

Dealer's Diary

The Indian markets opened on a flat note and traded in a narrow range in the morning session. After trading in the red for the afternoon session, the markets recovered from the lower level, after junior Finance Minister Namo Narain Meena said the government will continue with economic reforms to strengthen the economy. However, the intraday recovery proved short-lived, as a sharp and sustained sell-off took the indices below their previous close. Overall, weakness in Metal, PSU and Oil & Gas stocks weighed on the benchmark indices, while support from IT stocks helped limit losses. The Sensex and the Nifty closed in the red, with losses of 0.3% and 0.4%, respectively. The BSE Mid-cap and Small-cap indices underperformed the benchmark indices, and closed with losses of 0.7% each. Among the front-liners, HDFC, HDFC Bank, Maruti Suzuki, Sun Pharma and TCS were up by 1-2%, while JP associates, Tata Motors, Hindalco, Hero Honda and DLF were down by 2-4%. In the mid-cap segment, Whirlpool, Bayer Crop, Anant Raj, Shriram Transport Finance and Sintex were up by 4-8%, while Emami, Asian Star, STC, Gujarat NRE Coke and Phoenix Mills were down by 4-6%.

Markets Today

The trend deciding level for the day is 17072/ 5109 levels. NIFTY trades above this level during the first half-an-hour of trade then we may witness a further rally up to 17112 – 17171/ 5124 – 5147 levels. However, if NIFTY trades below 17072 / 5109 levels for the first half-an-hour of trade then it may correct up to 17012 – 16972 / 5087 – 5072 levels.

Indices	S2	S1	R1	R2
SENSEX	16,972	17,012	17,112	17,171
NIFTY	5,072	5,087	5,124	5,147

News Analysis

- Federal Bank – Initiating Coverage
- ABB wins US \$22mn order
- India Cements raises US \$65mn via QIPs

Refer detailed news analysis on the following page.

Net Inflows (Mar 08, 2010)

Rs cr	Purch	Sales	Net	MTD	YTD
FII	4,461	2,202	2,260	7,379	8,355
MFs	797	998	(201)	(1,176)	(3,186)

FII Derivatives (Mar 09, 2010)

Rs cr	Purch	Sales	Net	Open Interest
Index Futures	546	522	24	10,697
Stock Futures	864	1,402	(538)	26,130

Gainers / Losers

Gainers			Losers		
Company	Price (Rs)	Chg (%)	Company	Price (Rs)	Chg (%)
Shriram Trans	507	6.8	NMDC	376	-6.1
Sintex Inds	271	4.0	India Cements	121	-4.4
Exide Inds	115	4.0	Guj. NRE Coke	83	-4.3
Jain Irrigation	965	3.4	Godrej Inds	158	-4.0
Piramal Health	421	2.4	Indiabulls Sec.	32	-4.0

Domestic Indices	Chg (%)	(Pts)	(Close)
BSE Sensex	-0.3%	(50.1)	17,053
Nifty	-0.4%	(22.5)	5,102
MID CAP	-0.7%	(48.7)	6,735
SMALL CAP	-0.7%	(61.2)	8,531
BSE HC	-0.4%	(22.3)	5,073
BSE PSU	-1.4%	(133.4)	9,187
BANKEX	-0.2%	(15.7)	10,295
AUTO	-0.9%	(69.1)	7,619
METAL	-1.6%	(274.5)	17,273
OIL & GAS	-1.3%	(122.2)	9,650
BSE IT	0.9%	44.7	5,311

Global Indices	Chg (%)	(Pts)	(Close)
Dow Jones	0.1%	11.9	10,564
NASDAQ	0.4%	8.5	2,341
FTSE	-0.1%	(4.4)	5,602
Nikkei	-0.1%	(8.6)	10,559
Hang Seng	0.3%	63.2	21,271
Straits Times	0.7%	19.3	2,859
Shanghai Com	0.5%	15.4	3,084

Indian ADRs	Chg (%)	(Pts)	(Close)
Infosys	-0.7%	(0.4)	\$59.5
Wipro	0.3%	0.1	\$22.9
Satyam	-5.1%	(0.3)	\$5.4
ICICI Bank	0.2%	0.1	\$40.9
HDFC Bank	0.1%	0.1	\$127.0

Advances / Declines	BSE	NSE
Advances	1,034	370
Declines	1,840	928
Unchanged	66	26

Volumes (Rs cr)	
BSE	7,506
NSE	13,109

Federal Bank – Initiating Coverage

Federal Bank is an old, private sector bank with a large network of 669 branches, concentrated in semi-urban areas in the southern states. The Bank's strong Capital Adequacy, Operating Efficiency and technologically up-to-date network represent an attractive standalone franchise. Federal Bank's CASA deposits grew at a CAGR of 20.6% during FY2005-2009, leading to a stable 25% CASA ratio. Moreover, low-cost NRI deposits, a key differentiator, constitute 16.5% of the total deposits. Thus, effectively, low-cost deposits constitute 41% of the total, which is expected to underpin NIMs of about 3.3% in the next 2 years, even as the bank grows faster than the industry (23% credit growth in FY2011E) to leverage its large network. The bank maintains a high provision coverage ratio of 81%, reflecting in Net NPA ratio of 0.6%. The bank has one of the lowest operating cost to assets ratio of 1.6%. The proposed CSB acquisition, which was partly responsible for the stock's underperformance during the last 11 months, is now unlikely to fructify, as the asking price substantially exceeds Federal Bank's assessment. The stock has also been an underperformer due to concerns over the impact of the Dubai Crisis on the bank's business model, which benefits from Middle-eastern NRI clients. However, as per the Management, the Bank has a very low direct loan exposure of about Rs350cr (1.3% of loan book) to NRIs dependent on Dubai. Hence, the impact of the crisis on asset quality is expected to be within manageable limits. At the CMP, the stock is trading at attractive valuations of 0.8x FY2012E Adjusted Book Value (ABV) - similar to South Indian Bank, its closest peer, compared to a 5-year average premium of 15%. While lower leverage is leading to low RoEs at present, at the core RoA level, the bank's earnings quality is one of the best among peers. **We recommend a Buy, assigning a multiple of 1.0x FY2012E ABV to arrive at a 12-month Target Price of Rs342.**

ABB wins US \$22mn order

ABB has won orders worth US \$22mn from Haryana Vidyut Prasaran Nigam Limited (HVPNL), a state-owned power utility in northern India, to provide four turnkey substations for the regional grid. The scope of the project covers the design and commissioning of substations and associated equipment, which includes switchgear and power transformers. **Given the rich valuations, we maintain a Neutral on the stock.**

India Cements raises US \$65mn via QIPs

India Cements has raised US \$65mn via the QIP route, which we believe is primarily for the redemption of the US \$75mn of FCCBs due in May 2011. The conversion price of the FCCBs is at Rs350, which is far above the company's current market price. Thus the FCCBs are unlikely to be converted into equity. Further, a portion of the funds raised is also expected to be used for capital expenditure plans. The company, which is currently setting up a 1.5mn tonne plant in Rajasthan through its subsidiary Indo-Zinc, is also in the process of setting up two 50-MW power projects. The QIP, as per media reports, has been made at a price of Rs120, and is expected to result in an equity dilution of close to 9%. **We maintain an Accumulate on the stock, with a Target Price of Rs136.**

Economic and Political News

- RBI to amend rules to control NBFCs turning LLPs
- Tamil Nadu to spend Rs1,600cr to buy power
- Power crisis set to trip Rs1,800cr off Andhra Pradesh
- Centre to reserve 20% govt. purchases for MSME sector
- Govt. likely to infuse Rs9,500cr in banks in Q1: Banking secy.

Corporate News

- Tata Sons buys Daimler's Tata Motors shares worth Rs300cr
- Independent sells 7.5% in Jagran for Rs255cr
- Air India likely to incur Rs5,400cr loss in 2009-10: Patel
- CCCL Infra looking at PE for Rs2,000cr investment
- NMDC expects 50mt production by 2014

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Ratings (Returns) :	Buy (> 15%) Reduce (-5% to -15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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