

## Markets take a breather

Amidst sessions marked by high volatility, the Indian stock markets consolidated their position during the current week of trade, with both the benchmark indices, the BSE Sensex and the NSE Nifty, ending higher by 1.0% and 0.9%, respectively. The BSE Mid- and Small-Cap indices however ended with a minor loss for the week. Meanwhile on the macro front, India's benchmark IIP Index rose 16.7% for January 2010 as against 1.0% gain in the same period last year. On the sectoral front, all the major sectoral indices mirrored a mixed trend, with the BSE IT Index gaining the maximum of 2.1%, while the BSE PSU Index ended as the top-most loser, down 2.7%.

## BSE IT Index - Momentum sustained

The BSE IT Index gained 2.1% over the previous week, outperforming the Sensex by 1.1%. The BSE IT Index sustained momentum over the week on gains registered by Tier I IT companies, viz. TCS and Wipro, which moved up 4.5% and 3.2% respectively, while Infosys gained 1.5%, hitting a new 52-week. TCS and Wipro traded positive particularly on account of the recent deal win in the e-governance space. In addition to the recovery in demand in the global IT spends, the strong opportunity in the domestic market in the e-governance space is also acting as a trigger point to the overall deal scenario for Indian companies.. Stability in the INR-USD rates further supported the upmove. **Our Top Picks in the sector are TCS and Infosys.**

## Inside This Weekly

**Electrosteel Castings - Initiating Coverage:** Electrosteel Castings is a leading player in ductile iron (DI) pipes and is gradually transforming itself into an integrated steel company over the next 2-3 years, with the setting up of a 2.2mtpa steel plant. **We Initiate Coverage on the stock with a Buy rating and 18 months SOTP Target Price of Rs75**, valuing its Core business at 7x FY2012E EPS and investments in its subsidiary at 1x FY2012E BV.

**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. At Rs261, the stock is trading at attractive valuations of 0.8x FY2012E Adjusted Book Value (ABV). We believe that these valuations provide a reasonable margin of safety from the inherent and cyclical asset quality pressures. **We Initiate Coverage on Federal Bank, with a Buy recommendation and Target Price of Rs342.**

**IL&FS Transportation Networks (ITNL) - IPO Note:** We believe that ITNL's IPO is reasonably priced, considering the emerging growth opportunities, its strong portfolio of assets and sound parentage. Further, on comparative valuations, ITNL scores over IRB Infra and would trade at a 33% discount to IRB Infra on FY2010E P/BV. **Hence, owing to attractive relative valuations, we recommend a Subscribe view on the IPO.**

FII activity during the Week As on	Cash (Equity)	Futures	(Rs crore) Net Activity
Mar 05	1,879	(81)	1,798
Mar 08	2,259	455	2,714
Mar 09	1,770	(514)	1,256
Mar 10	418	65	483
Mar 11	447	637	1,084
<b>Net</b>	<b>6,774</b>	<b>562</b>	<b>7,336</b>

Mutual Fund activity (Equity) As on	Purchases	Sales	(Rs crore) Net Activity
Mar 05	594	1,121	(527)
Mar 08	796	995	(199)
Mar 09	719	693	27
Mar 10	568	906	(338)
Mar 11	469	713	(244)
<b>Net</b>	<b>3,146</b>	<b>4,428</b>	<b>(1,281)</b>

## Key Movements

Indices	March 05, 10	March 12, 10	Weekly (% chg)	YTD
BSE 30	16,994	17,167	1.0	(1.7)
NSE	5089	5137	0.9	(1.2)
Nasdaq	2,326	2,368	1.8	4.3
DOW	10,566	10,624	0.5	1.9
Nikkei	10,369	10,751	3.7	1.9
HangSeng	20,788	21,210	2.0	(3.0)
Straits Times	2,790	2,881	3.3	(0.6)
Shanghai Composite	3,031	3,013	(0.6)	(8.0)
KLSE Composite	1,300	1,311	0.9	3.0
Jakarta Composite	2,579	2,667	3.4	5.2
KOSPI Composite	1,635	1,663	1.7	(1.2)

Indices	March 05, 10	March 12, 10	Weekly (% chg)	YTD
BANKEX	10,199	10,341	1.4	3.1
BSE AUTO	7,553	7,573	0.3	1.8
BSE IT	5,229	5,339	2.1	2.9
BSE PSU	9,324	9,072	(2.7)	(4.8)

Note: Stock Prices are as on Report release date; Refer all Detailed Reports on Angel website

# Electrosteel Casting - Buy

**Price - Rs48**  
**Target Price - Rs75**

## Initiating Coverage

### `Steel'ing its way up

Electrosteel Castings (ECL) is a leading player in ductile iron (DI) pipes and is gradually transforming itself into an integrated steel company over the next 2-3 years, with the setting up of a 2.2mtpa steel plant. ECL's backward integration initiatives through acquisition of coking coal mines are expected to result in expansion of EBITDA Margin by 116bp over FY2010-12E to 28.0%. The company is also awaiting final environmental clearance for its iron ore mines, which will further lower costs, which is not factored in our estimates. Further, listing of its subsidiary Electrosteel Integrated (EIL) could result in a value unlocking opportunity for ECL.

**Moving towards an Integrated business model:** ECL has been focusing on insulating itself from the fluctuating raw material prices through the acquisition of mines. The company has already started coal production from its coal mines at Parbatpur, Jharkhand, which is likely to result in EBITDA Margin increasing by 116bp over FY2010-12E to 28.0%. Further, grant of iron ore mining lease with estimated reserves of 91 mn tonnes could also improve Margins, which is not factored in our estimates.

**Value unlocking through listing of EIL:** ECL is setting up a 2.2mtpa steel plant through its subsidiary EIL, in which it holds 40% stake. The total project cost of Rs7,262cr has been funded through a debt-equity ratio of 3:1 and the project has already achieved financial closure. Of the total equity contribution of Rs1,815cr, ECL has made an investment of Rs726cr. The company plans to list its subsidiary to raise Rs300cr, which will unlock value for ECL.

**Leading DI player, to benefit from Investment in Water Infrastructure:** ECL, with a 65% market share is expected to benefit from the strong domestic demand for DI pipes, which is expected to grow at 15% per annum. Increasing demand for water and poor sanitation levels (estimated at 33%) are expected to drive investments in water infrastructure. The Government of India (GoI) aims to provide 100% water supply to urban population by FY2012E. In the Eleventh Five-Year Plan, the GoI upped its allocation of funds by 122% to Rs 143,730cr. Also, the company's strong relationship with state governments will

help mitigate the risk of losing market share as competitors' capacities come onstream. The company is also poised to benefit from the strong International demand, which is estimated at US \$2bn. ECL already has a presence in Europe, Middle East and is currently exploring the US markets.

## Outlook and Valuation

Currently, the stock is trading at 7.4x and 6.3x FY2011E and FY2012E EPS, respectively. **We initiate coverage on the stock with a Buy recommendation and 18 months SOTP Target Price of Rs75, valuing its Core business at 7x FY2012 EPS and its investments in its subsidiary, EIL at 1x FY2012E Book Value.**

### Exhibit 1: SOTP Valuation (Rs)

EPS (FY2012E)	7.6
P/E Multiple (x)	7.0
Core Business	53
Steel business	22
Target Price	75

Source: Angel Research

### Exhibit 2: Key Financials

Y/E March (Rs cr)	FY2009	FY2010E	FY2011E	FY2012E
<b>Net Sales</b>	<b>1,948</b>	<b>1,451</b>	<b>1,706</b>	<b>1,818</b>
% chg	35.3	(25.5)	17.6	6.6
<b>Net Profit</b>	<b>135.3</b>	<b>168.5</b>	<b>211.5</b>	<b>248.8</b>
% chg	17.1	24.5	25.5	17.7
OPM (%)	14.9	26.8	26.2	28.0
<b>EPS (Rs)</b>	<b>4.8</b>	<b>5.2</b>	<b>6.5</b>	<b>7.6</b>
P/E (x)	10.0	9.3	7.4	6.3
P/BV (x)	1.0	1.0	0.9	0.8
RoE (%)	10.4	11.3	12.8	13.6
RoCE (%)	10.3	11.7	11.9	12.7
EV/Sales (x)	1.1	1.7	1.5	1.4
EV/EBITDA (x)	7.5	6.2	5.8	5.1

Source: Company, Angel Research, Price as on March 12, 2010; Refer detailed Company Report to be released shortly.

**Research Analyst - Paresh Jain/Pooja Jain**

## Federal Bank - Buy

**Price - Rs261**  
**Target Price - Rs342**

### Initiating Coverage

#### Value Buy

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. The Bank's deposit base includes a niche, low-cost NRI deposit base that contributes a meaningful 16.5% of total deposits and gives it a distinguishing cost advantage over several of its peers. 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.

**Healthy Deposit Mix:** 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.

**Concerns over Catholic Syrian Bank (CSB) and Dubai Crisis Overdone:** 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.

#### Outlook and Valuation

We rate the bank's peer group (old private sector banks) broadly at par with mid-sized PSU banks in terms of their RoA and

growth potential. Additionally, Federal Bank's core profitability (refer to exhibit above) and growth outlook are above average as compared to its peers.

At Rs261, the stock is trading at attractive valuations of 0.8x FY2012E Adjusted Book Value (ABV) - similar to South Indian Bank, its closest peer. We believe that these valuations provide a reasonable margin of safety from the inherent and cyclical asset-quality pressures, as well as from structural competitive pressures from larger private sector banks (which are increasingly penetrating deeper into Tier-II and Tier-III towns).

Historically, the stock has traded in the range of 0.7-1.2x its 1-year forward P/ABV multiple, with a 5-year median of 0.8x. We have assigned a Target FY2012E P/ABV multiple of 1.0x to Federal Bank, considering the bank's potential to grow above the industry average, going forward.

**Accordingly, we value Federal Bank at 1.0x its FY2012E ABV, to arrive at a Target Price of Rs342 per share. Hence, we Initiate Coverage on Federal Bank with a Buy recommendation.**

#### Key Financials

Y/E March (Rs cr)	FY2009	FY2010E	FY2011E	FY2012E
<b>NII</b>	<b>1,315</b>	<b>1,412</b>	<b>1,617</b>	<b>1,921</b>
% chg	51.5	7.3	14.6	18.7
<b>Net Profit</b>	<b>500</b>	<b>548</b>	<b>606</b>	<b>802</b>
% chg	36.0	9.5	10.5	32.3
NIM (%)	3.8	3.4	3.3	3.2
<b>EPS (Rs)</b>	<b>29.3</b>	<b>32.1</b>	<b>35.4</b>	<b>46.9</b>
P/E (x)	9.0	8.2	7.4	5.6
P/ABV (x)	1.0	0.9	0.9	0.8
RoA (%)	1.4	1.3	1.2	1.3
RoE (%)	12.4	12.3	12.1	14.4

Source: Company, Angel Research, Price as on March 5, 2010

**Research Analyst - Vaibhav Agrawal/Amit Rane**

## IL&FS Transportation Networks - Subscribe

### IPO Note - On Road to greater success

#### Objects of the Issue

Particulars	Amount (Rs cr)
A) Pre-payment and repayment of debt	500
B) General Corporate purposes	∅
<b>Total</b>	<b>590</b>

Source: RHP

#### Rationale for our 'Subscribe' view

IL&FS Transportation Network's (ITNL) IPO, we believe, is reasonably priced considering the emerging growth opportunities, its strong portfolio of assets and sound parentage. Further, on comparative valuations, ITNL (based on the limited information provided in the RHP, refer Exhibit 1) scores over IRB Infra and would trade at 33% discount to IRB Infra on FY2010E P/BV. Hence, owing to attractive relative valuations, we recommend a Subscribe view on the IPO.

**Strong Parentage and management at helm of affairs:** On account of having strong backing from IL&FS, we believe that going ahead ITNL will enjoy an edge over competition while bidding for new projects or approaching lenders for financing its projects. ITNL is particularly well-placed due to its affiliation with IL&FS in light of the new National Highway Authority of India (NHAI) norms which specifies that a developer/asset owner cannot bid for new projects if 3 or more of its projects are awaiting financial closure. Thus, ITNL is set to garner increasing market share compared to its peers. Further, ITNL has on its Board an experienced and professional set of senior managers who have vast experience in the Surface Transportation Segment in the Infrastructure space.

#### An established player with a geographically diversified portfolio:

ITNL is a surface transport player, with an established track record of successfully bidding, developing and operating Road BOT projects on a commercial basis. It is one of the India's largest players in the Road BOT Segment, with a geographically diversified Road BOT Asset portfolio, which insulates it from potential traffic related slowdowns in any particular region of India. The company boasts of a balanced portfolio of 19 projects (Toll-10, Annuity-9) of which eight are operational, while the balance are expected to be operational over the next 2-2.5

years. ITNL's Road BOT Asset portfolio is bi-furcated into Toll (65%) and Annuity projects (35%) on revenue basis, thereby reducing its dependence on traffic related revenue inflow.

#### Exhibit 1: Comparative Analysis

	ITNL	IRB Infra
Under Operation		
Projects Capitalisation (Rs cr)	3,308	3,299
Under Development		
Projects Capitalisation (Rs cr)	11,717	7,216
<b>Total Project Capitalisation (Rs cr)</b>	<b>15,024</b>	<b>10,515</b>
Under Operation Projects	8	10
Under Development Projects	11	6
<b>Total Number of Projects</b>	<b>19</b>	<b>16</b>
Average Weighted Age of Portfolio (years)	1.7	2.1
Net Worth as on FY10 (Rs cr)	1,805	2,066
Mcap (Rs cr)	5,012	8,577
<b>P/BV (x) (FY2010E)</b>	<b>2.8</b>	<b>4.2</b>

Source: Company, Angel Research; Note: Mcap for ITNL has been calculated on Upper Price Band, Average Weighted Age of Portfolio (years) = Age of project x Weights, Weights = TPC of SPV / TPC of All SPVs

#### Exhibit 2: Key Financials (Consolidated)

Y/E March (Rs cr)	FY2007	FY2008	FY2009	FY2010E*
<b>Net Sales</b>	<b>188.7</b>	<b>361.6</b>	<b>1,225.4</b>	<b>1,914.8</b>
% chg	-	91.6	238.9	56.3
<b>Net Profit</b>	<b>51.3</b>	<b>94.6</b>	<b>31.1</b>	<b>238.1</b>
% chg	-	84.5	(67.2)	666.6
<b>FDEPS (Rs)</b>	<b>3.2</b>	<b>5.5</b>	<b>1.8</b>	<b>12.3</b>
EBITDA Margin (%)	45.9	47.9	15.0	35.1
P/E (x)	81.8	46.7	142.4	21.1
RoE (%)	5.8	9.7	2.9	17.2
RoCE (%)	4.3	7.0	5.2	16.8
P/BV (x)	5.1	4.4	4.6	2.8
EV/Sales (x)	27.3	16.2	5.0	4.6
EV/EBITDA (x)	59.6	33.8	33.4	13.1

Source: RHP, Angel Research; Note: \* Annualised; Valuations computed at upper end of price band

Research Analyst - Shailesh Kanani/Aniruddha Mate

## NMDC - Avoid

### FPO Note - Uninspiring valuations

National Mineral Development Corporation (NMDC) is India's leading iron ore producer and enjoys the benefits of huge iron ore reserves, high grade ore and lower costs. Nonetheless, **we recommend an Avoid on the FPO, as at the lower price band the stock will trade at EV/EBITDA of 12.6x and 9.6x FY2011E and FY2012E, which is at a significant premium to its peers.**

**Increasing production - source of opportunity:** NMDC plans to increase its production capacity to 50mn tonnes by FY2014E through increased exploration of its existing mines and development of new mines, ie. Deposit 11B and Deposit 13 in Bailadila and Kumaraswamy in Karnataka.

**Positioned at the lower end of cost curve:** NMDC's operating cost (excluding freight) of US \$7.2/tonne is at the lower end of the global iron ore cost curve. NMDC enjoys the benefit of low costs on account of its mines' close proximity to ports and railways. The company also plans to invest Rs3,500cr in building a 10mn tonne slurry pipeline from Bachel to the Vizag port, which would help it maintain Margins.

**Re-negotiation of five-year pricing contracts and changing pricing mechanism:** NMDC's five-year pricing contracts with its domestic players are ending in March'10, while the export contracts are due for revision in April'11. Given the changing business environment globally, the company has appointed a consultant to evaluate various options for pricing of its iron ore contracts. In our view, any change in the pricing mechanism would help to capture the short-term fluctuation in prices, which is likely to benefit the company in fetching higher realisations.

**Seeking to diversify into steel making and acquisition of mines abroad:** NMDC intends to diversify its operations by moving downstream through the establishment of steel plants and pellet plants. Accordingly, the company has lined up capex of Rs26,500cr for the next five years. In addition, management has indicated that it plans to acquire mines in Australia, Brazil and South Africa.

### Exhibit 1: Peer Comparison

	EV/EBITDA (x)		P/E (x)		EV/tonne (x) (US \$)
	FY11E	FY12E	FY11E	FY12E	
Lower Band (Rs300)	12.6	9.6	19.5	15.5	19.1
Upper Band (Rs350)	15.1	11.5	22.8	18.1	22.8
Sesa Goa	7.6	6.2	11.6	10.4	21.7

Source: Angel Research

### Exhibit 2: Relative comparison to Global peers

Company	PE Ratio (x)			EV/EBITDA (x)		
	CY09/ FY10	CY10/ FY11	CY11/ FY12	CY09/ FY10	CY10/ FY11	CY11/ FY12
BHP Biliton	19.6	14.1	12.1	9.8	7.3	6.2
Rio Tinto	23.3	15.4	12.5	12.2	7.8	6.3
Kumba	19.1	14.5	11.8	9.8	7.5	6.0
Vale	20.0	15.1	10.5	15.3	9.6	7.2
Fortescue	52.0	15.9	11.3	19.1	8.9	6.3
NMDC @Rs300	30.5	19.5	15.5	21.1	12.6	9.6
NMDC @Rs350	35.6	22.8	18.1	25.0	15.1	11.5

Source: Bloomberg, Angel Research

### Exhibit 3: Key Financials

Y/E March (Rs cr)	FY2009	FY2010E	FY2011E	FY2012E
<b>Net Sales</b>	<b>7,564</b>	<b>6,563</b>	<b>10,006</b>	<b>12,680</b>
% chg	32.4	(13.2)	52.5	26.7
<b>Net Profit</b>	<b>4,372</b>	<b>3,903</b>	<b>6,098</b>	<b>7,657</b>
% chg	34.5	(10.7)	56.2	25.6
OPM (%)	77.2	77.0	81.5	81.1
<b>EPS (Rs)</b>	<b>11.0</b>	<b>9.8</b>	<b>15.4</b>	<b>19.3</b>
P/E (x)	34.1	38.2	24.4	19.5
P/BV (x)	12.8	10.4	7.8	6.0
RoE (%)	43.9	30.1	36.6	34.9
RoCE (%)	57.7	38.0	47.8	45.5
EV/Sales (x)	18.4	20.8	13.3	10.1
EV/EBITDA (x)	23.8	27.0	16.3	12.5

Source: Company, Angel Research

Research Analyst - Paresh Jain/Pooja Jain

## Tech Mahindra - Buy

**Price - Rs907**
**Target Price - Rs1,168**

### Management Meet Note

Tech Mahindra's recent deal restructuring with BT and positive news flow from Satyam in the form of new deal wins is increasing the company's near term business visibility. The recent meeting with the management reinforces our view of sustained business opportunity from BT in the coming years and highlights strong client relationship. The stock is trading at a substantial 55% discount to Infosys on 1-year forward P/E vs. a 5-yr average discount of 20%, while it is expected to generate PAT margins of 15.3% and EPS growth of 12% over FY2010-12E. We have valued the stock on SOTP basis, valuing Tech Mahindra (excluding Satyam) at 13x FY2012E EPS (40% discount to our target P/E for Infosys) and value its 42.7% stake in Mahindra Satyam at Rs287 per share to arrive at a target price of Rs1,168, implying an upside of 28%. **Hence, we upgrade the stock to BUY.**

**Restructuring ends the uncertainty:** The recent deal restructuring with BT ends the uncertainty as the new terms ensure compensatory volumes and ensures its status of being the largest Indian vendor to BT. Pricing terms are muted and may enhance with improvement in the client's financial health. The company would amortise the upfront fee over 17 quarters at a quarterly rate of Rs.50cr over next four years beginning Q4FY10. Also, the repayment of loans from the compensatory fee receipt (Upfront payment of Rs968cr) will reduce interest costs and support earnings growth. But in the near term, revised pricing would result in slower uptick in the business from BT and would lead to decline in the operating profits by about 100-130bps.

**Sustained traction from Non-BT clients:** The Company's revenue from non-BT clients has continued to flourish despite the overall downtick in the demand scenario. The new client wins and ramp-up in the existing clients has resulted in a strong CQGR of 16.1% over Q1FY2006-Q3FY2010. This sustained volume traction from non-BT clients continues to provide revenue growth momentum to the company; covering the decline in the Top account. The growth in the non-BT account has resulted in margin improvement, geographical diversification, increased offshoring mix and reduced client concentration. The high growth in the non-BT revenue has been maintained despite

adding no new clients (net 110 since Q1FY10) which suggest higher wallet share per client and is sign of strong client confidence.

**Strong Hiring:** Tech Mahindra added net 3,897 employees (highest in last ten quarters) in the recent concluded quarter (3QFY2010) taking the total headcount to 30,404. The hiring has been made both in the BPO as well software segment which exhibits signs of a strong pipeline across the business segments. The total utilization has also been improving and has reached a level of 73% in 9MFY10 suggesting strong volume traction in the current year which would further enhance as it has strong business visibility ensured by terms of the contract.

**Positive flows from Mahindra Satyam:** The positive news flow from Satyam in form of client retention, new deal wins (recently bagged a 4 year offshoring contract worth \$48mn from Denmark's leading IT company, KMD) and favorable settlement with Upaid (paid \$70mn as a settlement fine) is providing comfort on the future business prospects going forward. However the potential ramp down in the satyam business and issues relating with Satyam integration continues to remain risk to our valuations.

#### Key Financials (Consolidated excl. Mahindra Satyam)

Y/E March (Rs cr)	FY2009	FY2010E	FY2011E	FY2012E
<b>Net Sales</b>	<b>4,465</b>	<b>4,607</b>	<b>4,989</b>	<b>5,704</b>
% chg	18.5	3.2	8.3	14.3
<b>Net Profit</b>	<b>1,015</b>	<b>650</b>	<b>763</b>	<b>876</b>
% chg	207.5	(35.9)	17.3	14.8
EBITDA Margin (%)	29.0	24.3	24.0	23.0
<b>FDEPS (Rs)</b>	<b>83.4</b>	<b>53.2</b>	<b>60.7</b>	<b>67.8</b>
P/E (x)	10.9	17.0	14.9	13.4
P/BV (x)	5.6	4.3	3.3	2.6
RoE (%)	63.0	28.5	25.1	22.1
RoACE (%)	74.4	33.0	25.1	26.0
EV/Sales (x)	0.9	1.9	1.7	1.4
EV/EBITDA (x)	3.2	7.8	7.0	6.0

Source: Company, Angel Research; Price as on March 12, 2010

**Research Analyst - Rahul Jain/Vibha Salvi**

## Bosch India - Accumulate

**Price - Rs4,782**

**Target Price - Rs5,188**

### 4QCY2009 Result Update

#### Performance Highlights

**Performance below expectation, Top-line up 39%:** For 4QCY2009, Bosch India reported 39% yoy growth in Net Sales to Rs1,454.2cr (Rs1,046.2cr) on the back of the 39.8% yoy growth registered by the Auto Segment. However, the company's other businesses recorded 7.6% de-growth. Bottom-line, which increased 67.9% yoy to Rs158.2cr (Rs94.2cr), came in marginally below our expectation of Rs179cr. OPM at 17.2%, registered an increase of around 39bp yoy, primarily due to rise in Other Expenditure. Overall, in CY2009, the company recorded a 5.1% yoy growth in top-line and a 6.8% yoy decline in Net Profit for CY2009, primarily due to the subdued performance in Top-line and sub-optimal Operating leverage.

**EBITDA Margin increases by 39bp, but below expectations:**

For 4QCY2009, Bosch registered a marginal 39bp yoy growth in EBITDA Margins due to increase in Other expenditure by 296bp. Raw material costs were flat yoy for the quarter and stood at 51.0% of Sales (50.9% of Sales). Staff costs declined by 105bp, and restricted fall in EBITDA margins to certain extent. Overall, Bosch reported 42.2% yoy growth in Operating Profit (excluding Other Income) to Rs 249.5cr (Rs175.4cr).

**Bottom-line up 67.9%:** Bosch reported 67.9% yoy growth in Net Profit to Rs158.2cr (Rs94.2cr) for 4QCY2009 was primarily due to the 83.8% jump in Other Income to Rs25.1 (Rs13.6cr) and 9.2% drop in Depreciation to Rs95.6cr (Rs105.3cr).

#### Outlook and Valuation

In the last two years, Bosch has been posting subdued growth largely owing to the downturn of the CV cycle. However, post the recent recovery in the CV cycle and pick up in Auto industry volumes, we estimate the company to clock around 15% CAGR in Top-line over CY2009-11E and around 17% CAGR in Net Profit, assuming better outlook and growth of the CV and CRS Segments. Bosch enjoys high Margins in the Auto Component Segment due to the high entry barriers and its dominant position in the market. However, Margins have declined in the last three years due to the rise in import content in some of the new products like CRS. We estimate Bosch to register 25% CAGR in

EBITDA over CY2009-11E owing to improvement in OPM due to rise in Operating leverage. Better utilisation of new capacities and gradual localisation of component supplies would further improve Margins post CY2010E.

Bosch's medium-term prospects are derived largely from the demand arising in the CV and Tractor Segments, which is estimated to grow at an annual rate of around 12-13% and 5-6% respectively, over the next couple of years. We believe that the company will continue to enjoy premium valuations owing to strong parental focus and increasing long-term growth opportunities in the Indian market facilitated by future changes in Emission norms. Moreover, Bosch has been a consistent performer with strong cash flows in the Indian Auto Component Industry.

We estimate the company to clock EPS of Rs227.3 and Rs259.4 for CY2010E and CY2011E respectively, owing to overall pick up in Auto demand. At Rs4,782, the stock is quoting at 18.4x CY2011E Earnings. At our Target multiple of 20x (based on its three year historical average multiple) CY2011E EPS, our Fair Value for the stock works out to Rs5,188. **We maintain an Accumulate on the stock.**

#### Key Financials

Y/E Dec (Rs cr)	CY2008	CY2009	CY2010E	CY2011E
<b>Net Sales</b>	<b>4,620</b>	<b>4,822</b>	<b>5,681</b>	<b>6,425</b>
% chg	6.8	4.4	17.8	13.1
<b>Net Profit</b>	<b>633.9</b>	<b>590.7</b>	<b>713.7</b>	<b>814.4</b>
% chg	12.5	(6.8)	20.8	14.1
OPM (%)	18.4	16.5	17.3	18.4
<b>Adj. EPS (Rs)</b>	<b>172.7</b>	<b>188.1</b>	<b>227.3</b>	<b>259.4</b>
P/E (x)	27.7	25.4	21.0	18.4
P/BV (x)	4.9	4.6	4.0	3.4
RoE (%)	17.9	18.0	18.9	18.7
RoCE (%)	19.5	16.0	19.2	21.0
EV/Sales (x)	2.8	2.7	2.3	2.0
EV/EBITDA (x)	19.8	22.6	17.4	14.1

Source: Company, Angel Research; Price as on March 5, 2010

**Research Analyst - Vaishali Jajoo/Shreya Gaunekar**

## Markets showing Lacklustre movements

### Sensex (17167) / Nifty (5137)

In our previous Weekly report, we had mentioned that if indices trade convincingly above 17098 / 5118 levels then they are likely to test 17150 - 17250 / 5150 - 5180 levels. Further, we had advised traders holding their long positions to book partial profit and trail their stop loss to 5000 levels. The week opened on a positive note and witnessed a rally to the mentioned zone. The Sensex ended with a gain of 1.0%, whereas the Nifty gained 0.9% vis-à-vis the previous week.



Source: Advanced Get



Source: Advanced Get

### Pattern Formation

- On the Weekly chart, we are witnessing a narrow range body candlestick formation, which clearly indicates indecisiveness prevailing at current levels. There is no apparent weakness on the Weekly charts as indicators are still positively poised.
- On the Daily chart, we are witnessing series of narrow range candlestick bodies, which indicates indecisiveness and lack of clear trend.

### Future Outlook

Looking at the above pattern formation scenario, we are of the opinion that if indices trade above 17245 / 5158 levels then it is likely to test 17360 - 17580 / 5200 - 5250 or even test Jan 2010 highs of 17790 / 5300 levels. On the downside, 16700 / 5000 levels would now act as a crucial support for the markets.

**Traders are advised to maintain 5000 levels as a stop loss for the balance 50% long position.**

### Short-term Picks

#### AMTEK INDIA ( 70 ) - BULLISH

**Buying Range : Rs. 75.50 - Rs. 74.00**

**Stop - loss : Rs 66.50**

**Targets : Rs. 98.00**

**Time frame : 4 - 6 weeks.**

**Amtek India:** On the Monthly chart, we are witnessing a rounding bottom formation breakout with rising volumes. Further, momentum oscillators, viz. the RSI and the Stochastic are positively poised. This suggests further upside in the coming weeks.



Source: Falcon

## Weekly Pivot Levels For Nifty 50 Stocks

SCRIPS	R2	R1	PIVOT	S1	S2
SENSEX	17,363.00	17,265.00	17,146.00	17,048.00	16,930.00
NIFTY	5,195.00	5,166.00	5,129.00	5,100.00	5,063.00
BANKEX	9,315.00	9,244.00	9,159.00	9,088.00	9,002.00
A.C.C.	1,056.00	1,028.00	992.00	963.00	927.00
ABB LTD.	912.00	891.00	858.00	837.00	804.00
AMBUJACEM	124.00	120.00	115.00	111.00	106.00
AXISBANK	1,236.00	1,193.00	1,119.00	1,077.00	1,003.00
BHARAT PETRO	563.00	545.00	534.00	516.00	505.00
BHARTIARTL	314.00	307.00	295.00	288.00	277.00
BHEL	2,512.00	2,446.00	2,405.00	2,339.00	2,298.00
CAIRN	289.00	283.00	272.00	266.00	255.00
CIPLA	329.00	323.00	318.00	312.00	307.00
DLF	333.00	322.00	315.00	304.00	297.00
GAIL	436.00	428.00	416.00	408.00	396.00
GRASIM IND.	2,976.00	2,933.00	2,873.00	2,830.00	2,770.00
HCL TECHNOLO	371.00	366.00	359.00	354.00	346.00
HDFC BANK	1,894.00	1,848.00	1,789.00	1,742.00	1,684.00
HERO HONDA	2,005.00	1,962.00	1,911.00	1,868.00	1,817.00
HINDALCO	178.00	171.00	165.00	158.00	152.00
HINDUNILVR	254.00	237.00	228.00	210.00	201.00
HOUS DEV FIN	2,809.00	2,762.00	2,674.00	2,627.00	2,539.00
ICICI BANK	962.00	950.00	929.00	916.00	895.00
IDEA	64.00	62.00	61.00	59.00	58.00
IDFC	173.00	170.00	164.00	161.00	156.00
INFOSYS TECH	2,751.00	2,712.00	2,665.00	2,626.00	2,579.00
ITC	270.00	264.00	255.00	249.00	240.00
JINDL STL&PO	728.00	702.00	682.00	656.00	636.00
JPASSOCIAT	155.00	150.00	146.00	142.00	138.00
LT	1,637.00	1,601.00	1,579.00	1,543.00	1,520.00
MAH & MAH	1,197.00	1,169.00	1,127.00	1,099.00	1,057.00
MARUTI	1,544.00	1,504.00	1,479.00	1,439.00	1,415.00
NTPC	211.00	205.00	203.00	197.00	194.00
ONGC CORP.	1,120.00	1,103.00	1,090.00	1,072.00	1,059.00
PNB	951.00	937.00	923.00	909.00	895.00
POWERGRID	113.00	109.00	108.00	104.00	102.00
RANBAXY LAB.	491.00	477.00	464.00	450.00	437.00
RCOM	171.00	164.00	160.00	154.00	150.00
REL.CAPITAL	828.00	811.00	801.00	784.00	774.00
RELIANCE	1,059.00	1,040.00	1,014.00	995.00	969.00
RELINFRA	1,073.00	1,036.00	1,013.00	976.00	953.00
RPOWER	149.00	145.00	143.00	138.00	136.00
SIEMENS	767.00	751.00	731.00	716.00	695.00
STATE BANK	2,154.00	2,101.00	2,060.00	2,007.00	1,965.00
STEEL AUTHOR	244.00	239.00	235.00	230.00	225.00
STER	860.00	844.00	818.00	801.00	775.00
SUN PHARMA.	1,758.00	1,707.00	1,659.00	1,608.00	1,560.00
SUZLON	85.00	80.00	78.00	73.00	71.00
TATA POWER	1,391.00	1,371.00	1,346.00	1,327.00	1,301.00
TATAMOTORS	837.00	799.00	779.00	741.00	721.00
TATASTEEL	638.00	623.00	613.00	597.00	587.00
TCS	826.00	811.00	786.00	771.00	746.00
UNITECH LTD	82.00	78.00	76.00	72.00	70.00
WIPRO	735.00	723.00	704.00	692.00	673.00

**Technical Research Team**

## Recommended Balanced Fund - DSP BlackRock Balanced Fund - (G)

### Scheme Details

**Inception:** 27th May 1999  
**Type:** Open Ended Balanced Fund  
**Corpus:** Rs.664.29 Crs (26-Feb-10)  
**Fund Manager:** Apoorva Shah  
**Benchmark:** Crisil Balanced Fund Index  
**Minimum Investment:** Rs. 5000  
**Entry Load:** Nil  
**Exit Load:** Max 1.00 %  
**Latest NAV:** Rs. 58.84 (10-Mar-10)  
**52 Week High:** Rs. 60.94 (18-Jan-10)  
**52 Week Low:** Rs. 33.66 (12-Mar-09)

### Asset Allocation (% of Net Asset)

**Equity : 71 %**  
**Debt : 15 %**  
**Cash & Cash Equivalents : 14 %**

### Market Capitalization (% of Net Asset)

Large Cap Stocks : 41.24 %  
 Mid Cap Stocks : 21.25 %  
 Small Cap Stocks : 0.53 %

### Key Ratios

**Expense Ratio:** 2.09 (31-Jan-10)  
**Standard Deviation:** 1.28  
**Sharpe:** 0.044  
**Jensen:** 0.056  
**Average Maturity:** 128 Days

Ratios are on 3 Yrs Daily rolling return (CAGR) basis.  
 Returns < 1 year Absolute & > =1 year CAGR basis.  
 Returns & Ratios as on 10th March 2010  
 Portfolio as on 26th Feb 2010  
 \* SIP Rs 3000 per month for the period 07 to 09

### Top Company Holdings

Company	(%) of Net Assets
<b>Equity</b>	
Reliance Industries Ltd.	3.50
State Bank of India	2.68
Bharat Petroleum Corporation Ltd.	2.29
Glaxo Smithkline Pharmaceuticals	1.90
Gas Authority of India Ltd.	1.80
<b>Debt</b>	
LIC Housing Finance Ltd.	4.72
Hindustan Petroleum Corporation Ltd.	2.98
Barclays Investments & Loans (I)Ltd.	2.32
7.4% GOI (2012)	1.54
Sundaram Finance Ltd.	1.51

### Scheme Objective

Seeks to generate long term capital appreciation and current income from a portfolio constituted of equity and equity related securities as well as fixed income securities.

### Fund Analysis

Currently the scheme has 71% Equity exposure and 15% in Debt and holds 14% in Cash & cash equivalents. It has highest exposure to sectors like Petroleum & Gas 14%, Banks 9.92% and HFC 4.72%. Its current exposure to companies is high in Reliance Industries, SBI, & BPCL and LIC Housing Finance. The Scheme has outperformed its benchmark index and its category average returns. Currently fund has 41% exposure to large cap, 21% to midcap and minimal exposure in small cap stocks. On Equity side fund manager has maintained a good mix of Large & Mid stocks and Debt side focused on high credit quality papers to balance risk and returns.

- High risk adjusted returns which are indicated from a positive Sharpe Ratio.
- Positive Jensen Ratio shows Superior Stock, Debt and Money market Instruments selection by Fund Manager.
- Investment analysis indicates that the scheme has created wealth for investors and has outperformed the benchmark in the long term.

### Ideal for Investors

**With volatility in debt market expected and equity market also trading at fair value, exposure to balanced funds is a better option. Balanced funds have more than 65% invested into equities. Hence, they offer tax savings as any capital gain over a one year period becomes tax free.**

- **Investment Horizon** - Long Term
- **Risk Appetite** - Medium

### Top Sector Allocation

Sector	% Net Assets
Petroleum & Gas	14.01
Banks	9.92
HFC	4.72
Pharmaceuticals	4.18
NBFC	3.84
Utilities-Gas, Power	3.61
Engineering and Capital Goods	3.46
Software & Consultancy	3.37
Sovereign	3.02
Auto	2.99
Fertilizers	2.88

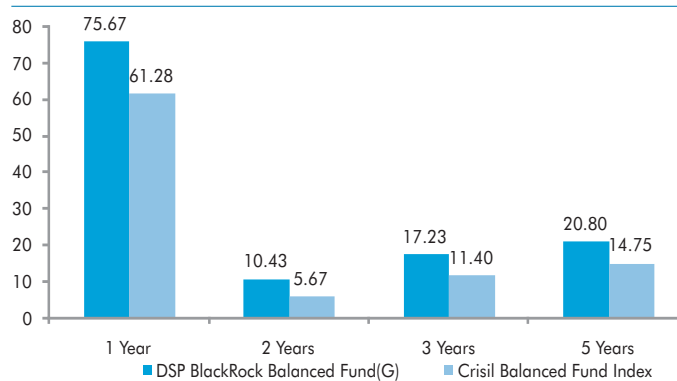
### Key Fund Analysis

- **Market Cap Focus:** Over the past one year the fund manager has maintained average holding of 42% in large cap, 25% in mid cap and 2% in small cap stocks.
- **Sector Focus:** Over past one year, fund manager has maintained high average exposure to sectors like Petroleum & Gas 12%, Banks 7.40% and Software & Consultancy 6.38%
- **Company Focus:** Fund manager has maintained average exposure to companies like Glaxo Smithkline Pharmaceuticals Ltd. 2.6%, 2.5% in BPCL and 2.3% in SBI Ltd. over the past one year.
- **Debt Focus:** It has maintained average debt exposure of around 15% in last one year and focused on high credit quality papers with rating of AAA, AA+ and Sovereign.
- **Cash & Cash Equivalent:** The average exposure over the past one year has been around 14%.

### Investment Analysis (Rs.)\*

	Total Amount Invested	SIP Present Value	Lump sum Present Value
Scheme	108000	142130	173406
Benchmark	108000	123959	141697

### Performance Analysis (% Returns)



**Disclaimer:** Angel Broking Ltd is not responsible for any error or inaccuracy or any loss suffered on account of information contained in this report. Data source is from MFI Explorer. Mutual Fund investments are subjected to market risk. Please read the Scheme Information document carefully before investing.

## Recommended Balanced Fund - Reliance RSF Balanced - G

### Scheme Details

**Inception:** 8th June 2005

**Type:** Open Ended Balanced Fund

**Corpus:** Rs. 273.57 Crs (26-Feb-10)

**Fund Manager:** Omprakash and Arpit

**Benchmark:** Crisil Balanced Fund Index

**Minimum Investment:** Rs. 500

**Entry Load:** Nil

**Exit Load:** Max 1.00 %

**Latest NAV:** Rs 20.07 (10-Mar-10)

**52 Week High:** Rs 20.07 (10-Mar-10)

**52 Week Low:** Rs 9.46 (12-Mar-09)

### Asset Allocation (% of Net Asset)

**Equity : 66.34 %**

**Cash & Cash Equivalents : 33.65 %**

### Market Capitalization (% of Net Asset)

**Large Cap Stocks : 45.98 %**

**Mid Cap Stocks : 13.39 %**

### Key Ratios

**Expense Ratio:** 2.33 (31-Jan-10)

**Standard Deviation:** 1.51

**Sharpe:** 0.051

**Jensen:** 0.077

Ratios are on 3 Yrs Daily rolling return (CAGR) basis.  
 Returns < 1 year Absolute & > =1 year CAGR basis.  
 Returns & Ratios as on 10th March 2010  
 Portfolio as on 26th Feb 2010  
 \* SIP Rs 3000 per month for the period 07 to 09

### Top Company Holdings

Company	(%) of Net Assets
Power Finance Corporation Ltd.	5.26
Infinite Computer Solutions (I) Ltd	3.69
Man Infra construction Ltd	3.29
Hero Honda Motors Ltd.	3.25
Aventis Pharma India Ltd.	2.95
Jubilant Food works Ltd	2.94
IDFC Ltd.	2.92
Sterlite Industries Ltd.	2.86
Infosys Technologies Ltd.	2.85
Union Bank Of India Ltd.	2.80

### Scheme Objective

The primary investment objective of this Option is to seek capital appreciation and/or to generate consistent returns by actively investing in equity / equity related securities.

### Fund Analysis

Currently the scheme has 66% Equity exposure and holds 33% in Cash & cash equivalents. It has highest exposure to sectors like Auto & Ancillaries 5.85%, Banks 6.97% and FI 8.18%. Its current exposure to companies is high in PFC Ltd, Infinite Computer Solutions (I) Ltd and Man Infra construction Ltd. The Scheme has consistently outperformed its benchmark index and its category average returns. Currently scheme has 45.98% exposure to large cap, 13.39% to midcap stocks. The fund manager has followed a strategy to maintain a good mix of large & mid stocks and moved in on & out from cash & cash equivalents money market instruments to balance risk and returns. This clearly indicates the fund manager is focused on equities to deliver superior returns.

- High risk adjusted returns which are indicated from a positive Sharpe Ratio.
- Positive Jensen Ratio shows Superior Stock selection by Fund Manager.
- Investment analysis indicates that the scheme has created wealth for investors.

### Ideal for Investors

**With volatility in debt market expected and equity market also trading at fair value, exposure to balanced funds is a better option. Balanced funds have more than 65% invested into equities. Hence, they offer tax savings as any capital gain over a one year period becomes tax free.**

- **Investment Horizon** - Long Term
- **Risk Appetite** - Medium

### Top Sector Allocation

Sector	% Net Assets
Auto & Auto Ancillaries	5.85
Banks	6.97
Computers - Hardware and Peripherals	3.69
Construction and Infrastructure	4.89
FI	8.18
Food & Food Processing, Beverages	5.41
Non Ferrous metals	2.86
Petroleum, Gas and petrochemical products	5.54
Pharmaceuticals & Biotechnology	5.26
Software and Consultancy Services	5.54

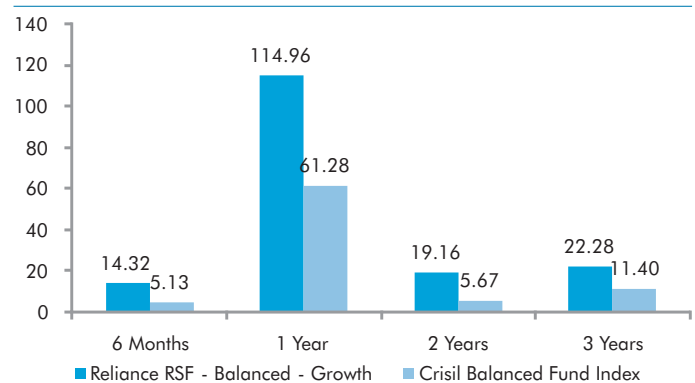
### Key Fund Analysis

- **Market Cap Focus:** Over the past one year the fund manager has maintained average equity exposure of 66 % majorly in large cap stocks 47%, 17% in mid cap and no exposure to small cap stocks.
- **Sector Focus:** Over past one year, fund manager has maintained high average exposure to sectors like Petroleum & Gas 8.24%, Banks 7.46% and Software & Consultancy 7.52%
- **Company Focus:** Fund manager has maintained average exposure to companies like PFC Ltd. 2.23%, 3.65% in Infosys Technologies Ltd. and 1.27% in IDFC Ltd. over the past one year.
- **Debt Focus:** The Fund Manager in last one year had invested only once in debt instruments 29 % in the month of April 09.
- **Cash & Cash Equivalent:** The average exposure over the past one year has been around 31.45 %.

### Investment Analysis (Rs.)\*

	Total Amount Invested	SIP Present Value	Lump sum Present Value
<b>Scheme</b>	108000	160583	196542
<b>Benchmark</b>	108000	123960	141697

### Performance Analysis (% Returns)



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## Nifty may continue to consolidate around 5100 level

Nifty spot has closed at **5137** this week, against a close of **5089** last week. The Put-Call Ratio has increased from **1.32** to **1.44** levels and the annualized Cost of Carry (CoC) is positive **4.21%**. The Open Interest in Nifty Futures has increased by **1.86%**.

### Put-Call Ratio Analysis

Over-the-week, the Nifty PCR has increased from 1.32 levels to 1.44 levels. Throughout the week 5000 and 5100 put was active strikes, where they have added 1,02,555 lots and 61,127 lots respectively. With IV's being at lower levels we believe this is buying of puts and also throughout the series FII's have been significant buyers in index options. We maintain our view of consolidation in market around 5100 level.

### Open Interest Analysis

The total Open Interest of the market is Rs. 1,21,438 crore, as against Rs. 1,07,182 crore last week, and the Stock Futures' open interest has increased from Rs. 32,013 crore to Rs. 33,384 crore. Some liquid counters where significant build-up has been observed are GODREJIND, OPTOCIRCUI, BGREENERGY, CUMMINSIND and ALBK. Stocks where open interest has decreased are RECLTD, GLAXO, LUPIN, INDIANB and GAIL.

### Futures Annual Volatility Analysis

The Historical Volatility of the Nifty has decreased from 21.09% to 18.57%. IV of at the money options has decreased from 19.00% to 16.50%. Some liquid counters where HV has increased significantly are HUL, BALRAMCHINI, SUNPHARMA, RENUKA and CAIRN. Stocks where HV has declined are BHUSANSTL, PRAJIND, TATASTEEL, RELCAPITAL and PNB.

### Cost-of-Carry Analysis

The March Future closed at a premium of 7.70 points as against a discount of 1.15 points last week and April futures closed at a premium of 6.60 points. Increase in premium is due to short covering. Some liquid counters where CoC is positive are MUNDRAPORT, TITAN, MRPL, GVKPIL and GTOFFSHORE. Counters where CoC is negative are NATIONALUM, ACC, SESAGOA, EDUCOMP and ZEEL.

## Derivative Strategy

Scrip : DLF		CMP : 310.20		Lot Size : 800		Expiry Date (F&O) : 25th Mar, 2010		
<b>View: Mildly Bullish</b>			<b>Strategy: Ratio Call Spread</b>				<b>Expected Payoff</b>	
Buy/Sell	Qty	Scrip	Strike Price	Series	Option Type	Rate (Rs.)	Closing Price	Expected Profit/Loss
Buy	800	DLF	310	Mar	Call	9.50	Rs. 300.00	Rs. 1.00
Sell	1600	DLF	320	Mar	Call	5.25	Rs. 310.00	Rs.1.00
<b>BEP:</b> Rs.331/- <b>Max. Risk:</b> Unlimited If DLF continues to trade above Rs.331 on expiry							Rs. 320.00	Rs.11.00
<b>Max. Profit:</b> Rs.8800/- If DLF closes on Rs.320 on expiry.							Rs. 330.00	Rs.1.00
<b>NOTE:</b> Profit can be booked before expiry, if DLF moves in the desired direction.							Rs. 340.00	(Rs. 9.00)
							Rs. 350.00	(Rs.19.00)

## Base Metal

**Base metals end this week on a mixed note:** The base metals pack ended the week on a mixed note as a variety of factors influenced prices. In the last week, metals have touched levels around the year's high deriving support from signs of resurgence in consumer demand with bulging LME inventories beginning to see regular withdrawals in most of the contracts. We have witnessed a positive sign as there has been strengthening in the physical markets, rising premiums and a drawdown in stocks mainly in copper and nickel. Copper inventories on the LME have declined for eight days in a row, while cancelled warrants, i.e. the metal booked for removal has jumped in the last week. Despite this positive inventory scenario, copper prices faced downside pressure on renewed concern upon Beijing's possible action to tighten monetary policy. Expectations of changes in monetary policy tightening in China affected base metal prices in the last week but sharp decline in prices was cushioned by a weakness in the US dollar which slipped below the crucial 80-mark in the last week. A weaker dollar makes base metals look attractive for holders of other currencies. In the coming week too we expect the US dollar to weaken and provide support to prices.

### Price performance on LME in the last week

Metal	Open	High	Low	Close	% Chg
Copper	7,540	7,629	7,356	7,461	(0.9)
Zinc	2,329	2,425	2,301	2,340	(0.2)
Nickel	22,450	22,825	20,990	21,800	(2.7)
Lead	2,245	2,333	2,213	2,260	1.5
Aluminium	2,226	2,275	2,204	2,261	1.6

**Economic data in the last week:** China's February CPI grew 2.7% y-o-y and the PPI increased 5.4% which raised concern to the commodity market that Beijing may reduce its easy credit soon. Markets expect this change in monetary policy to take place in this month itself. Economic optimism in the US dropped 3% to 45.4 in March as against 48.9 in February. Readings from the consumers and small businesses index is indicating that economic sentiment is not yet completely strong.

Data from the US authorities indicated that the US government recorded a budget deficit of \$220.9bn in February - the largest monthly deficit in its history. Unemployment claims in the world's largest economy decreased by 6,000 to 4,62,000 as against previous of 4,68,000. The unemployment claims decreased continuously for two weeks reflecting some signs of recovery in the labour market. But trade deficit in US declined in January as imports of crude oil declined. Reports also indicated that the exports declined 0.3%, the first decline since April.

**Global Economic Growth - Work in Progress:** Financial markets have recovered strongly on the back of improving economic fundamentals and sustained policy support. We have witnessed a return in risk appetite as equity markets have improved as there is sustained policy support. Due to a rise in risk appetite, prices across a wide range of assets have rebounded sharply off their historic lows as the worst concerns of investors about a collapse in economic and financial activity have not materialized. Overall favorable developments have resulted in an overall reduction in systemic risks. Credit and market risks have reduced and reflect a more favorable economic outlook and reduction in global economic risks.

Even with the current pace of economic improvement the repair of the financial system is still bleak and financial stability remains fragile. New risks have emerged as a result of the support provided by the policy measures that have been implemented. Unprecedented policy support has come at the cost of a significant rise of risk to sovereign balance sheets and increase in sovereign debt burdens that raise risk for financial stability in the future. But major emerging market economies have rebounded strongly but this has raised concern over upward pressure on both asset prices and exchange rates.

But fiscal stability issues in advanced economies are becoming a major cause of concern. There are fears over sustainability and political uncertainties have led to a widening of credit default swap spreads for the United Kingdom and Japan in the recent weeks. European issues like Greece have come under more pronounced pressure after their ratings have been downgraded and as uncertainty has persisted over their fiscal imbalances and consolidation plans.

**China - Driver of Copper demand:** China's role in the global copper market has increased remarkably over the past five years. The country produced 4.123 Mt in 2009, up 10.2% from a year earlier. Thus the country accounted for around 22% of global output last year, compared with 16% in 2005. Consumption has also increased in the past five years and in the year 2009 at an estimated 5.600Mt was 14.3% higher than in 2008. Last year the country was responsible for almost 31% of world usage, up from around 21% in 2005. Consumption this year is expected to rise by 8% to 6.050Mt. Though the rate of increase is expected to slow, there is little doubt that China will remain the engine of growth in global copper consumption in 2010 and even going forward.

Continued...

## Base Metal

China has been a significant net importer of refined copper, particularly last year when exports declined to just 80Kt while imports soared to 3.22Mt, leaving the country as a net importer of 3.14Mt. But how much of this imported metal went into end-consumption and how much stockpiled is a matter of conjecture. The State Reserves Bureau (SRB) stockpiled around 700kt in the first half of 2009 but started to run down that metal towards the end of the year. At the end of 2009, the SRB stockpile together with metal in bonded warehouses in Shanghai totaled around 1.3Mt.

In the last year, China imported 3.998Mt of copper scrap, down 28.1% from 2008. But the rate of decline slowed as the year wore on and in December imports gained 15.4% from a year earlier. In January, import of scrap was up 83% from previous January. If we continue to see a significant easing in the global scrap market, it will reduce the volume of refined metal required. A combination of higher production and lower imports against a backdrop of slowing consumption growth could result in the Chinese market being in rough balance. A marked decline in net Chinese trade in refined copper will have significant implications for the Western market balance.

**Copper Long-Term Perspective:** Prices of copper are expected to trade with a positive bias in the short-term as demand is expected to improve steadily. Demand from China, the driver of base metals demand is the key factor that provides direction to prices. But consumption in China could face a hit as China introduces tightening of its monetary policy. Boost in demand from China and witnessed in the last year was mainly backed by the heavy stimulus packages that the government introduced. Buying by the State Reserves Bureau (SRB) also led to a rise in copper prices in the last year. How much of this imported stock went into fabrication demand remains a question? We do not expect a sharp rise in SRB purchases in this year but the driver that could lead to a rise in prices will be the recovery in demand from the Western World. Sharp rises in copper prices could be capped as we expect the US dollar to strengthen. The dollar could rise as interest rates could rise in this year and that could boost the currency. Strength in the dollar could prove fatal to base metals as a stronger dollar makes base metals look unattractive for holders of other currencies.

**Important US economic data in the coming week:** The coming week is expected to be busy in terms of economic data releases from the US. Most economic data will focus on inflation, manufacturing and housing. But markets now await a FOMC

rate-setting meeting scheduled for the next week on Tuesday, 16th March. The discussion on Tuesday is the first one-day meeting as for the whole of 2009 all regular meetings took place on two consecutive days in order to provide policymakers with extra time to consider their steps over the course of the financial crisis and to prepare for the eventual execution from the exit strategy. The FOMC statement might not provide a major trigger as it may offer no more than an incremental change from the previous one in terms of its assessment of the economy and price stability. It could provide clues regarding the timing of the exit strategy.

Date	Indicator	Forecast	Previous
15th March	TIC Long-Term Purchases	50.3B	63.3B
16th March	Building Permits	0.61M	0.62M
16th March	FOMC Statement	-	-
16th March	Federal funds Rate	<0.25%	<0.25%
17th March	PPI m/m	-0.2%	1.4%
18th March	Core CPI m/m	0.1%	-0.1%
18th March	Unemployment Claims	456K	462K
18th March	Philly Fed Mfg Index	17.2	17.6
20th March	Fed Chairman Bernanke Speaks	-	-

## Base Metals Weekly Outlook

In the coming, base metal prices will take cues from factors like - economic data releases, movement in the dollar and news from China, the driver of base metals demand. Positive economic data could boost risk appetite and lead to a rise in base metal prices. Prices will also take cues from the FOMC statement as it will provide further cues over the state of the US economy. Statement by the US Federal Reserve Chairman Ben Bernanke on Saturday, 20th March will also provide further direction to prices. In the coming week, we expect the dollar to weaken as interest rates are expected to remain low in the US and this could put pressure on the dollar. A weaker dollar would benefit base metal prices, making them look attractive for holders of other currencies.

## Weekly Technical Outlook

Metal	S1	S2	CMP	R1	R2	Trend
Copper April	335	329	340.7	347	354	Sideways
Zinc March	104	100	106.3	109	112	Sideways
Nickel March	958	930	992.6	1035	1055	Down
Lead March	98.5	95	102.65	106	109	Sideways
Aluminum March	99	96	102.25	102.25	104	Up

**Sr. Research Analyst (Commodity) - Reena Walia Nair**

## Bullion

### MCX April Gold

Last week, Gold prices opened the week at 16820 levels initially moved higher but found strong resistance at 17095 levels. Since then prices are not been able to sustain and fell sharply lower breaking the important support of 16640 of last week and made a low of 16405 and finally ended the week with a huge loss of Rs.439 to close at 16451.

**Trend : Down**

**Trading Levels:**

This week market is expected to find very good support at 16270-16300 levels. And strong support is seen at 16100-16120 levels.

Trading below 16100 would lead to lower prices initially towards 15960 then 15800 and then finally towards the major support at 15500.

Resistance is observed in the range of 16580-16600 and strong resistance is seen at 16780-16800.

Trading above 16800 would lead to higher prices initially towards 16950 and then finally towards the major resistance at 17100.

**Recommendation:** Neutral

### MCX May Silver

Last week, Silver prices opened the week at 27098 initially fell lower, and as expected found good support 26468 from there market bounce back again and break the key high of 27211 marginally and made an important high of 27309 since then prices are not been able to sustain and fell sharply lower made a low of 26330 and finally ended the week with a huge loss of Rs.429 to close at 26669.

**Trend : Sideways**

**Trading Levels:**

This week market is expected to find good support at 26200-26230 levels and strong support is seen at 25750-25800 levels.

Trading below 25750 would lead to lower prices initially towards 25350 then 25000 and then finally towards the major support at 24500 levels.

Resistance is observed in the range of 26950-27000 and strong resistance is seen at 27300-27320.

Trading above 27320 would lead to higher prices initially towards 27750 then 28050 and then finally towards 28500.

**Recommendation:** Neutral

### MCX April Copper

Last week, Copper prices opened the week at 345.30 levels initially moved higher but found strong resistance at 347.30 levels. Since then prices are not been able to sustain and fell sharply lower made a low of 335.40 and finally ended the week with a marginal loss of Rs.4.5 to close at 340.80.

**Trend : Sideways**

**Trading Levels:**

This week market is expected to find good support in the range of 335-336 levels. And strong support is seen at 330-329 levels.

Trading below 329 would lead to lower prices initially towards 325 and then finally towards 316 levels.

Resistance is observed in the range of 344-345 levels and strong resistance is seen at 349-350 levels.

Trading above 350 would lead to higher prices initially towards 355 then 365 and then finally towards the major resistance at 370.80 levels.

**Recommendation:** Neutral

### MCX March Crude

Last week, Crude prices opened the week at 3735 initially moved lower but found strong support at 3665 level. Later prices moved range bound throughout the week recovered slightly higher made a high of 3783 and finally ended the week with marginal loss of Rs.35 to close at 3700.

**Trend : Up**

**Trading Levels:**

This week market is expected to find good support in the range of 3640-3660 levels. And strong support is seen at 3590-3610 levels.

Trading below 3590 would lead to lower prices initially towards 3530 then 3480 and finally towards the major support at 3400.

Resistance is observed in the range of 3780-3800 levels and strong resistance is seen at 3840-3860.

Trading above 3860 would lead to higher prices initially towards 3900 then 3935 and then finally towards 4000.

**Recommendation:** Neutral

**Sr. Technical Analyst (Commodities) - Abhishek Chauhan**

Company Name	Reco	CMP (Rs)	Target Price (Rs)	Mkt Cap (Rs cr)	Sales (Rs cr)	OPM (%)	EPS (Rs)	PER (x)	RoE (%)
				FY11E	FY12E	FY11E	FY11E	FY11E	FY11E
				FY12E	FY12E	FY11E	FY12E	FY11E	FY12E
<b>Agro Chem/ Fertilisers</b>									
Bayer Cropscien	Buy	664	713	2,623	2,032	13.6	44.3	15.0	26.8
Rallis India	Accumulate	1,211	1,464	1,570	982	19.1	96.3	12.6	27.2
<b>Auto &amp; Auto Ancillary</b>									
Apollo Tyres	Accumulate	63	67	3,190	8,626	11.8	7.6	8.3	17.4
Ashok Layland	Accumulate	51	57	6,764	8,949	10.8	3.5	14.7	19.1
Automotive Axle ^	Buy	359	454	542	657	13.0	22.8	15.7	17.0
Bajaj Auto	Accumulate	1,843	1,975	26,665	13,489	17.5	119.7	15.4	46.4
Bosch*	Accumulate	4,652	4,920	14,607	5,681	17.3	227.3	20.5	18.7
CEAT	Buy	146	189	500	3,274	8.3	35.6	4.1	16.5
Exide Industrie	Buy	110	130	8,804	4,469	21.1	7.0	15.6	24.1
FAG Bearings*	Buy	536	626	891	920	14.7	45.7	11.7	14.5
JK Tyre & Ind	Buy	186	240	764	5,267	10.7	41.8	4.4	16.2
Mah and Mah	Accumulate	1,137	1,270	32,880	19,166	12.6	63.9	17.8	24.1
Maruti Suzuki	Buy	1,464	1,877	42,286	33,617	12.2	97.1	15.1	18.9
Motherson Sumi	Accumulate	142	162	5,134	7,710	9.7	7.7	18.4	23.1
Subros	Buy	44	61	265	991	10.3	5.3	8.3	14.0
Tata Motors	Buy	762	942	41,440	92,746	7.6	42.2	18.0	30.2
TVS Motor	Accumulate	74	82	1,750	4,941	6.0	5.4	13.6	13.9
<b>Banking</b>									
Axis Bank	Buy	1,152	1,450	46,599	6,239	3.3	71.8	16.0	17.0
Corporation Ban	Buy	462	538	6,632	2,747	2.1	88.4	5.2	20.2
Dena Bank	Buy	82	104	2,342	1,315	2.4	20.5	4.0	20.6
Federal Bank	Buy	265	342	4,529	1,617	3.3	35.4	7.5	12.1
HDFC Bank	Buy	1,801	2,127	82,293	10,434	4.4	83.3	21.6	16.8
ICI/CI Bank	Buy	937	1,155	104,420	10,169	2.8	44.7	21.0	11.4
Indian Bank	Buy	168	214	7,203	3,798	3.6	36.9	4.5	22.4
Oriental Bank	Accumulate	292	326	7,317	2,797	2.0	43.1	6.8	13.9
South Ind Bk	Buy	146	198	1,649	778	3.0	27.0	5.4	18.8
Union Bank	Buy	260	313	13,131	4,831	2.4	42.0	6.2	22.4
<b>Capital Goods</b>									
Crompton Greaves	Buy	246	307	15,758	10,728	12.8	13.5	18.1	30.9
Jyoti Structures	Buy	169	220	1,386	2,508	10.9	14.2	11.9	20.9
KEC Int	Buy	561	728	2,770	4,610	10.5	44.9	12.5	28.6
Thermax	Accumulate	685	754	8,162	4,432	12.1	30.3	22.6	30.7
<b>Cement</b>									
India Cements	Accumulate	120	136	3,391	4,071	22.5	13.0	9.2	8.6
JK LakshmiCemen	Buy	74	88	905	1,434	24.8	13.0	5.7	15.2
Madras Cements	Accumulate	125	141	2,975	3,304	27.7	17.9	7.0	23.6
<b>Construction</b>									
Consolidated Co	Buy	75	92	1,398	2,572	9.3	6.9	11.0	19.0
IRB Infra	Accumulate	253	274	8,404	3,352	37.3	13.8	18.3	20.5
IVRCL Infrast	Buy	325	468	4,342	7,570	9.4	23.2	14.0	14.0
Jaiprakash Asso	Buy	145	194	30,839	15,134	32.2	9.8	14.8	21.2

Company Name	Reco	CMP (Rs)	Target Price (Rs)	Mkt Cap (Rs cr)	Sales (Rs cr)	OPM (%)	EPS (Rs)	PER (x)	RoE (%)	
					FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
<b>Construction</b>										
Madhucon Project	Buy	153	214	1,130	1,594	1,955	10.2	11.1	15.0	13.8
Nagarjuna Const	Buy	159	186	4,075	5,913	6,758	9.7	10.1	16.4	15.7
Patel Eng	Buy	444	569	3,099	3,619	4,219	31.3	33.3	14.2	13.3
Punji Lloyd	Buy	177	261	5,874	14,037	15,868	14.7	17.6	12.0	10.1
Simplex Infra	Buy	434	575	2,145	5,783	6,730	33.3	41.0	13.0	10.6
<b>FMCG</b>										
Asian Paints	Accumulate	1,913	2,039	18,350	7,499	8,692	84.3	95.9	22.7	19.9
Dabur India	Accumulate	167	181	14,485	4,002	4,607	6.8	7.8	24.6	21.4
Godrej Consumer	Accumulate	271	310	8,352	2,420	2,742	12.6	14.3	21.5	19.0
HUL	Buy	220	294	47,871	19,976	22,281	12.2	13.8	18.0	15.9
ITC	Buy	258	300	97,530	19,959	22,087	12.5	13.9	20.7	18.6
KS Oils	Buy	71	94	2,826	5,838	7,035	8.1	10.4	8.8	6.9
Marico	Accumulate	105	112	6,407	3,040	3,420	4.8	5.3	21.9	19.8
Nestle*	Accumulate	2,723	2,969	26,258	6,013	7,024	90.3	107.7	30.1	25.3
<b>Hotels</b>										
Taj GVK Hotels	Buy	149	240	931	298	342	9.0	12.2	16.5	12.2
<b>Information Technology</b>										
3i Infotech	Buy	80	129	1,355	2,734	3,197	15.1	18.4	5.3	4.4
Educomp Sol	Buy	734	926	6,966	1,567	2,085	36.5	46.3	20.1	15.9
Everonn Edu	Buy	374	602	565	393	496	36.5	43.0	10.2	8.7
HCL Tech	Accumulate	360	388	24,291	13,921	16,058	24.0	27.7	15.0	13.0
Infosys	Buy	2,673	3,100	153,284	26,761	31,223	120.1	141.1	22.3	18.9
Infotech Enter	Accumulate	360	408	1,997	1,129	1,302	30.7	34.1	11.7	10.5
TCS	Accumulate	797	900	155,940	35,724	41,266	28.6	28.5	20.3	17.7
Wipro	Accumulate	709	760	104,015	31,242	36,929	34.8	39.9	20.4	17.8
<b>Laminates</b>										
Greenply Inds	Buy	184	291	406	1,044	1,292	21.8	36.4	8.4	5.0
<b>Logistics</b>										
Gateway Distri	Buy	130	160	1,405	684	832	10.2	12.4	12.8	10.5
<b>Media</b>										
Balaji Telefilm	Accumulate	51	55	333	221	287	3.3	4.6	15.5	11.1
Cinemax India	Buy	64	107	179	224	276	6.0	8.2	10.6	7.8
DeccanChronicle	Buy	165	216	3,996	1,038	1,192	12.4	14.7	13.3	11.2
HT Media	Buy	146	170	3,429	1,602	1,807	6.8	8.5	21.5	17.2
INOX Leisure	Buy	68	81	416	290	354	4.2	5.8	16.1	11.7
JagranPrakashan	Buy	118	160	3,566	1,092	1,267	6.7	8.0	17.7	14.8
PVR	Buy	176	211	404	445	562	8.7	15.1	20.2	11.6
TV TodayNetwork	Buy	117	140	677	314	360	9.9	11.7	11.8	10.0
Zee News	Accumulate	62	68	1,487	731	846	3.2	3.8	19.4	16.3
<b>Metals</b>										
Godawari Power	Accumulate	213	252	597	1,060	1,122	59.0	66.1	3.6	3.2
Hind Zinc	Accumulate	1,250	1,399	52,818	10,072	13,289	118.8	162.0	10.5	7.7
Hindalco	Accumulate	165	179	31,608	63,175	66,226	12.8	18.0	12.9	9.2

Company Name	Reco	CMP (Rs)	Target Price (Rs)	Mkt Cap (Rs cr)	Sales (Rs cr)	OPM (%)	EPS (Rs)	PER (x)	RoE (%)					
				FY11E	FY12E	FY11E	FY12E	FY11E	FY12E					
<b>Metals</b>														
JSW Steel	Accumulate	1,176	1,360	22,002	24,499	30,127	22.5	22.9	97.2	122.7	12.1	9.6	19.4	20.1
Sterlite Ind	Buy	828	980	69,577	28,473	32,622	29.4	31.3	66.8	75.1	12.4	11.0	4.7	6.0
Tata Steel	Accumulate	607	697	53,889	117,540	123,012	12.1	12.4	61.2	57.5	9.9	10.6	17.0	14.1
<b>Oil &amp; Gas</b>														
GAIL	Accumulate	418	463	53,067	35,237	42,634	14.4	13.9	26.4	28.4	15.8	14.7	17.5	16.6
Guj State Petro	Buy	90	121	5,054	1,134	1,208	93.4	93.3	7.7	8.4	11.7	10.7	22.4	20.8
Petronet LNG	Accumulate	77	89	5,753	16,528	20,364	7.9	6.0	8.3	7.7	9.2	10.0	23.1	18.8
Reliance	Buy	1,021	1,260	335,603	242,997	252,085	19.1	19.4	81.3	87.3	12.6	11.7	17.5	16.2
Shiv Vani Oil	Buy	380	446	1,668	1,667	1,725	41.9	41.8	58.6	63.7	6.5	6.0	21.1	18.9
<b>Packaging</b>														
Essel Propack	Buy	44	58	681	1,350	1,471	19.5	20.3	5.1	8.1	8.5	5.4	10.4	14.8
<b>Pharmaceuticals</b>														
Alembic	Accumulate	45	52	605	1,286	1,445	13.5	13.4	5.5	6.5	8.2	7.0	13.4	14.2
Cipla	Accumulate	316	360	25,388	5,967	6,723	19.8	20.0	15.1	17.2	20.9	18.4	19.2	18.8
Dishman Pharma	Buy	213	311	1,719	1,236	1,478	24.7	25.3	19.7	23.9	10.8	8.9	17.6	18.3
Dr Reddys Labs	Accumulate	1,171	1,313	19,771	8,416	9,787	17.9	18.0	58.3	74.2	20.1	15.8	22.8	23.6
Indoco Remedies	Buy	319	433	392	443	517	16.2	17.4	41.1	54.1	7.8	5.9	15.2	17.5
Ipcos Labs	Buy	1,221	1,409	3,056	1,796	2,117	21.2	21.2	96.4	117.4	12.7	10.4	27.0	26.8
Lupin	Buy	1,582	1,863	14,072	5,373	6,187	20.2	20.8	86.1	103.5	18.4	15.3	30.1	28.9
Piramal Health	Accumulate	427	457	8,920	4,252	4,785	20.1	20.4	26.8	30.5	15.9	14.0	31.1	29.1
<b>Plastics</b>														
Sintex India	Buy	272	369	3,712	3,845	4,595	16.9	17.5	27.7	33.6	9.8	8.1	16.3	16.6
<b>Power</b>														
CESC	Buy	402	460	5,023	4,166	4,887	23.7	23.9	37.7	49.4	10.7	8.1	11.3	13.1
Guj Ind Power	Buy	106	135	1,603	1,217	1,528	23.2	23.3	7.6	10.7	13.9	9.9	7.3	9.3
NTPC	Accumulate	200	230	164,909	55,659	65,379	28.1	28.7	10.3	12.7	19.4	15.7	11.9	12.9
<b>Power - Cables</b>														
Finolex Cables	Buy	52	91	794	1,825	2,276	11.7	12.0	6.9	10.2	7.5	5.1	14.2	17.9
<b>Power - Trading</b>														
PTC India	Buy	111	136	3,269	10,906	13,698	1.3	1.3	5.1	6.5	21.8	17.1	6.8	8.2
<b>Real Estate</b>														
Anant Raj Inds	Buy	141	196	4,171	467	785	91.7	92.3	11.8	17.6	12.0	8.0	9.7	12.9
<b>Retail</b>														
Pantaloon Ret	Accumulate	377	469	7,762	10,704	13,137	10.1	10.1	15.6	20.4	24.1	18.5	11.1	13.0
<b>Shipyard</b>														
ABG Shipyard	Buy	261	354	1,331	1,927	2,559	21.0	21.0	23.7	39.8	11.0	6.6	13.8	19.7
<b>Telecom</b>														
Bharti Airtel	Buy	299	406	113,557	42,651	46,770	39.0	39.1	23.8	25.8	12.6	11.6	21.3	19.4
Reliance Comm	Buy	157	197	32,498	24,105	26,657	31.5	32.0	16.2	18.6	9.7	8.5	7.3	7.9

\* estimates for CY10E and CY11E; ^ estimates for SY10E and SY11E

Note: For entire Stock Watch refer Angel web-site

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**Note: Please refer important `Stock Holding Disclosure' report on Angel web-site (Research Section).**

### Ratings (Returns) :

Buy (> 15%)  
 Reduce (-5% to -15%)

Accumulate (5% to 15%)  
 Sell (< -15%)

Neutral (-5 to 5%)

**Address: Acme Plaza, 'A' Wing, 3rd Floor, M.V. Road, Opp. Sangam Cinema, Andheri (E), Mumbai - 400 059.**  
**Tel : (022) 3952 4568 / 4040 3800**

**Research Team**
**Fundamental:**

Hitesh Agrawal	Head - Research	hitesh.agrawal@angeltrade.com
Sarabjit Kour Nangra	VP-Research, Pharmaceutical	sarabjit@angeltrade.com
Vaibhav Agrawal	VP-Research, Banking	vaibhav.agrawal@angeltrade.com
Vaishali Jajoo	Automobile	vaishali.jajoo@angeltrade.com
Shailesh Kanani	Infrastructure, Real Estate	shailesh.kanani@angeltrade.com
Anand Shah	FMCG , Media	anand.shah@angeltrade.com
Deepak Pareek	Oil & Gas	deepak.pareek@angeltrade.com
Puneet Bambha	Capital Goods, Engineering	puneet.bambha@angeltrade.com
Sushant Dalmia	Pharmaceutical	sushant.dalmia@angeltrade.com
Rupesh Sankhe	Cement, Power	rupeshd.sankhe@angeltrade.com
Param Desai	Real Estate, Logistics, Shipping	paramv.desai@angeltrade.com
Sageraj Bariya	Fertiliser, Mid-cap	sageraj.bariya@angeltrade.com
Viraj Nadkarni	Retail, Hotels, Mid-cap	virajm.nadkarni@angeltrade.com
Paresh Jain	Metals & Mining	pareshn.jain@angeltrade.com
Amit Rane	Banking	amitn.rane@angeltrade.com
Rahul Jain	IT	rahul.j@angeltrade.com
Jai Sharda	Mid-cap	jai.sharda@angeltrade.com
Sharan Lillaney	Mid-cap	sharanb.lillaney@angeltrade.com
Amit Vora	Research Associate (Oil & Gas)	amit.vora@angeltrade.com
V Srinivasan	Research Associate (Cement, Power)	v.srinivasan@angeltrade.com
Aniruddha Mate	Research Associate (Infra, Real Estate)	aniruddha.mate@angeltrade.com
Shreya Gaunekar	Research Associate (Automobile)	shreyap.gaunekar@angeltrade.com
Mihir Salot	Research Associate (Logistics, Shipping)	mihirr.salot@angeltrade.com
Chitrangda Kapur	Research Associate (FMCG, Media)	chitrangdar.kapur@angeltrade.com
Vibha Salvi	Research Associate (IT, Telecom)	vibhas.salvi@angeltrade.com
Pooja Jain	Research Associate (Metals & Mining)	pooja.j@angeltrade.com

**Technical:**

Shardul Kulkarni	Sr. Technical Analyst	shardul.kulkarni@angeltrade.com
Mileen Vasudeo	Technical Analyst	vasudeo.kamalakanti@angeltrade.com

**Derivatives:**

Siddarth Bhamre	Head - Derivatives	siddarth.bhamre@angeltrade.com
Jaya Agarwal	Jr. Derivative Analyst	jaya.agarwal@angeltrade.com

**Institutional Sales Team:**

Mayuresh Joshi	VP - Institutional Sales	mayuresh.joshi@angeltrade.com
Abhimanyu Sofat	AVP - Institutional Sales	abhimanyu.sofat@angeltrade.com
Nitesh Jalan	Sr. Manager	niteshk.jalan@angeltrade.com
Pranav Modi	Sr. Manager	pranavs.modi@angeltrade.com
Sandeep Jangir	Sr. Manager	sandeep.jangir@angeltrade.com
Ganesh Iyer	Sr. Manager	ganeshb.lyer@angeltrade.com
Jay Harsora	Sr. Dealer	jayr.harsora@angeltrade.com
Meenakshi Chavan	Dealer	meenakshis.chavan@angeltrade.com
Gaurang Tisani	Dealer	gaurangp.tisani@angeltrade.com

**Production Team:**

Bharathi Shetty	Research Editor	bharathi.shetty@angeltrade.com
Dharmil Adhyaru	Assistant Research Editor	dharmil.adhyaru@angeltrade.com
Bharat Patil	Production	bharat.patil@angeltrade.com
Dilip Patel	Production	dilipm.patel@angeltrade.com