KARVY BAZAAR BAATEIN

A Weekly Investment Newsletter From KARVY
A Research Product of Karvy The Finapolis

26 Oct 2009 to 01 Nov 2009 Volume 3 : Issue 30

URL: http://www.karvy.com/market/docs/mktnews.pdf

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NSE
52 Wk H/L : 5181.95/2252.75
Mcap : Rs53,28,656 cr.
BSE
52 Wk H/L : 17493.17/7697.39

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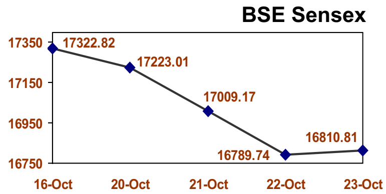
Published from Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad-500034.

Printed at Harshitha Printers, 6-2-985/G, Yusuf Building, Adj. Railway Gate, Khairatabad, Hyderabad- 500 004.

by **S. Gopichand** on behalf of Karvy Stock Broking Limited.

Editor: **S. Gopichand**

RNI Regn. No.APENG/2007/20423



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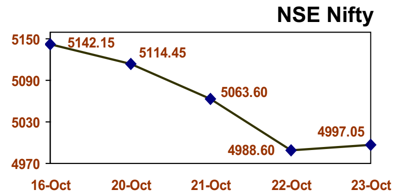

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US: Not out of the woods yet…

Just when you thought that the developed nations were on the road to recovery, albeit slowly, a string of discomforting data has emanated from the US in the last couple of weeks, prompting economists and market experts to wonder whether the US economy is indeed out of the woods. On one hand, while Goldman Sachs and JPMorganChase registered strong third-quarter results, Citigroup and Bank of America were back in the red, fuelled by losses in consumer debt, credit card and mortgage businesses. Moreover, the pain is far from over for the world's largest consuming nation as its citizens focus more on repaying their huge debts and saving for a rainy day.

Meanwhile, given the high degree of caution prevailing in the banking sector, lending operations for many banks in the US, particularly the smaller ones, may remain muted for sometime, impacting both consumption and investment. Last week, a few disappointing economic data underscored some of these assumptions, even as stock markets continued to rally as the Dow Jones Industrial Average (DJIA) crossed the 10,000 mark. Given that global cues will continue to influence markets worldwide, investors need to constantly look out for any major negative development unfolding in the developed economies that could impact markets in the near term.

The Indian indices closed in the red last week, with the benchmark BSE Sensex and the Nifty falling nearly 3% over the week. We are in the midst of the second-quarter results season, with many companies announcing results in-line or better than market expectations. While TCS, BHEL, IDFC and ITC beat expectations, L&T and JP Associates disappointed the Street. While most sectors witnessed profit-booking last week, software and sugar were the only sectors that saw buying interest come in at lower levels.

This week, long positions can be assumed in automobile, FMCG, software, sugar and energy sectors from the Nifty support at 4920 levels. Short positions can be accumulated in cement, infrastructure and realty if the Index fails to breach 5050-5070 levels. Overall, the Nifty is likely to trade in a range of 4900-5100 levels over the week.

KBB weekly recommendations for the week beginning 26th Oct.

Scrip	Action	CMP	Entry	Stop Loss	Target	Time Frame
Infosys	Buy	2260.00	2250-2260	2212	2315-2320	5-6 Days
GSPL	Buy	88.90	87-90	85.60	98-100	7-8 Days
Allahabad Bank	Buy	130.30	130-132	126.80	143-145	7-8 Days
DLF	Buy	454.55	450-455	444	473-475	5-6 Days
Dabur India	Buy	151.00	Above 152	148	160-161	5-6 Days

Disclaimer: The above recommendations are purely based on technical analysis. Hence, the stop loss should be strictly adhered to.

KBB weekly performance monitor

Scrip	Action	Entry	SL	Target	Shares(#)	P/L	Return	Remark
Punj Lloyd	Buy	287-290	282.00	307-310	856	-5,565.33	-2.25%	SLT
Siemens	Buy	585-590	573.00	618-620	420	-6,096.54	-2.47%	SLT
Yes Bank	Buy	240-242	234.00	253-255	-	-	-	NI
Tata Steel	Buy	555-560	549.00	588-590	-	-	-	NI
IVRCL	Buy	414-418	408.00	432-435	594	-4,750.29	-1.92%	SLT
Total						-16,412.16		

Balance on inception (26- Jan- 09)	Balance last week (16-Oct-09)	Balance current week (23-Oct-09)	Abs. returns WoW (%)	Abs. returns since Jan 26, 2009(%)
5,00,000	7,41,044	7,24,632	(2.21)	44.93

TA - Target achieved; SLT - Stop loss triggered; CMP - Closing price as on last trading day; NI - Not initiated; # No. of Shares; SL - Stop Loss; P/L - Profit/Loss

Fundamental view

TCS (Rs609)

Volume growth continues to enthuse; but pricing pressure remains

TCS reported a decent 3.2% Q/Q rise in 2QFY10 top-line in rupee terms (6.9% Y/Y growth) of Rs74.4 bn (Rs72.1 bn in 1QFY10, Rs69.5 bn in 2QFY09). In US dollar terms, the company registered a 3.8% Q/Q growth in top-line (2.3% Y/Y decline) of US$1,538 mn (US$1,481 mn in 1QFY10, US$1,574 mn in 2QFY09). TCS' dollar revenues this quarter were boosted partly due to favorable cross-currency fluctuations, with the British pound, euro and Australian dollar, all appreciating against the greenback. To an extent, this was offset by the slight rupee appreciation, with the realized rupee rate lower by 0.7% Q/Q (Rs48.34 v/s Rs48.66 in 1QFY10). However, on a Y/Y basis, rupee revenues were boosted by the rupee fall, with the realized rate higher by 9.4% Y/Y (Rs44.18 in 2QFY09), leading to higher rupee revenues against the decline in dollar revenues.

TCS recorded impressive volume growth of nearly 5% Q/Q—the prime reason for the solid performance at the top-line level. This follows a 3.5% Q/Q volume growth recorded in 1QFY10, thus comfortably beating expectations for the second consecutive quarter. This is an extremely encouraging sign and a clear reflection of the improvement in the global economic environment. With deal flows improving during the September quarter, it gives TCS a good tailwind to drive volumes over the next few quarters. While, the software major was retained as a vendor by British Petroleum (BP), the other factor that drove revenue growth this quarter was the favorable exchange rate movements. However, the company saw a dip in pricing, which had an adverse impact of 1.4% Q/Q on the top-line.

Margins soar; variable salary payouts reduce further expansion

During 2QFY10, TCS reported an impressive 148-bps Q/Q expansion in EBITDA margins of 28.7%, a multi-year high. On a Y/Y basis, margins soared by 254 bps. Meanwhile, EBIT margins rose by 144 bps Q/Q (204 bps Y/Y) to touch 26.3%, driven by SG&A leverage, higher utilization, currency movements and the offshore shift. On a Y/Y basis, the company saw a strong 204-bps improvement in EBIT margins.

TCS paid out 150% of the quarterly component of the variable pay during the quarter owing to its impressive performance. While salary hikes had an adverse impact on EBIT margins for the quarter, we believe this development indicates a brighter future for the Indian IT industry and, going forward, the gradual recovery in the business environment is expected to translate into healthier top-line growth. The company added a gross of 5,530 people on a consolidated basis during the quarter and expects to add another 8,000 people in 3QFY10, signifying a positive outlook on demand and order flows.

Higher margins drive bottom-line

TCS witnessed a strong 6.8% Q/Q growth in its bottom-line for 2QFY10 of Rs16.24 bn (Rs15.20 bn in 1QFY10). This was primarily led by the impressive performance recorded by the software major at the operating level. Nonetheless, forex losses, which led to negative other income of Rs144 mn and a slightly higher effective tax rate (15% v/s 14.7% in 1QFY10), led to bottom-line growth reducing to an extent. On a Y/Y basis, the bottom-line registered an excellent 28.7% growth, driven by higher margins and lower forex losses (Rs12.62 bn bottom-line in 2QFY09).

Manufacturing, telecom and hi-tech to remain subdued; management view 'cautiously optimistic'

TCS is seeing negative growth in three of its key verticals, namely, manufacturing, telecom and hi-tech. Manufacturing and telecom declined 2.4% and 1.7% Q/Q, respectively, during the quarter in rupee terms, while hi-tech saw a marginal growth of 1.1% Q/Q. Clearly, these segments are expected to take some time to recover even as management believes they have largely bottomed out. The company's view remains 'cautiously optimistic' given the lack of growth visibility in these verticals. Discretionary spends remain tight, and volume growth must not be taken for granted until a sustained recovery is witnessed in these segments.

Nonetheless, it is the BFSI segment that is clearly leading the recovery for TCS, which is so significantly dependent on this vertical. In 2QFY10, BFSI contributed nearly 80% to TCS' incremental revenues on a Q/Q basis, while on a Y/Y basis, the incremental contribution was even more significant, at nearly 90%. Apart from BFSI, the company is also seeing a pick-up in discretionary spends in the retail and energy & utilities verticals.

Outlook and valuation

Given the impressive out-performance recorded by the software major on the volumes front and the tailwinds of deals won recently, we believe TCS is likely to record an improvement in its core business performance as the global economy gradually recovers. Like Infosys, TCS has also maintained an outstanding record on the margins front through this recession, reflecting impressive cost control and discipline.

Investors should take note of the recent rupee appreciation, which could negatively impact near-term financial performance, particularly 3QFY10. Cross-currency tailwinds also seem to have played out, which could be another tailwind that dissipates. Consequently, in the event of any short-term correction due to adverse currency movements, we believe investors should accumulate the stock at lower levels.

We expect TCS to post a compounded growth rate (CAGR) of 10.6% in top-line and 15.9% in bottom-line over FY09-11E. At Rs609, TCS' stock is trading at 16.9x FY11E EPS. We have an 'Outperformer' rating on TCS with a target price of Rs710, assigning a P/E multiple of 20x FY11E EPS.

Tata Consultancy Services		Y/E March (Rs mn)	FY07	FY08	FY09	FY10E	FY11E
Reuters/ Bloomberg Code	TCS.BO/ TCS@IN	Net Sales	186,160	226,175	278,129	291,946	340,031
Market Cap. (Rsbn)	1,191	EBITDA	50,608	56,967	71,805	79,832	90,601
Market cap. (US$mn)	25,883	Net Profit	41,315	50,191	51,721	60,524	69,435
Shares Outstanding (mn)	1,957	EPS (Rs)	21.1	25.6	26.4	30.9	35.5
52-week High/Low (Rs)	649/209	EPS Growth (%)	43.3	21.5	3.0	17.0	14.7
		EBITDA margin (%)	27.2	25.2	25.8	27.3	26.6
		PER (x)	28.4	23.4	22.7	19.4	16.9
Major Share Holders (%)		P/BV (x)	13.3	9.6	7.6	5.9	4.7
Promoter/Majority	75.1	Price/sales (x)	6.4	5.3	4.3	4.1	3.5
FIIs	11.2	EV/EBITDA (x)	23.2	20.4	16.2	14.0	11.8
Banks/FIs/MFs	7.5	ROE (%)	55.8	47.0	36.9	33.7	30.4
Public & Others	6.2	ROCE (%)	62.5	51.8	42.7	39.5	36.6

Source: Company & KSBL Research.

Market pulse

Bulk Deals			
Company	Wt. Avg. Price (Rs.)	Traded Qty	Acquirer/Seller
Buy			
ICSA (India)	219.73	247228	Fidelity Invest Trust
PVR	135.00	700000	Reliance Capital Trustee Co Ltd
Bayer Crop	425.00	650000	Merrill Lynch Capital Markets
KSK Energy	200.00	2680000	Morgan Stanley Invst Mngt Inc A/c
Sell			
Cranes Software	38.83	1715779	Swiss Finance Corp.
Rolta India	196.59	1460000	Goldman Sachs Invest. Mauritius I
Sasken	155.36	392532	Wexford Spectrum

Top Gainers (Weekly)			
Company	23-Oct	16-Oct	%Change
HCL	326.20	301.20	8.30
TCS	639.80	598.30	6.94
Hindalco	141.45	136.00	4.01
Nalco	364.00	352.70	3.20
Infosys	2260.00	2189.95	3.20
ITC	260.20	252.40	3.09
Tata Power	1461.75	1418.20	3.07
Wipro	588.80	572.40	2.87
Jindal Steel & Power	709.10	698.35	1.54
Bharti Airtel	331.05	326.20	1.49

Top Losers (Weekly)			
Company	23-Oct	16-Oct	%Change
Grasim	2150.55	2390.50	-10.04
Tata Motors	529.30	579.30	-8.63
Reliance	2047.35	2218.75	-7.73
L&T	1570.40	1695.20	-7.36
Reliance Capital	873.85	941.80	-7.21
Idea Cellular	58.85	63.40	-7.18
Tata Steel	529.65	566.65	-6.53
Unitech	98.50	104.90	-6.10
ICICI Bank	903.70	959.10	-5.78
Sulzon Energy	84.25	89.35	-5.71

	FII Invt (Rs.cr)		MF (Rs.cr)	
Date	Purchases	Sales	Purchases	Sales
20-Oct-09	3861.60	2664.90	613.60	931.60
21-Oct-09	4478.30	2708.30	680.10	1238.10
22-Oct-09	2758.30	3149.90	769.00	1326.90
23-Oct-09	2682.50	2978.30		
Total	**13780.70**	**11501.40**	**2062.70**	**3496.60**

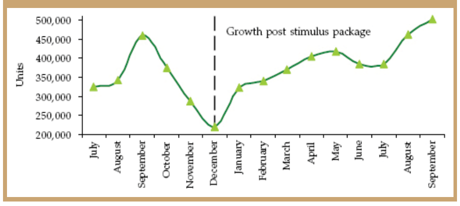
Corporate Actions		
Company	Date	Purpose
GMR Infra	26-Oct-09	Unaudited Financial Results
Mc Dowell	26-Oct-20	Unaudited Financial Results
Idea Cellular	26-Oct-09	Audited Financial Results
OBC	26-Oct-09	Unaudited Financial Results
Ranbaxy	26-Oct-09	Unaudited Financial Results
TATA Steel	27-Oct-09	Audited Financial Results
Bank Of Baroda	28-Oct-09	Unaudited Financial Results
DLF	29-Oct-09	Unaudited Financial Results

(Compiled by Krishnaveni M)

Hero Honda Motors (Rs1610)

Hero Honda Motors (HHML) had a very successful 1HFY10, wherein volumes improved sharply by 23%. Moving ahead, however, we expect the volume growth to slow down to around 6% in 2HFY10. For FY10, we expect HHML's sales volume to rise 14.4%, whereas we estimate a decline of 6.2% in FY11. The slowdown in our volume estimates stems from concerns looming over the growth prospects of the sub-125cc motorcycle segment coupled with the new round of competition in the sub-125cc segment. We, therefore, believe that HHML's overdependence on the sub-125cc motorcycle segment (constituting 90% of the sales volume) would hurt the company's volume growth in FY11E.

Domestic sales volume - sub 125cc segment



Source: SIAM & KSBL Research

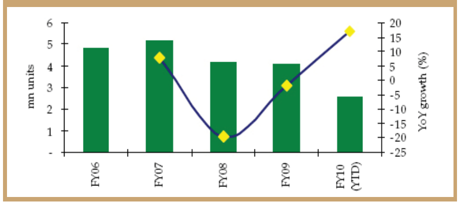
Factors stimulating FY10E volume growth missing in FY11E

During FY10, the sub-125cc motorcycle volume is expected to grow by 21.7% and the same is expected to decline 9.3% in FY11. Volumes in FY10E received a boost from arrear payouts due to the Sixth Pay Commission, government stimulus packages (lowering of excise duty from 12% to 8%), and the low-base effect. In our view, the factors that fuelled volume growth for the sub-125cc segment in FY10E would be missing in FY11E, and, therefore, expect overall volume slowdown for the sub-125cc segment.

Competition within sub-125cc motorcycle segment heating up again

BAL is all set to once again challenge the dominance of HHML in the sub-125cc segment. BAL's strategy to exit the sub-125cc segment (primarily the 100cc segment) helped HHML dominate this segment virtually without any competition, but its re-entry in the executive segment with the launch of Discover100 coupled with Honda Motorcycle's and Scooters India (HMSI)'s entry into the 100cc motorcycle segment in 2010 is expected to start a new wave of competition in this segment. Accordingly, HHML's market share is expected to fall from 80% in FY09 to 73% by FY11E.

Domestic sales volume - sub 125cc



Source: SIAM & KSBL Research

Valuation

Given the scenario of slowing volume growth in the sub-125cc motorcycle segment coupled with rising competition, there is very little headroom for HHML to boost volumes due to its overdependence on this segment. Since FY06, HHML has been outperforming in the sub-125cc segment, but we expect HHML to underperform in this segment in FY11. At the CMP of Rs1,610, the stock is trading at 17.6x and 16.0x FY10E and FY11E EPS of Rs91.3 and Rs100.7, respectively. We believe the stock is fully valued based on our FY11 estimates. We rate the stock as a Marketperformer with a price target of Rs1,613.

Hero Honda Motors		Y/E March (Rs Mn)	FY07	FY08	FY09	FY10E	FY11E
Reuters/ Bloomberg code	HROH.BO/ HH IN	Net Sales	99,000	103,318	123,191	141,185	152,184
Market cap. (Rsbn)	321	EBITDA	11,737	13,494	17,255	23,076	24,239
Market cap. (US$mn)	6,989	Net Profit	8,579	9,679	12,818	18,235	20,114
Shares outstanding (mn)	200	EPS (Rs)	43.0	48.5	64.2	91.3	100.7
52-week High/Low (Rs)	1775/661	CEPS (Rs)	50.0	56.5	73.2	102.8	113.1
		EPS growth (%)	(11.7)	13.1	29.6	40.4	10.0
		EBITDA Margin (%)	11.9	13.1	14.0	16.3	15.9
		PER (x)	37.5	33.2	25.1	17.6	16.0
		EV/EBITDA (x)	26.0	22.1	16.6	12.1	10.9
Major shareholders (%)		Price/Sales (x)	3.2	3.1	2.6	2.3	2.1
Promoter/Majority	55.0	Price/BV (x)	13.0	10.8	8.5	6.2	4.8
FIIs	28.6	Dividend Yield (%)	1.1	1.2	1.2	1.2	1.2
Banks/FI's/MFs	8.2	RoCE (%)	51.6	49.2	51.1	52.6	43.0
Others and Public	8.3	RoE (%)	38.3	35.6	37.9	40.7	33.9

Source: Company and Karvy Estimates

UltraTech Cements (Rs827)

UltraTech Cements Ltd. (UTCL)'s 2QFY10 results are marginally lower than our expectation at the operational level due to higher freight cost and other expenses. The net sales were in line with our expectation, rising 10.4% to Rs15.4 bn due to total sales volume growth of 2% and firm blended realization. The EBIDTA margin improved by 920bps Y/Y to 30.5%, which is 390bps lower than our expectation and 620bps lower Q/Q owing to higher freight cost and other expenses. Net profit came in lower than our expectation by 14% to Rs2.5 bn against our expectation of Rs2.90 bn due to decline in operational performance.

Sequential decline in net sales by 21.1%: Net sales rose by 21.1% to Rs15.4 bn Q/Q due to decline in sales volume coupled with flat realization. During the quarter, the total cement sales volume fell 21.7% Q/Q, to 4.16 mn tonnes due to subdued demand in the southern region, partial impact of monsoon, and decline in exports volume. The average realization, excluding RMC, was marginally higher at Rs3467 per tonne Q/Q despite a cut in cement price. We believe the impact of a sharp fall in cement prices in the southern region would be factored in 3QFY10.

EBIDTA margin in declining mode: EBIDTA margin improved by 920 bps Y/Y, to 30.5%, which was 390 bps lower than our expectation (and 620 bps lower Q/Q) due to higher freight cost and other expenses. Freight cost rose 19.8%, to Rs688 per tonne due to higher lead distance and lower sales volume. Other expenses increased by 4% Y/Y and 44.2% Q/Q, to Rs666 per tonne, due to higher R&M cost. Power & fuel cost fell by 21.4% Y/Y, to Rs760 per tonne, due to full benefit of reduction in import coal costs during the quarter (the blended coal cost has come down to US$80 per tonne from US$190 per tonne). Net profit came in lower than our expectation by 14%, to Rs2.5 bn against our expectation of Rs2.90 bn, due to decline in operational performance.

Capex plan: UTCL has planned a Rs20-bn capex for 25MW of captive power plant at Awarpur, Mahrashtra, waste heat recovery systems at various plants, and an additional grinding unit in Gujarat.

Valuation: UTCL is currently trading at EV/EBIDTA multiple of 5.2x and EV per tonne of US$85 per tonne on FY11E earnings. We believe the proposed consolidation of Samruddhi Cement with UTCL would re-rate the merged entity and narrow down the valuation discount with respect to ACC and Ambuja Cement. However, we believe cement prices would decline by 10-12% in FY10-11 due to the supply overhang, which will lead to a fall in EBIDTA per tonne and, subsequently, de-rating the valuation multiple for the cement industry. Hence, we have valued the company on EV/EBIDTA multiple of 5x and rate the company as an Underperformer with a target price of Rs759.

UltraTech Cements		Rsmn	FY07	FY08	FY09	FY10E	FY11E
Reuters/	ULTC.BO/	Net Sales	49,087	55,124	63,831	70,845	64,284
Bloomberg Code	UTCEM.IN						
Market Cap. (Rsbn)	103.1	EBITDA	14,177	17,199	17,064	20,439	17,592
Market cap. (US$bn)	2.2	Net Profit	7,823	10,076	9,770	11,008	8,803
Shares Outstanding (mn)	124.49	EPS (Rs)	62.8	80.9	78.5	88.4	70.7
52-week High/Low (Rs)	886/250	EPS Growth (%)	240.5	28.8	(3.0)	12.7	(20.0)
		EBITDA margin (%)	28.9	31.2	26.7	28.9	27.4
		PER (x)	44.9	13.2	10.2	10.6	9.4
Major Share Holders (%)		P/BV (x)	5.8	3.8	2.9	2.2	1.9
Promoter	54.8	Price/sales (x)	2.1	1.9	1.6	1.5	1.6
FIIs	6.5	EV/EBITDA (x)	8.0	6.8	6.6	4.7	5.2
Banks/Fis/MFs	14.9	ROCE (%)	36.3	34.5	26.4	26.5	20.1
Public	15.1	ROE (%)	44.4	37.4	27.1	23.8	16.2
Corporate Holding	8.8	EV/Ton ($)	141.6	137.7	109.9	88.9	84.9

Source: Company & KSBL Research.

Alembic (Rs47)

Net revenues for the quarter declined 18.5% Y/Y, to Rs2,838 mn. The domestic formulations business registered a 15.7% decline due to higher sales reported in Q2FY09 on the back of sales spurt from the inventory dry-up in the distribution channel in Q1FY09. However, for H1FY10, the domestic formulations business rose 11.6%, to Rs2,999.6 mn. The export formulations business improved 17% Y/Y, to Rs462.30 mn, primarily on the back of strong performance in the regulated markets (59.6% Y/Y), with sales of Rs361.4 mn, although partially offset by decline in revenues from exports to non-regulated markets. The API business reported a decline of 36.0% Y/Y, primarily due to lower prices of Pen G in the domestic and international markets. OPM margin fell from 17.1% in Q2FY09 to 11.9% in Q2FY10 due to higher staff cost and other expenses reported during the quarter. Net profit for the quarter declined 9.3% Y/Y, to Rs132.9 mn in Q2FY10.

The domestic formulations business is expected to perform well on the back of higher focus on specialty product sales, namely, ortho, gastro, cardio, diabeto and gynaec products. Currently, approximately 40% of the sales are from these specialty segments. The export formulations business will continue to show robust performance on the back of new ANDA approvals. Alembic already has 4 ANDA approvals in the US market. We expect 3 more approvals to come during the year. Interest payments are expected to come down from current levels on the back of debt repayment. The maintenance capex for FY10 is Rs400 mn.

We continue to write-off Rs177 mn due to the Dabur acquisition for FY10 and FY11. The stock is currently quoting at 11.4x FY10E and 6.9x FY11E earnings. We revise our EPS for FY10 and FY11 by 6.8% (to Rs4.1) and 6.9% (to Rs6.7), respectively, due to lower traction in domestic formulations, export formulations to unregulated markets and un-remunerative Pen-G prices. We revise our price target downwards by 7% to Rs57 based on 8.5x FY11E and maintain our Outperformer rating on the stock.

Alembic Ltd.		Rs Mn	FY'07	FY'08	FY'09	FY'10E	FY'11E
Reuters/	ALMC.BO/	Net Revenues	7,007	10,033	11,161	12,409	14,242
Bloomberg Code	ALBC IN						
Market Cap(Rs bn)	6	EBITDA	1,158	1,451	1,252	1,533	1,933
Market Cap(US$ mn)	136	Net Profit	762	651	(40.0)	551	903
Shares Outstanding(mn)	135	EPS(Rs)	5.5	4.7	(0.3)	4.1	6.7
52-week High/Low (Rs)	56/24	EPS growth (%)	16.3	(14.5)	(106.2)	-	63.9
		EBITDA margin(%)	16.5	14.5	11.2	12.4	13.6
Major Shareholders (%)	PER(x)	8.4	9.9	(159.2)	11.4	6.9	
Promoters	62.11	EV/EBITDA (x)	7.3	7.4	9.0	6.8	5.2
FIIs	7.92	P/S (x)	0.9	0.7	0.6	0.5	0.5
Banks/Fis/MFs	6.3	RoCE(x)	15.1	12.3	4.1	10.2	14.0
Public	23.67	RoE(%)	21.3	14.7	(0.8)	11.1	16.2

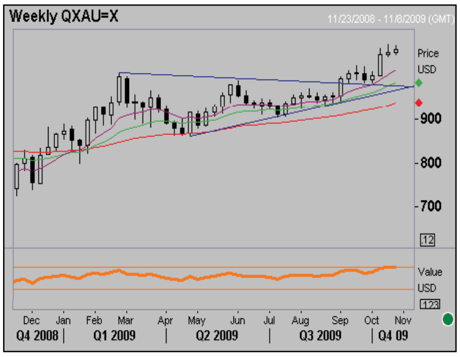
Source: Company & KSBL Research.

- Equity Research Desk

Precious metals review

Bullion: Gold prices remained range-bound last week. Prices recovered from its penultimate week's losses in the early part of the week due to continuous decline in the dollar index and resultant rise in bullion demand. However, prices failed to break the high of US$1,072 per troy ounce. Although the most active December contract registered a weekly high of US$1,069 per troy ounce, gaining nearly 1.6%, it later shed some of its gains due to profit-booking which led to a decline in prices. The week also witnessed mixed key economic data emanating from the US, viz., Housing Starts, Building Permits, Initial Jobless Claims, Continuing Claims and Existing Home Sales.

Prices of Indian gold futures rose higher than its counterparts on the COMEX. With the festival season making little impact in the penultimate week, gold prices had gained more than 1% last week (at the time of writing this report). Domestic gold prices continued to take cues from both international prices and rupee movements. Although the Indian rupee largely traded lower, the occasional appreciation capped the upside in gold prices on the MCX. At the time of writing the report, the Indian rupee had depreciated nearly 0.30% after having slid as much as 1.12% earlier in the week. Among other precious metals, silver is also trading higher, taking cues from the gains on COMEX. At the time of writing this report, MCX Silver had gained more than 1.40%. The Indian markets remained closed last Monday due to Diwali.



Gold prices are likely to trade sideways with negative bias this week in the face of economic data which might support the dollar against other currencies. The dollar index is likely to gain on expectations that Durable Goods Orders, New Home Sales and Personal Consumption may rise. Although Indian prices will continue to take cues from the international markets, the rupee factor will be important to watch out for.

Energy review

Last week, crude oil prices rose above US$80 per barrel, the highest since October 14, 2008, as the dollar index fell to a 14-month low against the euro, thereby increasing the appeal of commodities as an alternative investment class. Prices corrected a bit on Tuesday as the dollar recovered slightly and equities fell after Housing Starts came below expectations. However, later, a steeper-than-expected decline in inventories of gasoline and distillates by 2.2 million barrels and 7,84,000 barrels, respectively, resulted in prices touching a high of US$82 per barrel. However, the inventory of crude oil rose by 1.3 million barrels. Meanwhile, reduced imports by Japan in the last six months and an appreciating dollar resulted in prices retreating to near US$80 levels. The OPEC Secretary General El Badri said that until the 125 million barrels of crude and products in floating storage is met by demand, the group will not be raising its production levels. He also stated that market was well supplied and prices at US$80 per barrel will hamper economic growth. So far, the benchmark equity indices in the US, Japan, China and Europe rose during the week by 0.85%, 0.52%, 4.2% and 0.29%, respectively. Overall, as the dollar index declined during the week by 0.675%, prices reached a high and low of US$82 per barrel and US$77.6 per barrel, respectively, and are currently trading at US$81.59 per barrel, heading towards a fourth consecutive weekly gain of 3.89%.

This week, the economic indicators for Europe and the US should support prices. Although the rally seen in equities appears to have stabilized a bit, the fundamentals are still weak as refiners' demand for crude oil will reduce due to lower capacity utilization owing to maintenance. Prices are expected to fluctuate near US$80 per barrel during the week with potential for a rise beyond that level. The inventory report during the week will be crucial for fixing the direction of prices.

- Commodities Research Desk

Mutual fund performance

Equity diversified

Scheme name	NAV	1 Year	2 Year	3 Year
IDFC Premier Equity - A (G)	23.98	82.20	18.50	107.40
Reliance RSF - Equity (G)	25.93	91.00	23.60	79.60
Sundaram S.M.I.L.E Fund (G)	30.09	109.20	14.40	71.90
Baroda Pioneer Growth (G)	48.11	89.90	12.40	71.10
Sahara Infrastructure-VPO (G)	17.25	91.70	6.30	70.60
Tata Equity P/E Fund (G)	39.60	87.60	6.00	70.30
HDFC Top 200 Fund (G)	172.41	82.60	16.60	68.70
UTI Dividend Yield Fund (G)	25.45	70.80	14.20	68.70
DSP-BR Top 100 Equity - RP (G)	86.40	64.60	8.50	68.50
Sahara Growth Fund (G)	76.85	69.40	12.30	67.50

Equity (FMCG)

Scheme name	NAV	1 Year	2 Year	3 Year
Franklin FMCG Fund (G)	47.36	53.30	23.60	32.40
SBI Magnum FMCG Fund	18.98	56.20	25.10	31.20
ICICI Pru FMCG Fund (G)	49.37	57.70	4.90	28.20

Equity (Tech)

Scheme name	NAV	1 Year	2 Year	3 Year
DSP-BR Technology.Com -RP (G)	28.05	74.00	-7.70	43.90
Birla SL New Millennium (G)	17.13	56.40	-20.60	-0.40
ICICI Pru Tech. Fund (G)	12.12	75.70	-16.00	-3.20
Franklin Infotech Fund (G)	46.63	66.40	-0.10	-5.20
SBI Magnum IT Fund	17.13	53.60	-23.90	-14.00

Equity (Pharma)

Scheme name	NAV	1 Year	2 Year	3 Year
Reliance Pharma Fund (G)	36.44	100.30	45.20	86.80
Franklin Pharma Fund (G)	40.57	78.10	48.60	44.20
UTI Pharma & Health (G)	26.60	37.70	19.90	26.20
SBI Magnum Pharma Fund (G)	33.42	55.10	-0.20	-4.00

ELSS

Scheme name	NAV	1 Year	2 Year	3 Year
Taurus Tax Shield (G)	30.91	86.90	23.60	83.70
Can Robeco Eqty TaxSaver (G)	20.68	100.80	9.80	74.30
Sundaram Tax Saver (G)	41.13	66.20	9.10	66.00
Sahara Taxgain (G)	31.65	86.20	16.20	62.00
Fidelity Tax Advantage (G)	17.19	72.30	2.50	52.90
Principal Personal Tax Saver	85.11	71.80	-12.90	42.50
SBI Magnum Tax Gain (G)	54.32	73.40	-8.40	38.50
Franklin India Tax Shield (G)	165.21	64.00	-3.90	37.50
Tata Tax Advantage Fund-1(G)	13.36	66.40	-1.00	34.30
HDFC Tax Saver (G)	181.27	74.20	-1.80	32.40

Equity (Speciality)

Scheme name	NAV	1 Year	2 Year	3 Year
Birla SL Basic Industries (G)	89.79	84.50	-8.50	39.50
Birla Sun Life Buy India (G)	33.90	75.60	8.70	32.20
JM Basic Fund (G)	18.48	74.20	-40.90	7.30
JM Financial Services Fund (G)	9.21	15.90	-38.20	-7.90
JM Telecom Sector Fund (G)	8.37	33.00	-42.30	-16.30
Reliance Diver. Power - RP (G)	76.76	93.60	19.70	152.50
Reliance Media & Entertain (G)	23.72	61.50	-22.50	19.10
Sundaram Energy Oppor. (G)	8.55	71.60	--	--

Equity (Banking)

Scheme name	NAV	1 Year	2 Year	3 Year
Sahara Bkg & Fin. Services (G)	23.90	136.10	--	--
Reliance Banking Fund (G)	76.53	89.80	43.70	120.10
UTI Banking Sector (G)	33.20	81.40	15.30	84.60
ICICI Pru Bkg & Fin Serv-RP(G)	14.42	73.50	--	--
Sundaram Fin-Serv. Opp.-RP (G)	15.86	71.60	--	--
Religare Banking Fund -RP (G)	15.48	68.30	--	--

Source: moneycontrol.com; Note: All NAV as of October 22, 2009, all returns are expressed in percentage terms.

(Compiled by Amit Chopra)

Balanced

Scheme name	NAV	1 Year	2 Year	3 Year
Reliance RSF - Balanced (G)	18.30	82.80	21.40	62.40
Kotak Dynamic Asset Allocation	13.51	82.70	-11.80	--
Birla Sun Life 95 Fund (G)	258.90	75.80	13.50	56.00
HDFC Prudence Fund (G)	163.39	74.80	16.90	55.40
Tata Balanced Fund (G)	69.24	66.50	4.40	52.50
Can Robeco Balance (G)	50.68	65.70	4.50	37.90
ICICI Pru CCP - Gift Plan	46.20	61.10	-11.00	24.20
SBI Magnum Balanced Fund (G)	45.75	60.80	1.10	39.30
Sundaram Balanced - RP (G)	43.06	58.30	3.10	39.80
UTI Balanced Fund (G)	69.65	57.60	1.70	29.30

MIP

Scheme name	NAV	1 Year	2 Year	3 Year
HDFC MIP - LTP (G)	20.20	36.00	23.90	41.10
Reliance MIP (G)	19.29	32.80	32.90	43.30
Birla SL MIP II-Wealth 25 (G)	16.29	30.90	9.60	23.60
UTI MIS - Advantage Plan (G)	18.40	26.40	17.30	35.80
Birla SL Monthly Income-A (G)	33.14	26.40	17.90	34.60
HSBC MIP - Savings Plan (G)	17.80	26.10	18.70	39.20
Principal MIP - MIP Plus (G)	17.52	25.40	21.40	41.00
ICICI Pru MIP (G)	23.44	22.80	14.40	26.90
Principal MIP (G)	20.06	21.90	19.60	35.20
Tata MIP Plus Fund (G)	14.37	20.20	10.60	23.10

Debt (Long-term)

Scheme name	NAV	1 Year	2 Year	3 Year
Birla Sun Life GSec - LTF (G)	25.27	22.20	23.30	30.20
ICICI Pru Income (G)	29.42	18.60	28.40	38.20
Birla SL Income Plus -B RP (G)	41.14	17.20	23.90	37.00
ICICI Pru Gilt Inv Plan - PF	17.99	17.00	44.10	55.50
JM G-Sec Fund (RP) (G)	29.13	16.70	35.00	39.30
HDFC Income Fund (G)	20.86	15.80	18.60	25.90
DWS Short Maturity - RP (G)	16.18	15.20	22.30	31.90
Reliance Income Fund (G)	30.14	15.00	22.70	31.70
Escorts Gilt Fund (G)	19.96	14.60	31.30	36.50
DSP-BR Govt. Sec. (G)	31.00	14.00	28.40	35.50

Debt (Short-term)

Scheme name	NAV	3 mth	6 mth	1 Year
ICICI Pru Income Opp.-RP (G)	12.55	-0.40	3.40	24.30
ING Gilt - Regular (G)	15.64	-0.50	4.80	18.30
Fortis Flexi Debt Fund-RP (G)	15.50	-0.70	2.00	17.20
Can Robeco Income (G)	19.18	0.60	1.10	15.90
Kotak Bond (Regular) (G)	25.47	-0.90	-0.70	15.50
ICICI Pru Short Term Plan (G)	18.57	0.60	1.50	15.10
HSBC Flexi Debt Fund - RP (G)	12.20	0.30	-0.30	14.30
IDFC Dynamic Bond -RP A (G)	18.00	-0.90	-1.20	14.10
HDFC Short Term Plan (G)	17.46	0.90	2.00	14.00
Reliance Short Term Fund (G)	16.97	0.90	2.30	14.00

Source: moneycontrol.com; Note: All NAV as of October 22, 2009, all returns are expressed in percentage terms. *(Compiled by Amit Chopra)*

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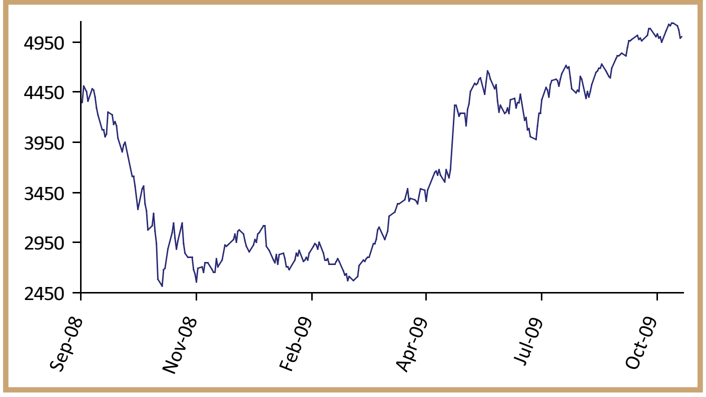
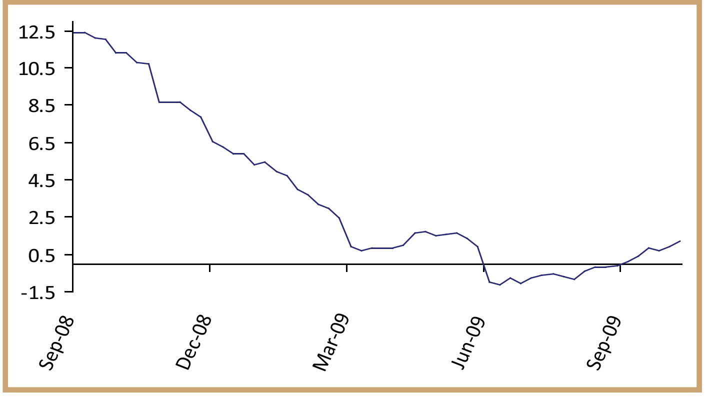
Market Data

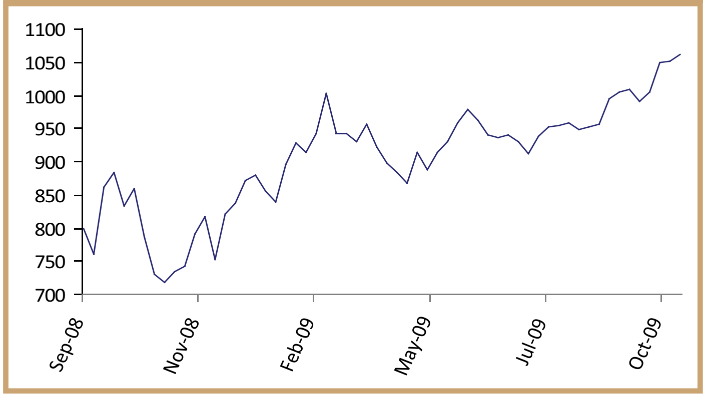
Nifty movement



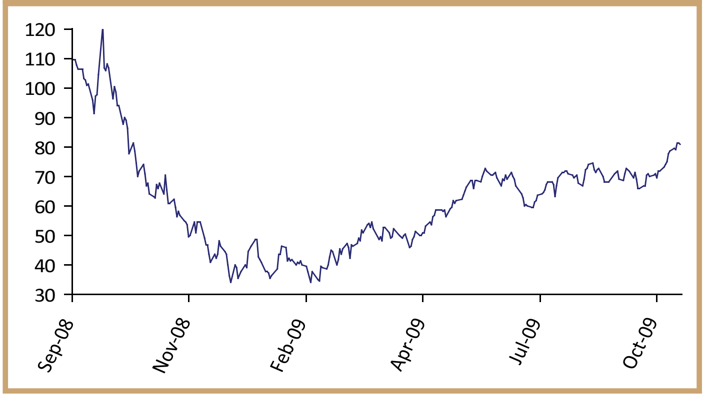
Inflation is at 1.21%



Gold (US$/oz)



Crude oil (US$/bbl)



Global indices: Weekly performance

	Close (Oct 23)	Close (Oct 16)	Weekly (%)	6M (%)	12M (%)	PE Ratio
ASIA						
Hang Seng	22589.73	21929.90	3.01	48.48	64.16	24.24
STI	2715.34	2708.12	0.27	45.99	55.55	20.99
S. Korea	1640.17	1640.36	-0.01	19.83	56.25	35.89
Nikkei 225	10282.99	10257.56	0.25	16.23	21.53	-
AMERICA (closing as on Oct 22)						
Dow Jones	10081.31	9995.91	0.85	26.70	15.99	15.05
S&P 500	1092.91	1087.68	0.48	28.29	20.35	20.91
NASDAQ	2165.29	2156.80	0.39	31.05	35.00	36.83
Brazil Bovespa	66134.97	66200.49	-0.10	44.40	95.56	23.08
EUROPE (closing as on Oct 22)						
FTSE-100	5207.36	5190.24	0.33	30.99	28.76	95.03
DAX 30	5762.93	5743.39	0.34	28.03	28.55	46.84
CAC 40	3820.85	3827.60	-0.18	28.08	16.39	14.89

Source: Bloomberg

Domestic indices: Weekly performance

	Close (Oct 23)	Close (Oct 16)	Weekly (%)	6M (%)	12M (%)	PE Ratio
Sensex	16810.81	17322.82	-2.96	50.97	72.04	20.67
Nifty	4997.05	5142.15	-2.82	45.95	69.79	21.00
BSE 500	6546.75	6710.61	-2.44	60.06	79.85	20.82
BSE Auto	6466.93	6618.28	-2.29	89.18	133.48	42.69
BSE Bankex	10231.41	10589.91	-3.39	88.04	92.28	16.25
BSE Capital Goods	13447.45	14267.80	-5.75	77.57	86.07	33.32
BSE Consumer Durables	3638.78	3795.20	-4.12	105.39	64.58	12.22
BSE FMCG	2824.71	2785.47	1.41	33.87	45.86	30.44
BSE Healthcare	4401.80	4464.97	-1.41	44.92	43.64	36.95
BSE IT	4528.43	4369.88	3.63	77.61	65.28	20.78
BSE Oil & Gas	10006.69	10661.59	-6.14	25.10	65.17	18.68
BSE Metal	15420.96	15682.05	-1.66	117.63	208.61	16.49
BSE Realty	4522.81	4689.05	-3.55	102.43	96.17	21.13
BSE PSU	8969.48	9218.67	-2.70	51.29	81.93	17.44
BSE Power	3137.78	3217.99	-2.49	48.13	91.29	32.25
BSE Teck	3023.79	2968.46	1.86	44.29	44.88	19.55

(Compiled by Amit Chopra)

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