reasons for our contra views. Having proved wrong again, he was forced to admit 'I do not understand why the market is going up'. Now that it has crossed Sensex 17000 as per our forecast, he must come forward and frankly own up.

This week, the market may make an interim top before corporate earnings start pouring in. Even if the numbers prove to be good, the market may take a contrarian view for the sake of a healthy correction, which is long overdue. So, my humble advice to readers is that they must book 50% profit on every rise from mid-October onwards and sit on cash till the reaction is completed. The selling pressure may emerge from next week as punters start wondering about 'what next?' Since there are no trigger points hereafter, it is better to book partial profits and not repent later even if the market rises further after your sale.

If you have cash in hand, there will be ample opportunities to deploy your funds. But selling at top levels seldom happens and is more of a myth. So book profits while the going is good and be ready to buy back in a correction.

At this juncture, the market is at the level of Sensex 16951 that it first touched on 21 January 2008 after it tumbled from its all-time top of 21206 on 10 January 2008 and triggered the bear market. In May

Investment Advisory Service

by G.S. Roongta

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2008, it again hit 16196 but started losing thereafter till Sensex 8040 in January 2009. The market has, therefore, made a full circle of 100% fall and rise thereafter at this juncture. In view of this, the market may take a new twist from hereon and make a false rise between Sensex 17800-18000. But it is not clear whether it will peak first or correct first by 800-1000 points. If it peaks first, it will be a great opportunity to sell till it corrects by 1000-1200 points. But if it corrects first by 800-1000 points, it will be a good opportunity to buy till it peaks at 17800-18000.

Thus it is the right time to book profit by at least 40-50% and sit on cash. Newcomers keen to enter the market should watch the market on a regular basis to know where it is headed before burning their fingers in haste.

STOCK WATCH

By Saarthi

For Q1FY10, **South India Paper Mills Ltd. (Code: 516108) (Rs.55.60)** recorded marginal 5% fall in topline to Rs.32 cr. but net profit increased by 20% to Rs.3 cr. on the back of very healthy operating margins. For FY09, it reported sales of Rs.126 cr. with PAT of Rs.8.25 cr. posting an EPS of Rs.11. It distributed 30% dividend, which gives a yield of over 5% at CMP. The company has a strong presence in packing paper and paper boards apart from manufacturing writing and printing papers. For its future growth, the company is implementing a brown field expansion at an investment of about Rs.110 cr. under which it will more than double its paper manufacturing capacity to 115,000 TPA from 55,000 TPA currently. However due to the economic condition, the company has slowed down the pace of expansion. It is also contemplating to augment its captive power generation capacity by 3.50 MW. Besides expansion, the company has gone in for forward integration by setting up a corrugated box plant near the paper mill. It is a well-managed company, which has the potential to clock an EPS of Rs.15 for FY10 with expected sales of Rs.150 cr. and net profit of Rs.11.50 cr. The scrip can appreciate 50% within a year.

TIL Ltd. (Code: 505796) (Rs.294) is engaged in three business segments viz. construction & mining, material handling solutions and power systems. It has long term technical and strategic alliances with leading equipment manufacturers in the world viz. Caterpillar Inc, Manitowoc Crane Group, USA, Famak S.A., Poland and Paceco Corp, USA. Pioneering the manufacture of mobile cranes in India, the company deals in hundreds of specialised construction equipment like excavators, loaders, pavers, rollers, concrete mixers, batch plants, forklifts, conveyors, tower cranes, crushing plants, dumpers, demolition equipments etc. To cater to its global clients effectively, it has set up subsidiaries in Singapore, Myanmar & Nepal etc., which are all doing well. For FY09 on a consolidated basis, the company has recorded sales of Rs.1037 cr. with PAT of Rs.44 cr. leading to an EPS of Rs.44 on its equity of Rs.10 cr. With the government planning to invest heavily in physical infrastructure (railways, roads, ports, airports, irrigation, urban and rural water supply and sanitation) as per 11th Five-Year Plan, the future prospects of the company look robust. It is also setting up a greenfield plant in West Bengal at a capex of Rs.175 cr. which may get ready by late 2010. Meanwhile, the 30 lakh convertible warrants (at Rs.326), which were issued in December 2007 to fund its expansion have lapsed due to poor market sentiment. But it doesn't make much difference as the company can easily raise debt and complete the project. For FY10, on a consolidated basis it is expected to clock a turnover of Rs.1200 cr. with PAT of Rs.48 cr. i.e. an EPS of Rs.48 on its current equity. A solid bet

Despite all the apprehensions about the future profitability of the cement industry, **JK Lakshmi Ltd. (Code: 500380) (Rs.143.60)** continues to churn out excellent set of numbers. After the terrific March 2009 quarter performance, it reported another stunning set of numbers for the June 2009 quarter. Sales increased by 30% to Rs.351 cr. whereas net profit more than doubled to Rs.78.50 cr. on the back of record operating margin of 35%. Thus it posted an EPS of Rs.13 in the single quarter itself. Notably for entire FY09, it had registered sales of Rs.1225 cr. and profit of Rs.175 cr. i.e. an EPS of Rs.29. In order to cater the rising demand and increase its market share, the company has been constantly expanding and modernizing over the years. Of late, it completed its expansion of 1.1 million tonnes thereby taking the total cement production capacity to 4.75 MTPA. Further, it is in the process of setting up of 2.70 million tonnes greenfield cement plant at Chhattisgarh at a capex of Rs.1100 cr. to be ready by 2011-12. It has also taken up the work of waste heat recovery system, which would generate 12 MW of power by 2011 and thereby will lead to considerable saving in power costs. At the same time, it has fully stabilised the working of the 36 MW captive thermal power plant. Considering the

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current cement price, for FY10 it can clock a turnover of Rs.1500 cr. with net profit of Rs.225 cr. This translates into an EPS of Rs.37 on its current equity of Rs.61 cr.

Jaihind Projects Ltd.'s (Code: 537339) (Rs.127) core area of specialisation and operation includes laying oil & gas pipelines across the country. It has the capability to lay pipelines from 4" to 56" in diameter through different terrains ranging from rocky to desert and snowy to marshy land. Apart from GAIL - its biggest client, the company undertakes projects for ONGC, Cairn Energy, BPCL, IOC, GSPC, GSPL, Mahanagar Gas, Reliance Infra, L&T, Delhi Jal Board etc. To cash in on the opportunity of the India growth story, the company has taken an aggressive stance and is expected to grow at CAGR of 40-50% over the next 3-4 years. It has increased its bidding process across new geographies and is open to form JV's to bag bigger contracts. Last month in consortium with other companies, it bagged a huge contract to the tune of Rs.231 cr. from GSPL for EPC Project for Darod - Jafrabad Gas Pipeline Project - Section A. For FY09, its revenue shot up 125% to Rs.323 cr. whereas net profit more than doubled to Rs.13 cr. on a consolidated basis. This translates into an impressive EPS of Rs.19 on its current equity of Rs.7.10 cr. Recently, the company made a preferential allotment of 25 lakh warrants to be convertible into equity at Rs.60 per share. This will lead to 35% equity dilution in the near future. For FY10, it may register total revenue of Rs.400 cr. with net profit of Rs.18.50 cr. leading to an EPS of Rs.19 even on its fully diluted equity of Rs.9.60 cr. As the scrip is trading near its 52-week high, investors are advised to accumulate around Rs.100-110 levels as the scrip can shoot upto Rs.180 within a year.

FIFTY FIFTY

By Kukku

Investment Call

* The business of **Rishi Laser (Rs.43)** is to set up steel conversion facilities in different parts of the country and to service the engineering industry in that area.

In this regard, the company has set up 12 plants in different parts of the country. Large infrastructure has been built to service the engineering industry. Its customer base includes the largest companies in diverse fields like construction equipments, power T&D, automotive, pollution control equipment, textile machinery, machine tools, etc.

The company has plants at Baroda, Nashik, Indore, Sonapat, Bangalore and has set up new plants at Bangalore, Ahmedabad and Salvi in FY09.

Construction equipment (CE) constitutes around 40-45% of its sales. However, there was virtually very little sale to this sector in H2FY09 as the whole industry was plagued with overcapacity and low demand.

The company's over reliance on the growth of the CE sector has hurt it severely as demand from this sector dropped by 50% from September 2008 onwards, which was at 2005-06 levels. This happened at a time when every other company in this sector was expanding capacity and new players were entering the market.

CE industry sales are largely catered from its two Bangalore plants and one unit in Pune. The Bangalore plant for which it incurred a capex of around Rs.20 cr. and put into operation in FY09 was hived off from a subsidiary named Rishi Consfab in August 2009. The company hived off 26% stake in this subsidiary at a premium of Rs.2.30 cr. to L&T Finance retaining 74%. This subsidiary became a dedicated vendor for various assemblies used in manufacturing excavators for L&T Komatsu. These assemblies include manufacturing arm, platform, doors, and such other structured parts of excavators. Accordingly, gross block of Rs.20 cr. along with debt of about Rs.10 cr. will be passed to this subsidiary.

Over a period of 2-3 years, the company will sell about 25% of its production to the CE sector, railways and power sector each. This will help it maintain steady and sure growth.

Work on both strategic changes were undertaken in H2FY09, which will result in some benefit in FY10. However, its full impact will be seen in FY11. Sales to the power sector should go up from 14% of sales in FY09 to 18% in FY10.

Sales to the railway sector should go up from 4% of sales in FY09 to 20% in FY10.

It also supplies of Modules for Automotive paint shops to a German manufacturer of Paint shops, who has placed a repeat order.

Having expertise in designing and manufacture of welding fixtures, the company has undertaken many cases. Its design capabilities are also being enhanced so that it can offer a total solution from design to manufacture.

With the acquisition of these skills, Rishi Laser is in a position to offer complete solution to its customers.

The company has a term loan of about Rs.40 cr. and working capital loan of about Rs.30 cr. It intends to pay a portion of the term loan as no major capex is needed till 2012 barring some small normal capex. Overall, the company is operating at around 60% of its capacity, which has the potential to generate consolidated sales of over Rs.180-200 cr.

The company has allotted 6,70,000 warrants to existing investors including Mr. Shah, the promoter director and Rakesh Jhunjhunwala in March 2008 for conversion at premium of Rs.57 but both did not opt for conversion. Now in October 2009, there will be a preferential issue of 7.5 lakh shares at premium of Rs.38 per share to Archve Holding (private equity) and Mr. Harshad Patel, the promoter and chairman of Rishi Laser.

The company expects margins to return to normal level of 17-18% by the last quarter. FY10 sales will largely be in the range of Rs.125-130 cr. as against Rs.114 cr. in FY09. However, job works (included in the above sales figure), which stood at Rs.8.5 cr. in FY09 will be substantially higher because of the BT job work. For the first five months of FY10 sale incomes was Rs.44 cr. (Rs.51 cr. in the 5 months of the previous corresponding period). However, the July & August 2009 combined sale stood at Rs.19 cr. against Rs.18 cr. for these two months in the previous corresponding period). It may not suffer losses in Q2FY10 and is likely to turnaround in H2FY10 on the back of the growth in the infrastructure sector.

Investors can accumulate this stock at every dip for multi-fold growth over the next few years.

Risk factor: Debts of the company are high and two of its plants are running at low capacities. If the recovery in the economy is slower, it shall put pressure on the margins.

Market Guidance

* **Shilpa Medicare (Rs.159)** reported encouraging results for Q1FY10 as its net profit shot up to Rs.10.8 cr. against Rs.1.1 cr. in Q1FY09 on its capital of Rs.4.4 cr. It is expected to report much better working in future as the company will enjoy the benefits of expansion in H2FY10. The promoter holding is around 60%. Investors can keep a watch on this stock for buying on dips below Rs.150 level.

* **Sharyans Resources (Rs.91)** looks attractive, as both its businesses of stock broking & real estates are expected to do well. We may see higher levels in this stock.

* **Vipul Ltd. (Rs.66)** was recommended two weeks back at Rs.54. Investors can continue to hold this stock for a target price of Rs.100 level in the next 6 months.

* **DIC India (Rs.170)** - There are unconfirmed rumours of a delisting offer to come in the near future.

* **Alumeco (Rs.16)** results are better. Investors can continue to stay invested for target of Rs.25 over the next 6 months.

* **Finolex Industries (Rs.58)** Q2FY10 results are expected to be much better. Investors can continue to stay invested for higher levels.

* **Avaya GlobalConnect (Rs.178)** may announce some favourable developments as per knowledgeable sources. Traders can enter this stock on stop loss basis for short term gains.

* **Delta Corp (Rs.55)** was recommended as a momentum buy around Rs.48/50 level, investors can continue to hold & book profit above Rs.65 level.

* Two power plants of **Tata Sponge Iron (Rs.251)** based on waste heat with a combined generation capacity of 26 MW have produced power satisfactorily. The entire surplus power, which was about two-third of generation, was exported. This revenue provided a cushion to the shrinking bottomline due to a fall in price of sponge iron in the later part of the year. There was a marginal increase in the selling price of power from March 2009, the full impact of which will be realised only in the current year. Its coal block is expected to become operational from 2011-12.

Investors can continue to stay invested in this stock or even accumulate on dips for a long-term target of Rs.400.

* **Micro Inks (Rs.390)**, there is possibility of delisting offer at higher levels as per unconfirmed sources.

* **Financial Broking Sector** - Stocks like **Motilal Oswal (Rs.176)**, **India Infoline (Rs.146)** are likely to witness action over the next few months. Traders can enter the same on a stop loss basis.

EXPERT EYE

By V. H. Dave

Banco Products: Good times ahead

Banco Products (India) Ltd. (BPIL) (FV: Rs.2) (Code: 500039) (Rs.46) is recommended for decent appreciation in the medium-to-long-term as the company is faring exceedingly well with the revival in the auto sector.

With the automobile industry on an expansion spree and global auto majors outsourcing auto parts from India, the auto components industry has a bright future. The BPIL share is available at a forward P/E of just 5.8 against the auto ancillaries industry average P/E of 23.

BPIL was incorporated in March 1961 as Gaskets & Oilseals with manufacturing facilities at Ankhi and Bhaili (Gujarat) and is a leading player in the gasket and radiator segments. Its products find wide applications in automobiles, oil engines, compressors, locomotives, machinery, etc. BPIL was promoted by V K Patel, who has over 40 years experience in the auto components industry.

BPIL has four modern manufacturing plants based at Baroda (Vadodara), 400 kms north from Mumbai, with state-of-the-art facilities for production, design & development and quality assurance. A new plant was recently commissioned at Jamshedpur to cater to the needs of eastern India.

BPIL's annual installed capacity is 3,75,000 and 8,00,000 units of radiators and gaskets respectively. The capacity of compressed jointing sheets is 4,000 TPA. Its quality systems are ISO/TS 16949:2002 certified. Its 100% export oriented unit (EOU), which manufactures aluminium radiators caters to the demanding the European market.

BPIL's products find application in passenger cars, jeeps, tractors, trucks, buses, LCVs, gensets, aftercoolers, locomotives, earthmoving, battle tanks, marine and cabin heating.

BPIL's OEM customers include Tata Motors, TVS Suzuki, Ashok Leyland, Mahindra & Mahindra, Hindustan Motors, BEML, Volvo, Toyota, Tafe, Caterpillar, Maruti Udyog and the Railways. BPIL also enjoys a presence in the replacement market. Its three major clients - Mahindra & Mahindra, Ashok Leyland and Tata Motors, account for 20% market share for its copper brass radiators.

In FY09, BPIL's sales declined by 4% to Rs.288 cr. and net profit was lower by 8% to Rs.40 cr., while the EPS was Rs.5.6. But BPIL paid a decent dividend of 70%.

During Q1FY10, sales have advanced by 2% to Rs.86 cr. with net profit of Rs.16.2 cr., which is a rise of 18% over Q1FY09.

BPIL exports its products to countries like Africa, Middle East, Europe, South East Asia, Australia, Germany and Singapore. It continues to focus on exports, which comprise around 25-28% of the sales.

In FY08, it issued 1:1 bonus shares and also allotted 4.5% stake to Japan Metal Gasket for around Rs.10 cr. raising the equity to Rs.14.2 cr. With reserves of Rs.151.4 cr., the book value of its share works out to Rs.23.3.

The promoters hold 66.5% in the equity capital, foreign holding is 11.8%, PCBs hold 1.6% leaving 20.1% with the investing public. At BPIL, expansion is a continuous process and it recently commissioned a new assembly plant at Jamshedpur to cater to the demand of OEMs in the East.

The EOU plant has added 4,80,000 units a year and competes with the low-priced Chinese and Korean aluminum radiators. Banco exports 1,80,000 radiators annually to Europe and plans to double exports by next year along with cost reductions.

The industry estimates the demand in the European market to be around 20 million of radiators and 30 million for original equipment spare (OES) radiators annually. BPIL has secured substantial OEM orders, the favourable contribution of which would be seen in the coming year.

With the domestic automobile industry growing at about 8% and outsourcing of auto components on a high, the Indian auto components industry has cruised along at top speed in the last fiscal.

Vehicle production in FY09 compared to FY08 recorded either negative or marginal growth. The commercial vehicle segment was worst effected with a fall in production by 35% while passenger cars grew by 3.4% and 2-Wheelers by 4.9%.

The output of the auto components industry grew by only 6%.

FY09 was badly affected due to the global slowdown. But there are positive factors, which could aid partial recovery of the automotive market viz. reducing inflation, economic stimulus packages and reduced interest rates. Thus the outlook of the Indian automotive market over the long-term looks positive.

The size of the auto components industry was estimated at \$18.7 billion in 2009, which is less than 1% of the global auto components industry. It has grown by 20% p.a. in the domestic market and by 32% p.a. in exports market over the last five years.

Major expansions in the automobile industry will certainly help BPIL to substantially increase its offer to a host of clients such as General Motors and Ford Motors, which are setting up greenfield plants in India. Maruti Udyog has lined up a Rs.9,000 cr. expansion and Tata Motors together with Fiat has invested Rs.12,000 cr. for car production.

Ashok Leyland, a major customer of BPIL, is spending Rs.1,000 cr. for ramping up capacity. Further Volkswagen, Honda Siel, and Hyundai,

are collectively investing Rs.5, 400 cr. for ramping up capacity. General Motors, too, has invested sizeable sum into its India operations. This would bring good fortune to Banco Products in the long-term despite some concerns in the short term.

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For FY10, BPIL is all set to garner sales of Rs.320 cr. with net profit of Rs.57 cr., which would lead to an EPS of Rs.8. The share of BPIL is currently traded at Rs.46, discounting its estimated FY10 EPS of Rs.8 by only 5.8 times. The industry average P/E for the auto components industry currently rules firm at 23, which leaves sufficient scope for the BPIL scrip to rise further.

Applying a conservative P/E multiple of even 8, the share price has the potential to cross the Rs.64 mark, which would fetch a decent appreciation of about 40% in the medium-to-long-term. The 52-week high/low of the share has been Rs.48/17.

Sanwaria Agro Oils: A medium-term pick

During the recent upsurge, all sectors have participated in the rally. One sector that is yet to attract investor fancy is solvent extraction. Within this sector, the share of Sanwaria Agro Oils Ltd. (SAOL) (Rs.61) (FV: Rs.1), (Code: 519260) is recommended with a target price of Rs.80 in the medium-term.

SAOL is part of the Sanwaria Group, which is into energy (Sanwaria Energy Ltd), infrastructure (Sanwaria Infrastructure Ltd), edible oils (Sanwaria Agro Oils Ltd.) and foods Ltd. (Sanwaria Foods Ltd). It is a solvent extraction and refining company primarily engaged in soya bean processing with Soy Oil & Soy Meal being its two main products.

It has four solvent extractions & refinery units at Itarsi, Mandideep, Betul, and Harda in Madhya Pradesh (M.P.) with a combined installed solvent extraction capacity of 3250 TPD and refining capacity of 350 TPD.

The company operates at 76.08% capacity utilisation due to its strong procurement capability with over 60 direct procurement centres (DPC), promoter involvement in procurement, quick decision making, strong relationship with the farmers and reputation for timely payment.

SAOL is affiliated to Krishi Upaj Mandi Samiti and a pioneer to obtain licenses in over 60 markets across M.P., which is the highest soyabean producing belt in India. This allows SAOL to source the soyabean seeds from all these mandis/markets directly and/or through its direct procurement agents.

SAOL has three brands, namely 'Narmada' 'Sulabh' and 'Sanwaria'. Currently, it sells refined soy oil in saleable consumer units (SKUs) of ½, 1, 2, 5 & 15 litre(s)/kg(s) under these brands. Its current market share is 10% approx. 'Sulabh' and 'Sanwaria' are in the popular segment brand to attract the lower middle class and 'Narmada' is in the premium segment brand to attract middle and upper middle class consumer. Other products that are in its capex plan will be sold under the same brands umbrella.

During FY09, on YoY basis sales surged by 18.4% to Rs.1111 cr. and net profit climbed 21% to Rs.52.5 cr. OPM declined to 7.7% from 8.3% and NPM advanced to 4.7% from 4.6%.

During Q1FY10, sales were lower by 48% at Rs.143 cr. and net profit by only 52% at Rs.10.1 cr. Operating profit and net profit stood at 11.3% and 7.0% as against 10.9% and 7.6% respectively in Q1FY09.

SAOL's results were adversely affected in Q3FY09 to some extent by the global recession. Its Q1FY10 results were affected due to the partial closure of its plants for maintenance purpose. SAOL expects it to fully recover by Q3FY10.

Although there is decline in net sales, this is due to less crushing of 28404 MT seeds (due to closure of two plants which were under annual maintenance) during Q1FY10 as against 66546 MT during the Q4FY09.

SAOL's equity capital is Rs.17.4 cr. and with reserves of Rs.115 cr., the book value of the share works out to Rs.7.6. Promoters hold 70% in its equity capital, PCBs hold 25.4% leaving 4.8% with the investing public.

SAOL has acquired two solvent units in Madhya Pradesh and will continue such acquisitions. This move will result in an additional 1,000 TPA capacity increase.

SAOL's greenfield expansion of Soy flour & TVP (Texturized Vegetable Protein) facility at Mandideep at a cost of Rs.40 cr. of Soy Flour with an installed capacity of 200 TPD, & TVP's capacity of 100 TPD is to be completed by FY10.

SAOL incurred Rs.25 cr. for expanding the existing daily crushing capacities by 1250 TPD & the refining capacity by 200 TPD through both organic & inorganic routes. This expansion increased the total soya bean crushing & refining capacity to 3,250 TPD & 350 TPD respectively. The commercial production of all these expansions commenced from H2FY09.

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SAOL acquired the Harda Plant of 750 TPD extraction capacity and 100 TPD refining capacity and the Betul Plant of 500 TPD extraction capacity and 100 TPD refining capacity during 2008-09. With this expansion, SAOL's gross block has gone up by Rs.73 cr. to Rs.163 cr. in the last two years.

With the implementation of 4.2 MW wind power plant at Dewas (MP) & 1.8 MW power plant at Tenkashi (Tamil Nadu) at a cost of Rs.30 cr. in March 2008, it was able to reduce its power cost significantly. Now the company has the total wind power capacity of 8.4 MW.

Out of this 50% is for captive use, which saves our 40% cost of power consumption. SAOL has also plans to expand its renewable energy capacity to 14.4 MW by March 2010.

SAOL plans to invest Rs.125 cr. for producing value-added products such as 200 TPD of soya flour, 100 TPD of soya nuggets and 50 TPD of vanaspati. It will also set up a 150 TPD of palm oil refining unit, besides expanding its solvent extraction and refining capacity by 1000 TPD to 4250 TPD. SAOL looking to expand its retail products by the inclusion of palm oil, mustard oil, cotton seed oil and other value added soya based products. In future there will be a lot of stress on retailing and brand building.

SAOL also has major diversification plan in next 2-3 years in Bio-fuel through jatropha cultivation, real estate sector, energy sector and rice manufacturing.

SAOL proposes to raise Rs.100 cr. through issue of fresh shares to strategic investors while Rs.25 cr. will come in from internal accruals. The capacity additions will come up at its existing plant at Itarsi and Mandideep in M.P.

Lower than the average rainfall is unlikely to affect SAOL as 90% irrigation facilities are available in areas where SAOL's plants are situated. The company expects a very good crop of soybean like in the last two years. No adverse impact is expected on the soybean crop as the monsoon in the areas of cultivation is satisfactory.

During FY10, backed by expansion/acquisitions, SAOL expects to garner sales of Rs.1990 cr. with net profit of Rs.84 cr., which would fetch an EPS of Rs.4.8.

SAOL commands premium due to its high rewards to shareholders. In the last 7 years, it has made three bonus issues (2002 - 1:5; 2005 - 1:4 and 2008 1:1 bonus shares).

At the CMP of Rs.61, the share is trading at a P/E of 12.9 of its FY10 estimated EPS of Rs.4.8. The share is recommended with a target price of Rs.80 in the medium-term.

TECHNO FUNDA

By Nayan Patel

Mayur Uniquoters Ltd.

BSE Code: 522249

Last Close: Rs.73.50

Mayur Uniquoters Ltd. (MUL) is a reputed company that excels in the manufacture and export of all types of PU and PVC based synthetic leather (artificial leather). Established in 1992, it has successfully established itself as a reliable and trustworthy organisation. The company is committed to developing outstanding quality products with the widest choice. Its first plant was started in 1992, the second plant started in 2004 and the third plant started in FY09. The company is now planning to supply its products to Mercedes-Benz, Ford, GM, Chrysler and Audi.

It has an equity base of Rs.5.21 cr. supported by reserves of around Rs.19 cr. The promoters hold 73.54% stake and the public holds 23.49% stake in this company. For Q1FY10, it recorded net sales of Rs.32.34 cr. with net profit of Rs.3.8 cr. against net sales of Rs.29.33 cr. with net profit of Rs.1.3 cr. in Q1FY09 and reported a quarterly EPS of Rs.7.06. It paid 15% interim dividend and 20% final dividend (total 35% dividend) for FY09. At the current level, the stock is available at a P/E ratio of just 6.5 and just at 2.7 on forward earning for FY10.

Investors can buy this stock with a stop loss of Rs.67. On the upper side above Rs.77, the stock will zoom to Rs.85 level in the short-term and Rs.100 level in the medium-term.

Real Strips Ltd.

BSE Code: 513558

Last Close: Rs.54.05

Real Strips Ltd. (RSL), an ISO 9001:2000 company, was incorporated in 1994 to cater to the demand of cold rolled flat products of stainless steel for quality conscious manufacturers.

The stainless steel strips, stainless steel coils produced by RSL are used in Automobiles, Food & Dairy, Sugar, Chemical, Electronics, Surgical industries and for watch manufactures, pipes & tubes, utensils, furniture, architectural utilities, thermowares etc. and for very specialised applications.

It has an equity base of Rs.3.75 cr., which is supported by reserves of around Rs.13 cr. The promoters hold 51.17% equity stake and the public holds 40.05% stake.

For Q1FY10, it recorded net sales of Rs.47.21 cr. with net profit of Rs.1.50 cr. against net sales of Rs.23.63 cr. with net profit of Rs.73 lakh in Q1FY09. It reported an EPS of Rs.3.97 in Q1FY10.

At the current level, as per forward earning of FY09, the stock is available at a P/E ratio of just 3.5. As per our estimate, the company's Q2FY10 results will be much better than Q1FY10.

Investors can buy this stock with a stop loss of Rs.47. On the upper side, the stock will zoom up to Rs.61 level in the short-term and Rs.75 level in the medium-term.

MONEY FOLIO

Unity Infraprojects bags Rs.54.56 cr. order in Pune

Unity Infraprojects Ltd., one of India's major civil contracting firms, has bagged a Rs.54.56 cr. project from Amanora Park Town, Hadaspur, Pune. The project work includes construction of six towers, RCC works and up to gypsum finish - (R21) sector, the project is to be completed in 29 months.

Earlier this month, the company has bagged two contracts aggregating Rs.945.76 cr. from Municipal Corporation of Greater Mumbai.

Shree Ganesh Jewellery plans IPO

Shree Ganesh Jewellery House Ltd, among the largest manufacturers and exporters of handcrafted gold jewellery, plans to issue 1,42,69,831 equity shares of Rs.10 each for expanding its operation and diversifying in newer products (machine made and light weight Italian jewellery) and geographies. Credit Suisse has invested Rs.80 cr. for 10.99% equity stake in the company in March 2008.

The company's manufacturing units are located at Manikanchan SEZ, West Bengal, which is known for the availability of craftsmen 'karigars' skilled in the manufacture of handcrafted jewellery. It also retails its own products through its branded stores 'Gaja'. Revenue and PAT of the company has grown at a CAGR of 63.75% and 65.20% between FY07 to FY09 with Revenue at Rs.2218 cr. with PAT of Rs.132.45 cr. and Rs.132.45 cr. respectively in FY09.

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