1st Oct 2012 , Monday
SGX NIFTY :5721 (3 pts down)

MARKET DIARY

NARNOLIA Advance Strategy Simple Solutions
SEBI Registered Portfolio Manager

Top story of the day

MBL INFRA,

*MBL Infra is an integrated EPC player engaged in highway construction, road maintenance, Industrial Infra Project, other Civil engineering works and BOT Projects. The company has a pan India presence and is executing 14 projects with NHAI, MPRDC, SAIL, MMRDA, CPWD and state's PWD.

*MBL Infra's Q1FY13 revenue declined by 13.4% yoy to Rs. 268.2 cr because of unbilled work at 10 on going projects. PAT declined 27% y-o-y to Rs 14.9 cr due to decline in operating profit and higher interest cost. While EBITDA margin declined 51 bps y-o-y to 13.6% and improved by 311 bps QoQ.

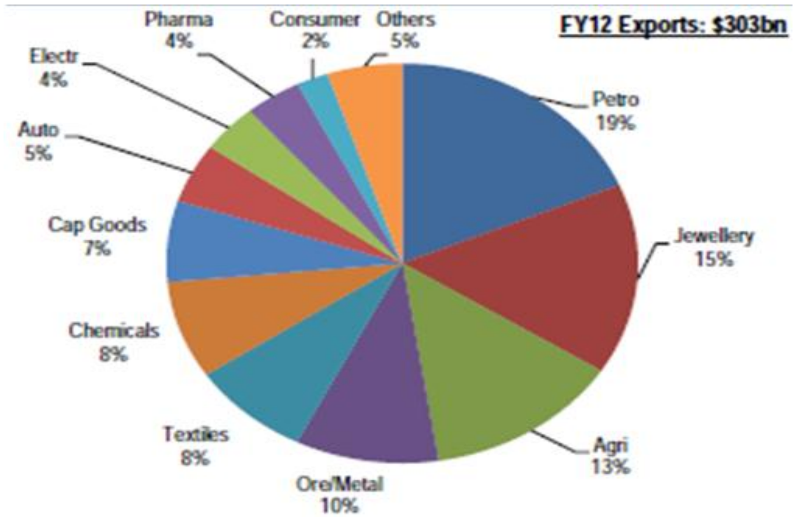
*The present order book is at Rs 2321 cr which stands at 1.9x FY12 sales giving us the revenue visibility of 18-24 months. During the quarter the company added orders worth Rs. 2,06 cr. The closing order book has been divided into 22% railways, 17% buildings and balance 61% roads & highways. The outstanding bids stands at Rs. 10260 cr and the management is expecting fresh orders of Rs. 3000cr during FY13 with a targeted closing order book of Rs. 3800cr by end of FY13.

*The company has 1 operational BOT project while 4 under operational projects are expected to get underway in FY14. Further intrusion in this model will erode the strategic advantage that the company enjoys as an asset-light player while also making it more leveraged. Its recent forays in this sector though has been in the form of JV (with SREI Infra for example) while the management has guided for debt/equity parameters to remain roughly unchanged.

*Apart from the healthy growth numbers, we like the asset light business model and healthy return ratios of the company. Going forward, growth shouldn't be a constraint in an environment of easing liquidity and interest rates. At CMP of Rs 163, MBL infra trades at just 3.8x FY13E EPS. We reiterate BUY on the company with a 1 year price target of Rs 250

Chart of the day

FY'12 Spilt of Indian Export



(Source: Eastwind, CMIE.)

Did-you-know ?

Group of Ministers (GoM) approved the national pharma policy, finalising price control on 348 essential medicines, with an average price reduction of 11%. Pharma policy will now be submitted to the Cabinet, which is expected to take a final view on it next week.

Global markets snapshot

US and European markets fell as uncertainty about Spain's bailout and concerns over slumping deman, on Friday. SGX NIFTY is trading at ~ 0.04% down. Asian markets are trading mix @ 8.30 AM this morning.

Quote for the day

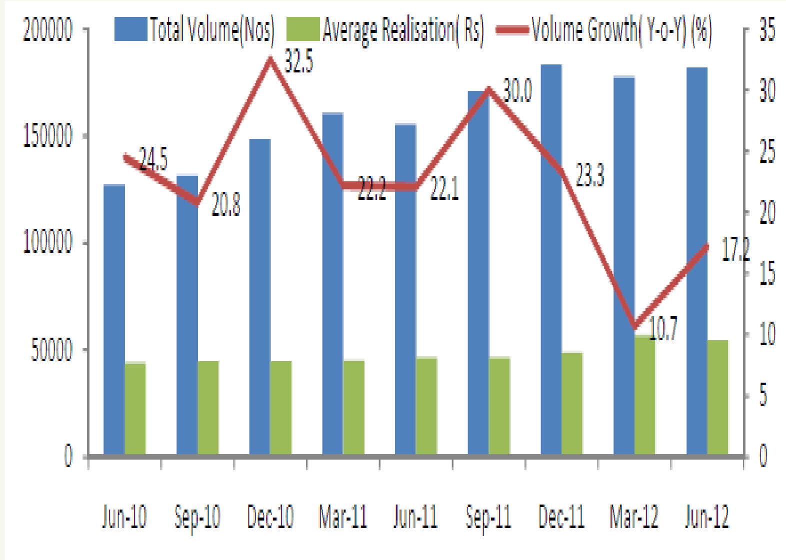
"Investment Policy [asset allocation] is the foundation upon which portfolios should be constructed and managed." **Charles D. Ellis**

DATA MATRIX

GLOBAL MARKET			INSTITUTIONAL TURNOVER			COMMODITY PRICE	
NAME	VALUE	CHANGE	BUY VALUE	SELL VALUE	NET	CURRENCIES	VALUE
DOW	13437.13	(48.84)	FII(28th Sept,12)			GOLD	31223↑
NASDAQ	3116.23	(20.37)	3987.75	2757.40	1230.35	SILVER	62819↑
CAC	3354.82	(84.50)	DII(28th Sept,12)			CRUDEOIL	111.82↓
DAX	7216.15	(73.87)	1412.26	2091.32	(679.06)	COPPER	441.75↑
FTSE	5742.07	(37.35)	FII(Sept,12)			DOLLAR/RS.	52.85↑
NIKKIE	8790.5	(79.66)	69238.65	49042.86	18165.78	EURO/RS.	67.56↓
HANG SENG	Closed Today		DII(Sept,12)			POUND/RS.	84.96↓
SHANGHAI COMP	Closed Today		21836.20	32282.49	(10446.19)		

Mahindra & Mahindra

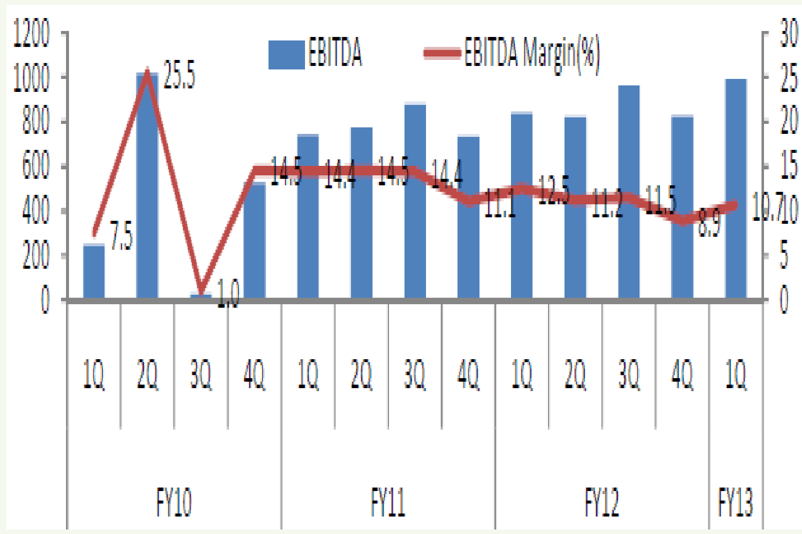
Mahindra & Mahindra (M&M) including its subsidiary MVML reported better than expected result in 1QFY13 primarily due to 17.2% YoY increased of volume and 18% YoY improvement in average realization. Sales of the company increased to 39% YoY to Rs.92.5 bn. Robust volume was driven by 32% YoY increased in passengers utilities whereas 3W volume de-grew by 1.7% YoY and tractors volume de grew by 1% YoY. Improvement in average realization was led by 1.5% and 3% price hike taken in auto and tractor division in April 2012 to pass the input cost pressure.



(Source: Eastwind)

Standalone EBITDA grew by 24% YoY to Rs.11.1bn and this translated margin of 11.8% driven by higher realization and lower other expenses. Further lower interest cost, depreciation and tax rate boosted PAT at Rs7.3 bn. But at consolidated level(Including of MVML) EBITDA margin declined by 185 bps to 10.7%. But in absolute term EBITDA growth of 18.2% was registered while Pat grew by 16.5% YoY.

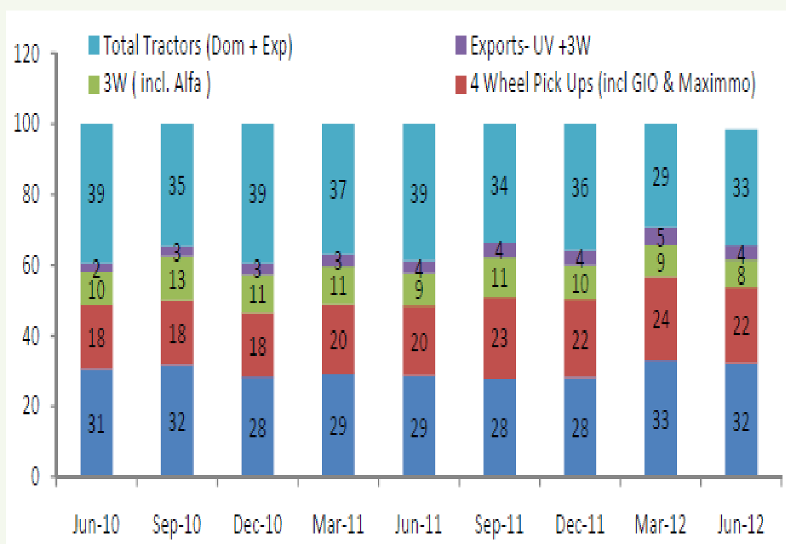
Automotive segment contributes 67% of revenue registered growth of 63% YoY whereas farm equipment's revenue was grown by 7.6% YoY. Average realization of automotive and farm equipment segment grew by 26.5% and 8.6% YoY. Despite of challenging environment, tractor business EBIT margin stable on QOQ basis. The company has undertaken price increased of 1.5% and 3% in auto and tractor business to mitigate the input cost pressure and also took server steps to control internal expenses as other expenditure were lower.



(Source: Eastwind)

The management has lowered its tractor industry growth to 0-2% which is lower by 5% of its earlier guidance driven by poor monsoon. In QFY13, domestic tractor volume grew by 2.3% whereas M&M's domestic tractor volume de grow by 1.2%. The company has increased to price of tractor by 3% to mitigate the cost escalation and excise duty hiked impact on monsoon. The company has planned to launch new variants of tractor in 2Q. Export volume of tractor grew by 3.7% due to its key market Bagladesh is affected by paddy crisis, currency devaluation, inflammatory pressure etc.

The company has maintained its automotive segment guidance of 12-14%. Volume was grown by 29% YoY driven by robust volume growth in UV. This segment is expected to register growth due to new launches, XUV 500, Balero. There is huge booking order of XUV500 despite booking star in 40-50 towns. The company has increased the production of XUV500 to 5000 uniit per month from 4000 units per months. Inventory of automotive segment remain healthy with pant and dealer inventory of 15 days and 26 days respectively.



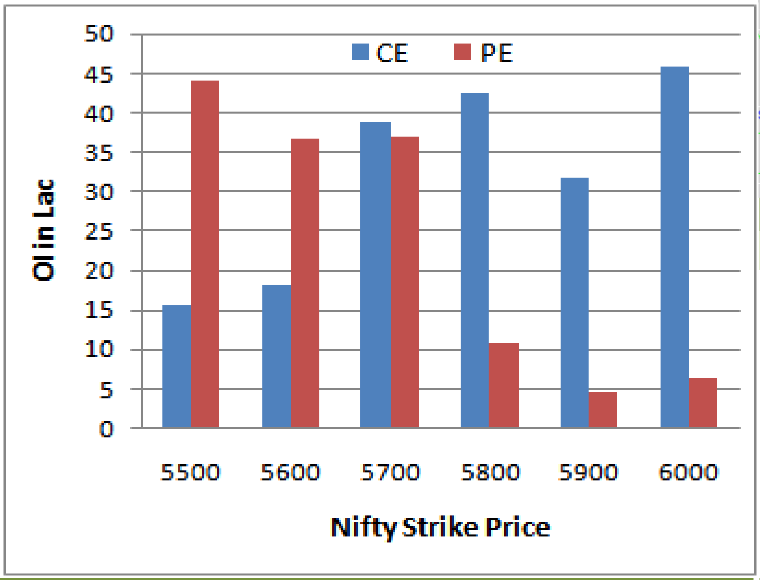
M&M has incurred capex of Rs.3.3 bn for the new plant in Zahirabad with the capacity of 50000 units which is expected to get commence soon. At the price of Rs766 stock is trading at 13.8 times of expected earnings for FY13E. We have positive view on the stock and recommend **BUY**. We believe that strong volume growth momentum will continue in UVs however tractor volume is expected to remain muted due to poor monsoon and lower sowing. Short-term headwinds will not withstand.

(Source: Eastwind)

NIFTY SNAPSHOT

Nifty Spot	5703 (+53.80)
Nifty Oct 2012 Future	5723
Nifty Nov 2012 Future	5751
Nifty Oct 2012 Open Interest	23672400
Nifty Nov 2012 Open Interest	1218950
7 DMA of Spot Nifty	5657
21 DMA of Spot NIfty	5474
50 DMA of Spot Nifty	5359
VOLATILITY INDEX (VIX)	16.16 (-0.75)
PUT CALL RATIO	1.03

Nifty (Oct Series) Option OI Distribution:



Nifty Derivative Range : 5500-5700

Index Outlook

Nifty has highest put Concentration at 5400 with 47lac Open Interest and highest call concentration at 6000 levels with 45lac Open Interest. Surprisingly, 5700 and 5400 Put strikes saw maximum additions on Friday. In fact, intra- day puts written for strike 5700 in the morning also saw squaring off of the position towards end of the day when Nifty fell slightly. These suggests strong buying momentum in the market. Worry is that market may enter over bought zone technically, if it does not keep consolidating.

Activity of Nifty (Oct Series) Strike

	CALL		PUT	
	OI	% Chng	OI	% Chng
5500	1568300	-1.3	4388850	14.8
5600	1834700	-2.0	3671600	18.4
5700	3888400	-15.6	3706650	29.9
5800	4234750	-3.8	1083200	34.1
5900	3184850	12.2	461100	20.7
6000	4592700	16.4	652150	-6.2

FIIs Activity (Fig in Cr)

Segment	Buy	Sell	Net
INDEX FUTURE	6,727	6,355	372
INDEX OPTION	15,554	15,413	141
STOCK FUTURE	7,021	7,209	(187)
STOCK OPTION	1,315	1,196	119
TOTAL	30,618	30,172	445

Fresh Long Seen In (Rising OI -Rising Price)

Scrip	OI	OI ch%	CMP	Ch%
KTKBANK	20,072,000	20.4	109.1	6.3
SUNTV	2,845,000	5.6	349.4	3.3
TATAMTRDVR	7,594,000	4.9	161.1	2.8
PETRONET	3,584,000	3.3	157.8	0.2
GSPL	4,724,000	2.7	80.7	1.8

Reducing OI-Falling Price

Scrip	OI	% chg	CMP	Ch%
CANBK	1,237,500	-40.8	431.2	-0.1
HDFCBANK	9,304,000	-29.3	628.7	-0.1
HDIL	22,424,000	-26.7	97.7	-1.5
IDEA	6,992,000	-23.0	85.4	-0.7
SBIN	4,716,625	-21.7	2237.9	-0.4

Fresh Shorts Seen In: (Rising OI -Falling Price)

Scrip	OI	OI ch%	CMP	Ch%
SUZLON	151,560,000	10.7	17.8	-0.7
PFC	7,658,000	0.2	188.7	-0.6

Reducing OI-Rising Price

Scrip	OI	% chg	CMP	Ch%
SRTRANSFIN	379,500	-63.1	618.9	2.7
CAIRN	17,178,000	-37.2	330.8	1.3
BANKINDIA	3,149,000	-36.4	310.4	1.8
LUPIN	2,183,000	-35.0	596.3	0.2
HINDZINC	1,424,000	-34.7	135.5	3.9

Markets Snapshot

Top Price Performers

Top Performers 1D	% Change	Top Performers 1W	% Change	Top Performers 1M	% Change
ASSAMCO	20.00	GREMACH	44.75	MANINDS	121.14
BIRLACORPN	19.68	BIRLACORPN	33.33	SURYACHAKRA	79.38
MAVENSBIO	19.19	ARSSINFRA	32.63	KFA	75.98
INDBANK	18.66	ESL	29.09	KANANIIND	71.86
ARSSINFRA	15.40	ELPRO	27.59	ESL	68.49

Worst Price Performers

Worst Performers 1D	% Change	Worst Performers 1W	% Change	Worst Performers 1M	% Change
UBHOLDINGS	-8.35	VIKASHMET	-20.29	VIKASHMET	-62.71
UBENGG	-7.71	20MICRONS	-18.27	TULIP	-47.81
UBL	-7.59	NETWORK	-18.21	BESL	-34.86
WSI	-7.35	MTNL	-14.72	AMAR	-34.30
ARCOTECH	-6.13	TULIP	-14.31	KAVVERITEL	-33.49

Top News

- **YES Bank** has received the Reserve Bank of India's (RBI) approval to foray into securities broking business. The bank expects to launch the securities broking business operations during FY'13 and FY'14.

- The **Income Tax department** has sought the dismissal of a plea filed by tea producer McLeod Russel against state's powers to tax transactions retrospectively.

- **UB group** chairman Vijay Mallaya said company in talks to sell stake, NSE BSE seek KFA clarification on stake sale.

- **Dalmia Bharat Enterprises's** subsidiary company Dalmia Cement (Bharat) has signed definitive agreements for acquisition of the entire share capital of Adhunik Cement Limited, for a total consideration of Rs 560 crore

- **Tata Global Beverages** reports that Tata Starbucks, the 50:50 joint venture between the company and Starbucks Coffee Company will open their first store in India by the end of next month.

- **JBF Industries** has entered into a partnership with the Coca Cola Company to set up production facility for Bio-Glycol (MEG) in Brazil.

- **The Gujarat High Court** issued notice to **Essar Oil** Ltd over a PIL alleging that the company was illegally constructing a residential colony for its staff in Vadinar block of Jamnagar district. The Compay's oil refinery is also located in the same block.

- **BP** will sell its interests in purified terephthalic acid (PTA) production in Malaysia to a Reliance for $230 million,

- **Lanco Group**, which owns Griffin Coal Mines in Australia, expects to achieve financial closure for its expansion programme by July 2013 and is also prepared to divest majority stake in the mines,

- **L&T** Construction has secured orders worth Rs 1,744 crores across various business segments in September 2012. received new orders worth Rs 1331 crores from developers for the construction of residential towers in Mumbai, Chennai and Bangalore.

- **Mahindra Satyam** commenced construction work on its IT development centre at the Multi-modal International Cargo Hub and Airport (MIHAN) special economic zone in Nagpur

- **Jindal Steel & Power Ltd** has ruled out the possibility of acquiring controlling stake in Gopalpur Ports Ltd (GPL), a special purpose vehicle (SPV), developing the seasonal port at the beach town in south Odisha into an all-weather port.

- **The Central government** has approved the request of Ahmedabad-based home linen maker Pradip Overseas Ltd (POL) to withdraw plans for the sector-specific special economic zone (SEZ) near Ahmedabad.

Management Tweets

• AXISBANK : Mgmt has held back capital raising plans in FY13. Risk Weighted Assets stood at 2.43 lakh crore at end of June 12. Mgmt expects RWA to constitute 84% of the total assets in FY13. Mgmt guided Slippages and restructured assets to be around Rs 10 billion per quarter. Expects credit cost to be around 80-85 bps for FY13.Mgmt plans to add 200-250 branches in FY13. Plans to maintain C/I ratio at 44-45% levels in FY13.

• TTKPRESTIG : Mgmt has guided for 25%growth in the topline and 23-24% growth in the bottom line for FY13.Comp plans to complete its ongoing capex programme by end-FY13 and reduce its reliance on imported products & hence imports of Cookers and cook tops will be reduced in FY14.Going further, the mgmt expects no price hikes and waits for the demand uptick.Debt on book stood at Rs 770 crore while cash balance was Rs 78 crore at end of FY12. Interest cost stands at 11-12%.

• TATACHEM : Margins expected to remain stable going ahead however due to the slender decrease in input costs they might expand by one or two percentage points.But, margins in fertilizer business may take hit going ahead.For Q1 current fiscal fertilizer segment is going to see a sharp contraction in margins.Consumer business & Inorganic industrial chemical business : 6-8 % growth in FY13.Utilization (North American markets) rates would remain about the same during this quarter.4QFY12 SCENARIO :Fertilisers : 66% OF Total Sales.Margin : 7.65 %

• JUBILANT : Company expects 20-22% revenue growth against 24%(FY12) and EBITDA margins sustainable at 20-21% in FY13.

• M&MFIN : Post Leapfrog tie-up M&M Insurance value Rs 520cr (Leapfrog has invested about Rs 65 crore and is buying a 15% stake in the insurance broking venture of Mahindra and Mahindra, Named- Mahindra Insurance Broking).

Research Tweets

• GAIL : Co's Gas transmission volumes fell 5.8 mmscmd QoQ, almost as much as the decline in total Indian production. Gas trading volumes fell by 2.3 mmscmd QoQ which is less than the decline in non D6 gas production, Petrochemical production fell 22% QoQ due to the shutdown of the Pata plant. GAIL's subsidy was 4.6% of upstream (5.8% for FY12).

• POLARIS : Accepting the underinvestment in sales and marketing, Management has targeted to increase sales budget by about 25%. Polaris has limited headroom to protect profitability with utilization running high at 80.5% and wage hikes pending. Revenue growth, which has often been the counter argument to weak margins, and dependence on product business to support revenue growth and margin keeps cautious. The outstanding hedge book stood at $193 mn spread over FY2013-15, at an average Re/US$ rate of 50.43.

• MINDTREE : Co's EBITDA margin have consistently improved over the last 4 Qtrs driven by operational effeciency. MindTree has initiated substantial number of projects over the past few quarters as reflected in the 5.6% CQGR growth in its onsite volumes over the past 4 quarters; the ramp-ups of such projects should help MindTree achieve NASSCOM's expectations. MindTree has made 3,000 campus offers for FY13.

• BHEL : BHEL management has reiterated its FY13E order intake guidance at INR600bn, implying an order intake of INR544bn vs INR195bn during 9MFY12. The management expects the recent import duty announcement to benefit the company by 4%-5%. BHEL is increasing its overall Locomotive manufacturing capacity by 50% over the next one year to 75 Locos/annum (upto 6000 HP) at its Jhansi plant.

• GSPL : Company plans to incur Rs137bn capex (nearly 4x invested to now) in 3- 5 years. But question remain on execution, funding, equity dilution, and supply-demand, etc and delays/cost overruns are also likely to remain. But Tariff revision by PNGRB is also a hanging Sword near the company in near term.

• NIITTECH : The order intake during the quarter was healthy and spread evenly across geographies and verticals. The order book executable over the next twelve months is up 27% YoY in constant currency terms. Management is confident of delivering faster than industry-average growth in FY13. Management expects business growth from small BFS clients (largely mid-sized asset management companies) to more than offset sluggishness in the large BFS clients. It sees healthy demand trends in the insurance and travel verticals.

• TORNTPHARM : Company launched 3 new products – Plavix, Serequel and Zyprexa in the current quarter and expects to launch 8 products for the remaining year. Hedging 100% of export revenues for FY13 @ Rs53.50, Forex debt is $70-$80mn of which $7mn is un hedged. Capex for FY13 guided at Rs2.0bn to 2.2bn.

• MAX : Company plans to grow its annual premium equivalent (APE) by around 15% in FY2013 compared with the 13% growth in FY2012.For Max Healthcare company expects to break even in FY2013 and report profit from this business FY2014 onwards.

Economic Calendar

	Monday 1-Oct	Tuesday 2-Oct	Wednesday 3-Oct	Thursday 4-Oct	Friday 5-Oct
US	ISM Manufacturing PMI , FOMC Member Williams Speaks, Construction Spending m/m .	Total Vehicle Sales .	ADP Non-Farm Employment Change, ISM Non-Manufacturing PMI, Crude Oil Inventories, FOMC Meeting Minutes .	Unemployment Claims ,Factory Orders m/m , Asset Purchase Facility .	Unemployment Rate , Non-Farm Employment Change , Average Hourly Earnings m/m .
UK/EURO ZONE	Italian Manufacturing PMI, Manufacturing PMI (GB) , Spanish Manufacturing PMI , Unemployment Rate .	Spanish Unemployment Change, Construction PMI , 10-y Bond Auction(GB) , PPI m/m .	Services PMI (GB) , Retail Sales m/m (EUR) .	Minimum Bid Rate, ECB Press Conference , Ivey PMI , Official Bank Rate (GB) , MPC Rate Statement (GB) , French 10-y Bond Auction,	German Factory Orders m/m , Final GDP q/q.
INDIA	Auto Sales No , Cement Manufacturing no & Cement Sales No (Despatch) , Export & Import Data , HSBC PMI Data .		Auto Sales No , Cement Manufacturing no & Cement Sales No (Despatch)		

Weekly sectoral updates for the week ahead

SECTORS	REMARKS
AUTO	RISING TREND CONTINUED, BUY ON DECLINE
ENERGY	WAIT 3 TO 5 DAYS
CONSUMER DURABLE	RISING TREND CONTINUED, BUY ON DECLINE
BANKING	RISE NEAR COMPLETION, PART PROFIT BOOKING IS ADVISABLE
FMCG	RISING TREND CONTINUED, BUY ON DECLINE
SERVICES	WAIT 3 TO 5 DAYS
FINANCE	WAIT 3 TO 5 DAYS
IT	WAIT 3 TO 5 DAYS
METAL	FALLING CORRECTIVE, WAIT FOR LONG
PHARMA	RISING TREND CONTINUED, BUY ON DECLINE
REALTY	RISE NEAR COMPLETION, PART PROFIT BOOKING IS ADVISABLE