

Indian market	Last close	% change		
		1 day	3 mth	YTD
Sensex	16,748	(1.6)	(10.2)	(18.3)
Nifty	5,038	(1.6)	(10.3)	(17.9)
BSE 100	2,053	(1.5)	(11.5)	(19.0)
BSE 200	6,458	(1.4)	(11.5)	(18.9)
CNX Midcap	7,048	(1.3)	(14.2)	(20.4)
BSE Smallcap	6,854	(1.0)	(19.0)	(29.1)

Developed market	Last close	% change		
		1 day	3 mth	YTD
Dow Jones	11,577	1.6	(8.0)	(0.0)
Nasdaq	2,657	1.6	(6.0)	0.2
S&P 500	1,225	2.0	(7.6)	(2.6)
FTSE	5,410	(0.5)	(6.6)	(8.3)
CAC	3,141	(0.8)	(15.0)	(17.4)
DAX	5,877	0.3	(18.3)	(15.0)
Hang Seng*	18,300	1.2	(16.4)	(20.6)
Nikkei*	8,790	0.5	(11.1)	(14.1)
S&P/ASX200*	4,206	0.5	(5.9)	(11.4)

* Markets are open

Emerging market	Last close	% change		
		1 day	3 mth	YTD
Shanghai Comp	2,378	(0.2)	(15.0)	(15.3)
Brazil Bovespa	55,032	2.1	(6.9)	(20.6)
Mexico Bolsa	35,012	2.6	(2.1)	(9.2)
Kospi*	1,837	(0.1)	(13.8)	(10.4)
Micex	1,425	1.6	(16.2)	(15.6)
Taiwan*	7,356	(0.0)	(13.7)	(18.0)
Straits*	2,731	0.2	(11.8)	(14.4)

* Markets are open

Institutional activity				
(Rs cr)	Cash	F&O	MTD	YTD
Fills	398	(222)	(133)	(1,662)
MFs	(18)	-	348	5,945
Fills Prov.	(285)			
MFs Prov.	(133)			

Commodities	Last close	% change		
		1 day	3 mth	YTD
Crude (US\$/bbl)	88.0	(0.4)	(9.8)	(3.7)
Gold (US\$/oz)	1,662	0.3	4.6	17.0
Copper (US\$/mt)	7,436	(0.6)	(23.1)	(22.9)
Aluminium (US\$/mt)	2,184	(0.3)	(11.5)	(11.2)
Zinc (US\$/mt)	1,862	(1.3)	(22.5)	(23.8)

Advance/Decline stocks				
(Nos)	A	B	S	Total
Adv	39	718	193	951
Dec	163	1,389	259	1,814
Unch	2	79	29	110
A/D ratio (x)*	0.2	0.5	0.7	0.5

*A/D excluding Unch

Trade value			% chg
(Rs cr)			
Cash NSE	8,812		(3.6)
Cash BSE	2,172		(10.0)
Total Cash	10,983		(4.9)
Delivery (%)	38.4		-
Derivatives	122,386		13.4

Currency	Last close	% change		
		1 day	3 mth	YTD
Rs/US\$	49.30	0.7	(9.6)	(9.3)
Rs/EUR	67.54	0.1	(7.3)	(11.5)
US\$/GBP	1.57	0.0	(2.5)	0.6
US\$/EUR	1.38	0.1	(2.8)	2.8
Yen/US\$	76.68	(0.2)	3.3	5.8

Bond market		
	Last Close (%)	Bps chg
10yr Gsec	8.75	0.00
Call rate	8.30	0.00

Facing the situation!

It is a good rule to face difficulties at the time they arise and not allow them to increase unacknowledged - Ziegler

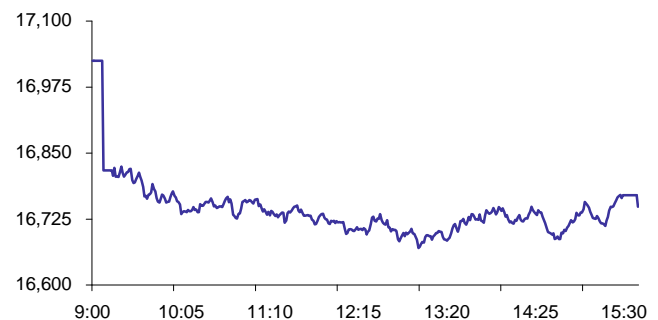
The situation seems better at least at start today. US stocks climbed amid reports that Germany and France have agreed to shore up the eurozone bailout fund. But, another report has denied the same stating that the debate on the size of the EFSF may continue for a while. Consensus view is unlikely anyways.

Asian markets are holding firm though. European indices finished mixed following the fresh downgrade of Spain. Apart from corporate results, investors will also keep an eye on US inflation, housing data and Fed's beige book survey.

Biocon, Bajaj Finserv, HDFC Bank, Crompton Greaves, Dish TV and Hindustan Zinc will be in focus before their earnings. Hero MotoCorp will also be in the spotlight after its Q2 results.

Overall, earnings have been mixed so far - both from domestic as well as offshore firms. For the Nifty, 5095 could turn out to be an important resistance. Markets seem to have lost some steam but equities are less likely to tumble down much unless some global headwinds hit us hard. At best expect sideways consolidation before any fresh move on either direction.

Sensex intra-day



ADR/GDR	Latest (US\$)		
	Price % chg	% Prem/Disc	
Dr. Reddys	31.0	1.6	1.9
HDFC Bk	31.8	1.8	9.2
ICICI Bk	36.6	0.9	2.8
ITC	4.1	(1.2)	(0.0)
Infosys	55.8	1.4	1.8
Ranbaxy	10.4	0.5	1.5
Reliance	33.5	(1.7)	0.7
Wipro	9.7	(0.4)	38.3
SBI	79.4	(2.6)	4.8
Tata Motors	18.6	0.9	1.2
Sterlite	9.8	0.1	3.2
L&T	27.5	(2.3)	0.4

Corporate snippets

- ✦ The Securities Appellate Tribunal has upheld a regulatory order directing the **Sahara group** to refund Rs240bn for violating securities laws. (ET)
- ✦ The government has decided to cut supply of Reliance Industries' KG-D6 gas to some power plants such as **GMR's** Tanir Bavi and **Lanco's** Kondapalli units, which sell electricity at market rates, as it wants the scarce, low-cost resource to be used at plants that provide power at steady rates to consumers. (ET)
- ✦ TDSAT has directed **Bharti Airtel** to pay 50% of the Rs500mn penalty imposed by the DoT in the matter of alleged violation of licence terms and conditions by the private operator for issuing bulk mobile connections. (ET)
- ✦ The finance ministry ruled out a rights issue for **State Bank of India** in this financial year. However, it assured the lender that its capital requirements would be met by March 31, 2012. (BS)
- ✦ **TCS** will give out offer letters to 45,000 fresh engineers in 2012-13 through its annual campus recruitment drive. (BL)
- ✦ The Supreme Court issued notice to the Uttar Pradesh Government and the organiser of the F1 Grand Prix— a **Jaypee Group** company — on the State Government's move to grant entertainment tax exemption to the company. (BL)
- ✦ **Sun Pharmaceutical Industries Ltd** has proposed the acquisition of all outstanding shares in its Israeli subsidiary, Taro Pharma for out about US\$370mn. (BL)
- ✦ **Singareni Collieries Co Ltd** suffered revenue loss of about Rs6bn due to the 34-days strike by its employees that was called off around midnight on Monday. (BL)
- ✦ **GVK Airport Holdings Private Ltd**, a subsidiary of GVK Power & Infrastructure Ltd acquired 13.5% shares Mumbai International Airport Pvt Ltd for US\$231mn. (BL)
- ✦ **Max Bupa Health Insurance Company Ltd** is in talks with regional rural banks, co-operative banks and post offices to strengthen its distribution network and reach out to the rural masses across the country. (BL)
- ✦ **IDBI Federal Life Insurance** has launched an endowment policy, Lifesurance Savings Insurance Plan, which provides long-term savings and life cover. (BL)

- ✦ Macquarie Group and **SBI** are drawing up plans to raise US\$1-1.5bn for their second fund to invest in infrastructure assets and companies in India. (FE)

Economy snippets

- ✦ A surge in the price levels of food, clothing and fuel items pushed up the Consumer Price Index (CPI) by 1.25% on a sequential basis in September. (BL)
- ✦ The global downturn could lead to a shortfall of 5% in investment targets for the infrastructure sector during the 11th Five-Year Plan, according to the Government. (BL)
- ✦ Overseas direct investment by Indian companies or entities in September 2011 was 51% higher at US\$3.46bn against US\$2.28bn in the preceding month. (BL)
- ✦ The Finance Ministry has shot down the proposal to provide tax exemption for mining and exploration bonds on the lines of infrastructure bonds. (FE)

Results table

Rs m	Revenues	% yoy	PAT	% yoy
Coromandel International	27,930	0.7	2,788	(20.4)
CRISIL	1,764	27.3	510	(31.8)
Edelweiss Finance	541	(45.3)	249	257.8
HCL Tech	19,792	32.1	3,976	104.0
Hero MotoCorp	58,293	28.1	6,036	19.4
IndusInd Bank	13,239	55.0	1,931	45.0
Jindal Steel & Power	33,338	45.0	3,958	(17.2)
Patni Computers	8,918	6.7	903	(37.5)
Petronet LNG	53,669	75.5	2,603	98.5
NIIT Tech	3,246	(12.5)	435	(5.0)
Torrent Pharma	5,079	5.4	702	(27.8)

Nifty price/volume



The weakness in markets aggravated further on violation of trading range of 5,095-5,160 on the downside and with gap down opening in yesterday's trading session the selling pressure was witnessed across the sectors. As 5,095 will now turned out to be important resistance, today Nifty may attempt to test the same.

Support/Resistance levels

	Close	Support	Resistance
Nifty	5,038	4,995	5,090
Sensex	16,748	16,520	16,910

Abnormal change in delivery

Stock	NSE Dely (%)	Prev NSE Dely (%)	Price % chg
Suntv	27.8	11.4	(2.9)
Amtekindia	96.9	40.4	(4.0)
Bankindia	56.2	23.5	(1.2)
Star	58.4	25.2	(3.5)
Moserbaer	43.7	19.3	(6.0)

Positive breakout

Company name	CMP	10 Days MVG avg	Price % chg	20 Days MVG avg
Infotech Ent	116.7	113.4	2.8	115.0
Idfc Ltd	122.5	119.3	2.7	115.4
Gulf Oil Corp	71.7	69.9	2.5	71.6
Shree Renuka Sug	56.2	54.8	2.5	56.1
Kec Intl Ltd	58.6	57.2	2.4	57.7
Praj Industries	76.7	75.1	2.1	73.5
Religare Enterpr	441.6	432.6	2.1	427.0
Sesa Goa Ltd	218.7	214.5	2.0	209.5
Unichem Labs Ltd	138.4	135.8	1.9	138.2
Tata Global Beve	87.5	86.0	1.8	86.8

GAIL (BUY, between Rs407-409, Target Rs426): The consolidation phase in Gail is coming to an end with formation of 'falling wedge' pattern on the daily chart. The positive momentum could accentuate further on a move past Rs418 which corresponds to descending resistance line of the 'falling wedge' pattern. The stock is also showing a positive divergence on the weekly chart, thus supporting buying argument in the counter. **We recommend buying stock in the range of Rs407-409 with stop loss of Rs401 for target of Rs426 (Duration 7 days).**

Havells (BUY, above Rs357, Target Rs369): Havells has given an upside breakout after consolidating in rounding bottom formation which resembles bullish structure. Also, yesterday the stock gave a close above its 50-DMA for the first time since first week of October 2011. Breakout is also seen in daily RSI after formation of rounding bottom, this provide supplementary evidence of sustainable upmove in the counter and stock is likely to head towards its 200-DMA placed at Rs370. **We advise buying the stock above Rs357 with stop loss of Rs352 for an immediate target of Rs369.**

Negative breakout

Company name	CMP	10 Days MVG avg	Price % chg	20 Days MVG avg
Phoenix Mills	195.0	201.5	(3.2)	207.1
Indiabulls Real	70.0	72.2	(3.1)	74.2
Bharat Petrol	642.3	661.3	(2.9)	659.6
Ashok Leyland	24.0	24.6	(2.8)	25.4
Jindal South Wes	520.8	535.2	(2.7)	559.8
Financial Techno	713.6	733.0	(2.6)	783.7
Oil India Ltd	1,271.9	1,305.4	(2.6)	1,315.4
Dredging Corp	231.6	237.5	(2.5)	248.2
Ccc Ltd	18.7	19.1	(2.4)	19.7
Ess Dee Aluminu	179.1	183.4	(2.3)	191.9

Pivot table

Company	CMP (Rs)	Supp 1	Supp 2	Pivot	Res 1	Res 2
ABB	665	659	651	667	673	679
ACC	1,105	1,097	1,088	1,106	1,115	1,123
Ambuja Cem	152	150	148	152	154	157
BHEL	322	319	315	322	325	328
BPCL	642	633	626	640	649	658
Bharti	374	370	366	375	379	382
Cairn	296	293	290	296	299	303
Cipla	286	284	282	287	288	290
DLF	230	227	224	229	232	236
Gail	414	408	404	412	418	424
Grasim	2,332	2,314	2,289	2,338	2,356	2,375
HCL Tech	402	394	382	407	414	421
HDFC Bank	478	473	469	477	482	488
Hero Honda	1,986	1,961	1,934	1,988	2,013	2,038
Hindalco	125	124	122	126	128	129
HUL	329	326	321	331	334	337
HDFC	674	666	661	672	679	687
ICICI Bank	877	866	855	877	888	899
Idea	94	93	91	95	96	97
Infosys	2,702	2,685	2,664	2,705	2,722	2,739
ITC	204	203	202	204	206	207
L&T	1,349	1,337	1,322	1,351	1,363	1,375
M&M	808	800	795	805	812	820
Maruti	1,052	1,039	1,027	1,052	1,065	1,078
Nalco	60	60	58	61	61	62
NTPC	168	167	165	169	170	172
ONGC	264	261	255	266	269	272
Powergrid	98	97	96	98	99	100
PNB	965	958	952	964	971	979
Ranbaxy	503	489	480	498	512	525
Rcom	74	73	72	74	75	76
Reliance	820	812	805	819	827	835
Reliance Infra	407	401	395	408	414	420
Reiance Power	86	85	84	86	87	88
Satyam	71	70	68	71	72	73
Siemens	816	806	798	814	823	833
SBI	1,867	1,841	1,819	1,863	1,889	1,914
SAIL	103	103	102	104	104	105
Sterlite	117	115	113	117	119	121
Sunpharma	466	462	455	469	473	478
Suzlon	37	36	36	37	37	38
Tata Com.	185	182	178	187	189	191
TCS	1,034	1,015	990	1,039	1,058	1,077
Tata Motors	181	178	174	181	185	188
Tata Power	100	99	98	100	101	102
Tata Steel	429	423	418	429	435	441
Unitech	26	26	26	27	27	27
Wipro	346	342	337	347	351	355
Zee	113	112	110	113	115	116

A pivot is a level at which the market direction changes for the day. These points can be critical support and resistance levels for that day. Pivot levels are only broad indicators and not necessarily our view on the stock or index.

Top gainers

Company	Price (Rs)	Price % chg	% YTD chg
Patni Computer	337.4	15.6	(29.2)
Gujarat Mineral	176.2	7.3	26.1
Himadri Chems	53.2	8.2	7.4
Ing Vysya Bank	325.0	4.0	(11.8)
Geodesic Info Sy	54.2	3.8	(43.9)

Top losers

Company	Price (Rs)	Price % chg	% YTD chg
Hcl Tech Ltd	401.6	(8.7)	(12.0)
Tata Consultancy	1,033.6	(7.7)	(11.3)
Wire And Wireles	8.4	(6.2)	(31.6)
Moser Baer India	22.0	(6.0)	(64.7)
Polaris Software	135.0	(5.6)	(22.7)

Volume Toppers

Company	Price (Rs)	Price % chg	Vol % chg
Himatsingka Seid	33.3	1.4	1,816.5
Tata Elxsi Ltd	207.7	1.9	1,699.2
Birla Corp Ltd	322.9	1.4	1,429.9
Himadri Chems	53.2	8.2	1,306.8
Gujarat Mineral	176.2	7.3	1,264.5

Sector watch

BSE Indices	Last close	Price % chg				50 DMA
		1 day	1 week	1 mth	50 DMA	
BSE Bankex	10,970	(1.4)	(0.2)	(15.2)	11,756	
BSE Realty	1,792	(2.4)	0.1	(19.7)	1,937	
BSE HC	5,855	(0.6)	(1.3)	(10.0)	6,158	
BSE Metals	11,120	(1.7)	(8.2)	(24.9)	13,281	
BSE Oil & Gas	8,550	(1.2)	(1.5)	(6.8)	8,826	
BSE Auto	8,840	(1.7)	(0.3)	(0.2)	8,658	
BSE IT	5,462	(3.7)	8.1	(7.1)	5,545	
BSE Power	2,128	(0.7)	(2.9)	(18.2)	2,377	
BSE FMCG	3,975	(0.6)	2.0	(2.4)	3,941	
BSE PSU	7,352	(0.8)	(4.3)	(14.5)	8,065	
BSE Cap Goods	10,683	(1.9)	(9.4)	(22.0)	12,520	
BSE CD	6,714	(1.3)	0.8	(4.5)	6,579	
BSE 200	2,053	(1.5)	(1.1)	(11.5)	2,171	
BSE 500	6,458	(1.4)	(1.3)	(11.5)	6,832	
BSE Mid Cap	6,114	(1.2)	(4.0)	(13.3)	6,580	
BSE Small Cap	6,854	(1.0)	(5.0)	(19.0)	7,699	
CNX 500	4,023	(1.5)	(1.2)	(11.4)	4,250	

Note:

Ideas given under the 'Technicals' section are for intraday purpose or up to a period of three trading sessions. Stocks recommended under this heading are not necessarily part of our fundamental buy or sell list.

Bulk deals

Date	Scrip name	Client name	B/S	Qty ('000)	Avg price (Rs)	Deal size (Rs m)
18/10/2011	Innoventive Ind	Standard Chartered Pvt Eq Mauritius	B	1,250	93	116.2
18/10/2011	Innoventive Ind	Lotus Tie Up Private Ltd	S	391	93	36.5

Insider trades

Company name	Acquirer	Transaction date	B/S	Qty ('000)	Shares transactions (%)	Holding after transaction (%)
Aarti Industries Ltd	Anushakti Chemicals & Drugs Ltd	23/09/2011	B	100.0	0.0	5.0
Abc India Ltd	ABC Financial Services Pvt Ltd	19/09/2011	B	10.2	0.0	14.0
Abc India Ltd	ABC Financial Services Pvt Ltd	20/09/2011	B	10.2	0.0	14.0
Amit International Ltd	Manoj J Doshi	29/09/2011	S	563.4	3.0	0.0
Amit International Ltd	Rimzim K Doshi	29/09/2011	B	200.0	0.0	0.0
Amit International Ltd	Sneha K Doshi	29/09/2011	B	175.6	0.0	1.3
Arshiya International Ltd	K Srinivas	1/0/1900	-	0.0	0.0	0.0
Asian Paints Ltd	Abhay Arvind Vakil	29/09/2011	B	197.1	0.0	1.9
Asian Paints Ltd	Abhay Arvind Vakil	29/09/2011	S	7.8	0.0	1.9
Asian Paints Ltd	Abhay Arvind Vakil	30/09/2011	B	1,241.8	0.0	3.2
Asian Paints Ltd	Amar Arvind Vakil	29/09/2011	S	81.0	0.0	1.4
Asian Paints Ltd	Varun Amar Vakil	29/09/2011	B	81.0	0.0	0.1
Avon Corporation Ltd	Pankaj Saraiya	5/10/2011	B	18.8	0.0	15.4
Avon Corporation Ltd	Pankaj Saraiya	5/10/2011	B	18.8	0.0	15.4
Banco Products (India) Ltd	Mehul K Patel	5/10/2011	B	10.0	0.0	7.8
Banco Products (India) Ltd	Mehul K Patel	5/10/2011	B	15.0	0.0	7.8
Ceat Ltd	Summit Securities Ltd	03/10/2011 - 04/10/2011	B	14.0	0.0	1.0
Ceat Ltd	Summit Securities Ltd	05/10/2011 - 07/10/2011	B	7.0	0.0	1.0
Chisel & Hammer (Mobel) Ltd	Pushpesh Baid	15/09/2011	S	165.0	7.2	0.0
Consolidated Construction Consortium Ltd	R Sarabeswar	5/10/2011	B	5.9	0.0	4.7
Cummins India Ltd	Burjor Hormusji Reporter	3/10/2011	B	30.0	0.0	0.0
Dabur India Ltd	Jude Magima	29/09/2011	B	11.4	0.0	0.1
Dishman Pharmaceuticals And Chemicals Ltd	Janmejay R Vyas	7/10/2011	B	26.0	0.0	31.5
Dishman Pharmaceuticals And Chemicals Ltd	Janmejay R Vyas	10/10/2011 - 11/10/2011	B	34.2	0.0	31.5
Dishman Pharmaceuticals And Chemicals Ltd	Janmejay R Vyas	10/10/2011 - 11/10/2011	B	34.2	0.0	31.5
Dif Ltd	Devinder Singh	3/10/2011	S	21.0	0.0	0.0
Dif Ltd	Devinder Singh	3/10/2011	S	21.0	0.0	0.0
Ds Kulkarni Developers Ltd	D S Kulkarni	5/10/2011	B	32.8	0.0	12.4
Ds Kulkarni Developers Ltd	D S Kulkarni	5/10/2011	B	32.8	0.0	12.4
Eih Ltd	Oberoi Hotels Pvt Ltd	5/10/2011	B	78.1	0.0	14.0
Eih Ltd	Oberoi Hotels Pvt Ltd	5/10/2011	B	78.1	0.0	14.0
Essar Ports Ltd	Essar Shipping & Logistics Ltd	4/10/2011	S	31,400.0	0.0	75.4
Everest Kanto Cylinder Ltd	Pushkar Khurana	5/10/2011	B	1.6	0.0	3.4
Everest Kanto Cylinder Ltd	Pushkar Khurana	5/10/2011	B	1.6	0.0	3.4
Gei Industrial Systems Ltd	Rajesh Kumar Vohra	7/10/2011	B	15.0	0.0	0.6
Gei Industrial Systems Ltd	Rajesh Kumar Vohra	7/10/2011	B	15.0	0.0	0.6
Gemstone Investments Ltd	Manish Joshi	7/10/2011	S	165.0	0.2	0.0
Hdfc Bank Ltd	Prem Chand	5/10/2011	S	25.0	0.0	0.0

FII's trades

Scrip name	Volume ('000)	Price (Rs)	Prem/Disc (%)
Bank of Baroda	792.5	746.4	0.1
PNB	373.2	975.1	1.0

Nifty volatility Index rose to 25.90 from 25.43, increased by 1.85%.

- ✦ Total Nifty futures shed 0.16mn shares in open interest.
- ✦ Call open interest for October series shed 0.95mn shares in Open Interest.
- ✦ Put open interest for October series shed 2.90mn shares in Open Interest.
- ✦ Nifty put call ratio of open interest now stands at 1.48 vs 1.48.
- ✦ Nifty put call ratio of volume now stands at 1.15 vs 1.12.
- ✦ Maximum open interest in calls for October series is at 5,200 strike prices.
- ✦ Maximum open interest in Puts for October series is at 4,800 strike prices.
- ✦ Nifty October 5,000 Call added 0.59mn shares in open interest.
- ✦ Nifty October 5,000 Put shed 0.42mn shares in open interest.

Strategies

- ✦ **Long Arvind Oct Future** between Rs105-105.5 for the Target price of Rs110 with a Stop loss placed at Rs102.5.
Lot size: 4000
Remarks: Net maximum profit of Rs20,000 and net maximum loss of Rs10,000.

Nifty snapshot

	Current	% Chg
Near month price	5,045	(1.4)
Near month Pre/Disc	7.4	(408.3)
Mid month price	5,061	(1.4)
Mid month Pre/Disc	23.1	62.3
OI* ('000)	24,262	(0.7)
Volume ('000)	21,511	21.1
PCR (OI)	1.5	(0.1)
PCR (Vol)	1.2	2.7
Roll-over (%)	19.8	48.2

FII derivative data

(Rs cr)	Buy	Sell	Net	Contracts	OI % chg
Index Futures	2,439	2,669	(229)	562	0
Index Option	11,244	10,933	311	56,050	3
Stock Futures	3,865	4,185	(319)	34,050	3
Stock Options	455	440	16	(1,105)	(2)

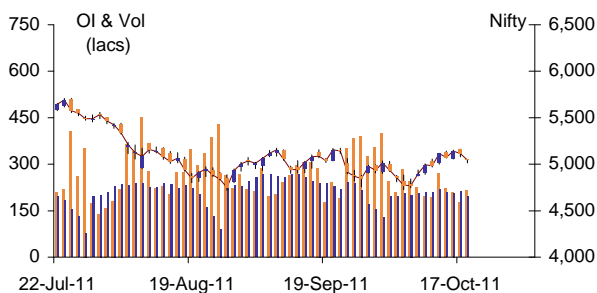
Institutional activity

(Rs cr)	Cash	F&O	MTD	YTD
FII's	397.5	(222.1)	(133.0)	(1,661.9)
MF's	(17.8)	-	348.0	5,945.1
FII's Prov.	(285.2)			
MFs Prov.	(132.9)			

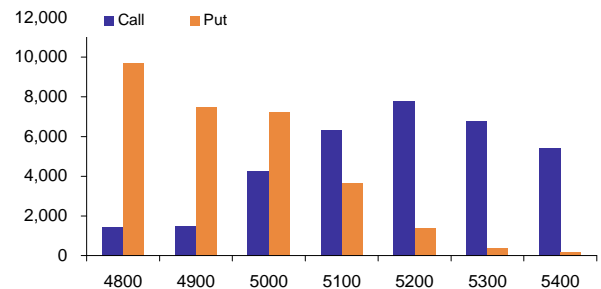
Overall market

	18-Oct-11	17-Oct-11	14-Oct-11	Value % chg
Index Future (Rs cr)	13,073	10,891	12,589	20.0
Stock Future (Rs cr)	16,053	12,478	11,311	28.7
Index Options (Rs cr)	88,943	80,786	38,812	10.1
Stock Options (Rs cr)	4,318	3,761	1,863	14.8
Index Future (Cont '000)	556	457	529	21.7
Stock Future (Cont '000)	647	496	453	30.3
Index Options (Cont '000)	3,512	2,187	3,323	60.6
Stock Options (Cont '000)	162	206	150	(21.5)
PCR (OI)	1.2	1.1	1.2	8.9
PCR (VOI)	0.6	0.4	0.6	43.6

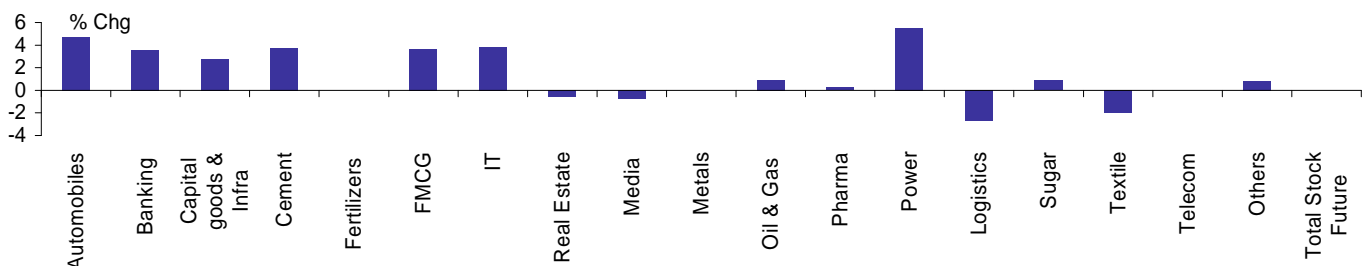
Nifty open interest chart



Nifty strikes open interest



Sector-wise OI



Futures open interest gainers

Scrip	OI ('000)	% change	CMP (Rs)	% change	Volume ('000)	% change	Prem/Disc (Rs)
Patni	966.5	97.2	338.4	15.8	4,131.0	4,136.9	(1.0)
Chambalfert	8,076.0	77.1	88.8	(12.0)	31,820.0	499.0	(0.6)
Jindalsaw	2,606.0	39.1	133.4	(0.4)	1,274.0	500.9	(0.3)
Bankbaroda	2,294.5	17.6	742.2	(1.6)	600.3	(9.7)	4.0
Tcs	6,275.5	15.9	1,034.3	(7.7)	7,420.5	115.5	(0.8)
Jphydro	6,192.0	13.3	37.9	0.4	2,344.0	196.0	(0.1)
Ashokley	38,336.0	11.5	23.9	(1.6)	5,384.0	140.4	0.0
Finantech	1,213.0	11.1	717.7	1.5	719.0	91.5	(3.8)
Voltas	3,370.0	10.9	99.3	(4.4)	2,106.0	83.8	0.0
Gspl	4,052.0	10.8	97.2	(2.9)	1,328.0	21.2	(0.4)
loc	2,922.0	10.5	293.6	(0.1)	1,183.0	93.6	(1.4)

Futures open interest losers

Scrip	OI ('000)	% change	CMP (Rs)	% change	Volume ('000)	% change	Prem/Disc (Rs)
Ivrcinfra	13,288.0	(3.4)	35.5	(3.7)	3,844.0	(0.7)	(0.1)
Suntv	1,465.5	(3.5)	271.8	(2.6)	251.0	(21.6)	(0.8)
Lupin	1,120.0	(7.7)	467.1	0.6	937.0	73.8	0.5
Brfl	1,641.0	(7.7)	278.1	(0.3)	192.0	0.5	(0.1)
Colpal	165.8	(17.6)	999.2	(0.5)	51.0	308.0	0.3
Sintex	4,160.0	(8.1)	119.6	2.0	2,500.0	237.8	(0.3)
Lupin	1,120.0	(7.7)	467.1	0.6	937.0	73.8	0.5
Kingfisher	11,608.0	(5.6)	23.4	7.3	10,480.0	341.1	(0.1)
Essaroil	6,042.0	(4.5)	79.9	(1.4)	1,432.0	38.5	0.0
Beml	220.5	(3.9)	492.4	(3.3)	48.5	(17.1)	(1.2)
Dishtv	9,936.0	(3.8)	77.0	(1.8)	2,772.0	1.0	(0.2)

Most active stock calls

Scrip	Strike	OI ('000)	% change	CMP(Rs)	Volume ('000)
Sbin	1900	257.3	11.6	31.0	4,270.0
Chambalfert	100	2,652.0	74.5	0.2	2,301.0
Petronet	170	1,298.0	58.7	1.8	2,581.0
Tcs	1100	331.8	72.6	3.1	3,077.0
Reliance	840	425.8	16.3	7.6	3,310.0
Tcs	1050	207.3	163.2	14.8	2,383.0
Sbin	2000	567.1	(3.1)	7.9	2,496.0
Reliance	820	229.3	48.9	17.1	2,900.0
Sbin	1950	391.5	(7.2)	16.5	2,299.0
Tcs	1080	273.5	25.5	5.7	1,774.0

Most active nifty calls

Strike	OI ('000)	% change	CMP(Rs)	Volume('000)
5100	5,080.7	(4.0)	43.9	24,275.5
5000	3,350.3	21.5	99.0	18,600.9
5200	6,661.7	(3.1)	14.9	14,991.2
5300	5,760.6	(6.5)	4.1	7,938.2
5400	3,757.6	(9.5)	1.4	4,398.2
5100	1,262.0	11.2	133.8	1,549.9
4900	1,084.1	(0.3)	175.0	1,341.4
5200	1,148.1	11.0	88.6	1,212.7
5500	2,076.2	1.1	0.8	981.2
5300	1,012.0	2.5	55.0	921.7

Most active stock puts

Scrip	Strike	OI ('000)	% change	CMP(Rs)	Volume ('000)
Infy	2700	155.9	(14.5)	40.0	1,629.0
Sbin	1800	264.8	32.4	12.5	2,363.0
Infy	2600	424.5	1.6	11.7	1,414.0
Reliance	820	340.0	(5.7)	12.9	2,140.0
Tcs	1000	210.3	21.4	8.5	1,768.0
Reliance	800	482.8	(11.7)	6.5	2,168.0
Tcs	1100	103.8	(62.3)	63.0	1,359.0
Sbin	1850	177.0	(4.5)	20.1	1,616.0
Lt	1350	122.3	9.6	28.0	1,095.0
Sbin	1900	156.1	(32.8)	51.0	1,461.0

Most active nifty puts

Strike	OI ('000)	% change	CMP(Rs)	Volume('000)
5000	5855.9	(6.7)	45.0	28055.4
5100	2853.3	(29.2)	87.4	14670.3
4900	6140.8	1.8	21.1	13646.9
4800	8030.8	(7.9)	10.3	10016.0
4700	7056.2	(1.8)	5.8	7884.4
4600	3541.1	4.2	3.0	3060.3
5200	1086.9	(25.8)	157.0	1973.6
5000	1385.2	40.5	124.6	1934.1
4900	1324.4	54.0	93.0	1706.1
4500	4774.7	(1.3)	1.9	1595.7

*OI= Open Interest

Fund focus			Invest
UTI Opportunities Fund			
Fund manager	Anoop Bhaskar	Min investment	Rs5,000
Latest NAV	Rs26.8	Entry load	Nil
NAV 52 high/low	Rs29.8/25.0	Exit load	1% before 1 year
Latest AUM	Rs1,702cr	Benchmark	BSE 100
Class	Equity – diversified	Asset allocation	Equity (89%), Cash (10%)
Options	Growth & dividend	Expense ratio	1.94%

Top Recommended Funds			(Absolute returns (in %) are based on previous close)							
Equity – Diversified/Largecap	Assets (Rs Cr)	NAV (Rs)	1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
HDFC Equity Fund (G)	9,220	250.2	2.5	0.2	(10.8)	(11.4)	(15.8)	12.7	112.9	81.9
ICICI Prudential Dynamic - (G)	3,783	98.8	2.8	1.4	(8.8)	(9.1)	(9.4)	16.2	94.5	69.9
UTI Opportunities Fund (G)	1,576	26.8	3.2	1.2	(3.1)	(2.4)	(5.4)	13.0	118.2	91.0

Equity – Midcap										
DSP-BR Small & Mid Cap - (G)	1,208	16.8	1.9	(0.8)	(8.8)	(5.8)	(14.3)	24.1	136.7	68.3
HDFC Mid-Cap Opp Fund (G)	1,297	15.3	1.4	(0.8)	(8.8)	(1.8)	(7.1)	31.9	128.4	--
IDFC Premier Fund (G)	1,119	17.7	1.6	(1.8)	(8.1)	(4.5)	(11.2)	24.6	143.4	--

Equity – Tax saving										
Fidelity Tax Advantage (G)	1,119	17.7	1.6	(1.8)	(8.1)	(4.5)	(11.2)	24.6	143.4	--
HDFC Tax Saver (G)	3,114	211.9	2.1	--	(10.1)	(9.7)	(15.2)	13.8	95.7	54.1
ICICI Prudential Tax Plan (G)	1,323	131.0	2.8	1.5	(8.1)	(7.8)	(13.2)	18.4	118.6	44.5

Hybrid										
DSP-BR Balanced Fund (G)	742	62.8	1.3	(1.1)	(7.0)	(5.3)	(10.1)	10.4	67.5	74.6
HDFC Prudence Fund (G)	6,131	205.0	1.9	(0.2)	(6.1)	(4.4)	(6.7)	22.6	113.4	95.9
Reliance RSF - Balanced (G)	270	45.7	1.8	(0.7)	(5.6)	(1.9)	(2.2)	19.2	75.5	41.2

Debt – Money market										
DSP-BR Money Manager -RP (G)	6,023	22.2	0.1	0.7	2.1	4.3	8.2	13.5	20.8	41.7
HDFC Cash Mgmt Fund – TA (G)	729	1,446.3	0.2	0.7	2.1	4.4	8.6	14.0	19.8	39.6
Reliance Money Manager (G)	1,842	1,386.5	0.1	0.7	2.1	4.3	8.4	13.6	21.4	--

Debt – Floating rate										
ICICI Pru Floating Rate -D (G)	4,083	152.6	0.1	0.7	2.2	4.5	8.7	14.2	21.7	--
Kotak Floater LTP (G)	3,991	16.4	0.1	0.7	2.3	4.6	8.8	14.4	22.6	44.8
Tata Floater Fund (G)	5,375	15.4	0.1	0.7	2.3	4.5	8.8	14.4	22.3	44.3

NFO Update				
Fund name	Open date	Close date	Type [#]	Class
HDFC FMP 370D October 2011 (2)	14-Oct	19-Oct	CE	Debt - FMP
Kotak FMP Series 63	14-Oct	20-Oct	CE	Debt - FMP
IDFC Fixed Maturity Plan- Yearly Series 52	19-Oct	20-Oct	CE	Debt - FMP
Tata Fixed Maturity Plan Series 38 Sch E	18-Oct	20-Oct	CE	Debt - FMP
SBI Debt Fund Series 367 Days-8	20-Oct	21-Oct	CE	Debt - FMP

#OE: Open Ended, CE: Close Ended

Recent Actions

- ✦ L&T FMP – III (Apr 180D A) declares dividend. The record date has been fixed as October 24, 2011.
- ✦ HDFC FMP 92D July 2011 (2) declares dividend. The quantum of dividend will be 100% of distributable surplus as on the record date. The record date has been fixed as October 20, 2011.
- ✦ Franklin Templeton Mutual Fund declares dividend under Franklin India Opportunities Fund (Re0.70) and Franklin Infotech (Re1.5). The record date has been fixed as October 21, 2011.
- ✦ DSP BlackRock FMP Series 4 – 3 Months declares dividend. The record date has been fixed as October 19, 2011
- ✦ HDFC FMP 370D September 2010 (2) declares dividend. The record date has fixed as October 19, 2011.
- ✦ ICICI Prudential Annual Interval Plan III declares dividend. The quantum of dividend will be Rs. 0.3704 per unit for retail and Rs. 0.3720 per unit for institutional plan. The record date has been fixed as October 19, 2011.

Disclaimer: Mutual Fund is subject to market risk, please read the offer document carefully before investing.

House Recommendations

The large cap Buys and Sells are relative outperformer and underperformer bets vis-à-vis the Nifty respectively. Reduce portfolio weight in stocks with Sell rating. Midcap Buys are based on absolute return expectations.

Top Large-cap Buys

Stock	Sector	Sector View	CMP (Rs)	M-Cap (Rs bn)
Axis Bank	Banking	Positive	1,098	452.5
Hindalco	Metals	Neutral	125	240.1
ICICI Bank	Banking	Positive	877	1,010.1
Infosys	IT	Neutral	2,702	1,551.2
ITC	FMCG	Positive	204	1,587.6
Lupin	Pharmaceuticals	Positive	468	208.8
M&M	Automobiles	Neutral	808	495.8
Tata Motors	Automobiles	Neutral	181	535.5
Tata Steel	Metals	Neutral	429	411.7
TCS	IT	Neutral	1,034	2,022.9

Source: India Infoline Research

Best Mid-cap Buys

Stock	Sector	CMP (Rs)	M-Cap (Rs bn)
Glenmark Pharma	Pharmaceuticals	289	78.0
Manappuram General Finance	Finance	57	47.5
Indian Hotels	Hotels	68	51.7
Radico Khaitan	Breweries	121	16.0

Source: India Infoline Research

Top Sells

Stock	Sector	Sector View	CMP (Rs)	M-Cap (Rs bn)
ABB	Capital goods	Negative	665	140.9
Bank of India	Banking	Positive	335	183.2
Hotel Leelaventure	Hotel	Negative	37	14.5

Source: India Infoline Research

Sector: Information Technology

Sensex:	16,748
CMP (Rs):	401
Target price (Rs):	500
Upside (%):	24.6
52 Week h/l (Rs):	528 / 360
Market cap (Rscr) :	27,671
6m Avg vol ('000Nos):	1,082
No of o/s shares (mn):	689
FV (Rs):	2
Bloomberg code:	HCLT IB
Reuters code:	HCLT.BO
BSE code:	532281
NSE code:	HCLTECH

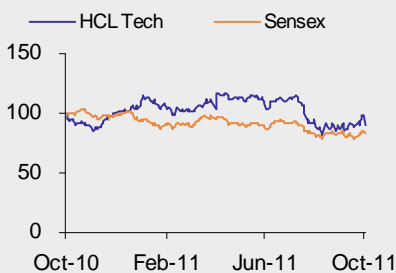
Closing price as on 18 October, 2011.

Shareholding pattern

June '11	(%)
Promoters	64.4
Institutions	27.5
Non promoter corp hold	3.0
Public & others	5.1

Performance rel. to sensex

(%)	1m	3m	1yr
HCL Tech	4.5	(11.1)	6.9
Infosys	14.0	8.9	4.5
TCS	1.5	1.3	22.6
Wipro	3.0	(6.8)	(9.1)

Share price trend


- ⊕ Volume growth came in below expectation; Pricing up pleasantly by 1.2%; Twelve transformational deals signed
- ⊕ Growth relatively narrow based across verticals; Enterprise Applications down 0.6% in constant currency
- ⊕ Consolidated as well as core software OPM came in-line; BPO profitability improves
- ⊕ Decent employee addition; Fresher ramp-up strong; IT Services attrition down sequentially
- ⊕ Volume miss a slight concern; Margin management commendable; Maintain BUY

Result table

(Rs mn)	Q1 F6/12	Q4 F6/11	% qoq	Q1 F6/11	% yoy
Net sales	46,513	43,036	8.1	36,116	28.8
Operating profit	7,949	7,949	-	5,876	35.3
OPM (%)	17.1	18.5	(138) bps	16.3	82 bps
Depreciation	(1,309)	(1,289)	1.6	(1,218)	7.5
Interest	-	-	-	-	-
Other income	59	154	(61.7)	(634)	-
PBT	6,699	6,814	(1.7)	4,024	66.5
Tax	(1,728)	(1,701)	1.6	(802)	115.5
Effective tax rate (%)	25.8	25.0	-	19.9	-
Other prov/minority etc	-	(2)	-	2	-
ESOP Charge	(171)	(197)	(13.2)	(220)	(22.3)
Adjusted PAT	4,800	4,914	(2.3)	3,004	59.8
Adj. PAT margin (%)	10.3	11.4	(110) bps	8.3	200 bps
Reported PAT	4,971	5,111	(2.7)	3,224	54.2
EPS (Rs)	7.2	7.4	(2.7)	4.7	54.2

Source: Company, India Infoline Research

Volume growth coming in below expectation; Pricing up pleasantly by 1.2%; Twelve transformational deals signed

HCLT's volume growth came in at 5.1% qoq and for its IT services business it came in at 5.4% qoq against our expectation of ~6% growth. Core Software reported dollar revenue growth also was ~1% below expectation coming in at 4.5% qoq with cross currency impact of 1% qoq. Infrastructure services grew markedly slower by 5.8% in constant currency vis-à-vis 9.3% growth in Q4 F6/11. Mix based pricing up-tick came in as pleasant surprise growing sequentially by 1.2%. On the BPO side, recovery continued with a fall of 1.3% qoq on constant currency terms as opposed to 5.7% fall last quarter. Company maintained its stance of capitalising on the restructuring/rebid of deals globally which is expected to come in Q2 F6/12. Company won 12 transformational deals in Q1 F6/12 (vis-à-vis 20 deals last quarter)

Growth relatively narrow based across verticals; Enterprise Applications down 0.6% in constant currency

HCLT's operating matrix suggests a narrow based growth seen across verticals as well as geographies. Within verticals only Retail & CPG and Manufacturing showed greater than company average growth (in constant currency) at 12% and 8.2% respectively. Financial services grew by a 2.1% qoq. Management indicated large transformation projects started few quarters back coming to an end leading the tepid growth in financial services. Telecom weakness continued to play out as seen in results of larger peers. Amongst geographies, RoW grew marginally by 0.7% as challenges in Japan and cyclical softness in India continued. Amongst services Engineering and R&D lead the pack with 8.6% constant currency growth followed by custom application (+7.3% qoq) and Infrastructure services (+5.8% qoq). A key dampener of the result was de-growth in strong hold service line of Enterprise applications (down 0.6% sequentially) indicating slower discretionary spending. Infrastructure services also grew more softly after a blistering 8.2% CQGR in last four quarters. Top 5/10/20 clients grew below company average as seen in Q4 F6/11.

Consolidated as well as core software OPM came in-line; BPO profitability improves

The operating margin performance in Q1 F6/12 was in-line our expectation falling by 138 bps to 17.1% on a consolidated basis. Core software services margin was also in-line with expectation coming in at 18% (down 153bps sequentially). OPM for Infrastructure services too fell by similar quantum to 18.1%. On the BPO front profitability improved posting an operating loss of Rs34mn as opposed to Rs41mn loss last quarter. The margin performance was largely impacted by salary hikes across the company (200bps impact), higher SG&A (53bps impact) and lower utilization (45bps impact) on the back of strong fresher addition. Operational efficiencies (+84bps) and rupee depreciation cushioned the margin fall. Higher forex loss of Rs179mn offset the higher other income of Rs238mn (Rs71mn last quarter) resulting in a 2.7% fall in reported PAT on a sequential basis.

Decent employee addition; Fresher ramp-up strong; IT Services attrition down sequentially

Decent employee additions continued for HCLT with ~9300 gross additions during the quarter. Net additions in the IT services continued to be decent at 3836 employees (5.7% of Q4 F6/11 base). Strong fresher additions in current as well as last quarter lead to trainee man-months to double sequentially and hence the consequent impact on utilization. BPO headcount came down sequentially by 362 on the back continued restructuring in that line of business. Attrition for IT Services reduced qoq to 15.9% on an LTM basis likely due to salary hikes. Company guided to about 2500 campus offers for the next quarter.

Volume miss a slight concern; Margin management commendable; Maintain BUY

The volume miss against our expectation in the seasonally strong JAS quarter has come in as a slight disappointment. Growth softened a bit for the strong Infrastructure services (4.3% qoq dollar growth vis-a-vis 8.2% CQGR is previous four quarters). On the flip side, margin management was commendable considering the strong headwind of salary hikes. Management also remains confident (as previously communicated) on strong deal conversions as they come up for renewal/rebidding in the next quarter. Post factoring for the slower growth this quarter as well as weaker rupee, we expect 20+ revenue/earnings CAGR for the company over F6/12-13. Today's strong correction in the stock appears to be largely unwarranted and we believe the valuations have again turned attractive for ~25% upside from current levels. Maintain BUY

Financial summary

Y/e 30 June (Rs m)	F6/10	F6/11	F6/12E	F6/13E
Revenues	125,650	158,556	201,010	236,877
yoy growth (%)	18.4	26.2	26.8	17.8
Operating profit	25,730	27,191	35,912	40,525
OPM (%)	20.5	17.1	17.9	17.1
Pre-exceptional PAT	13,026	17,768	23,082	26,512
Reported PAT	12,152	16,876	22,282	25,712
yoy growth (%)	1.4	38.9	32.0	15.4
EPS (Rs)	19.0	25.6	33.2	38.2
P/E (x)	21.1	15.7	12.1	10.5
Price/Book (x)	4.3	3.5	2.9	2.4
EV/EBITDA (x)	11.0	10.1	7.5	6.3
RoE (%)	23.2	25.5	27.2	25.6
RoCE (%)	18.2	23.0	28.6	27.3

Source: Company, India Infoline Research

Sector: Metals & Mining

Sensex:	16,748
CMP (Rs):	516
Target price (Rs):	609
Upside (%):	18.1
52 Week h/l (Rs):	735 / 442
Market cap (Rscr) :	48,183
6m Avg vol ('000Nos):	1,666
No of o/s shares (mn):	935
FV (Re):	1
Bloomberg code:	JSP IB
Reuters code:	JNSP.BO
BSE code:	532286
NSE code:	JINDALSTEL

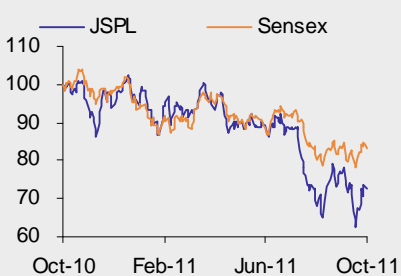
Prices as on 18 Oct, 2011

Shareholding pattern

September '11	(%)
Promoters	58.6
Institutions	29.3
Non promoter corp hold	2.9
Public & others	9.1

Performance rel. to sensex

(%)	1m	3m	1yr
JSPL	(4.1)	(8.5)	(11.5)
JSW Steel	(14.9)	(25.6)	(40.0)
Tata Steel	(5.8)	(15.9)	(16.7)
SAIL	(4.6)	(11.2)	(36.4)

Share price trend


- ✦ Q2 FY12 standalone revenue of Rs33.3bn was quite higher than our estimate; boosted by strong steel volumes
- ✦ Except sponge iron, production of all other products increased on a qoq basis
- ✦ Operating profit increased 12.8% qoq to Rs10.9bn, higher than our estimate of Rs9.1bn on account of higher external pellet sales and strong steel volumes
- ✦ JPL's power generation declined on a qoq basis due to maintenance shutdown
- ✦ Average power realizations under JPL declined on a qoq basis from Rs3.8/unit in Q1 FY12 to Rs3.5/unit; expected to improve in H2 FY12
- ✦ JPL's PAT decreased by 9.5% qoq and 10.3% yoy to Rs4.1bn, on the back of lower power tariffs and volumes
- ✦ Upgrade to BUY with a revised 9-month price target of Rs609

Result table

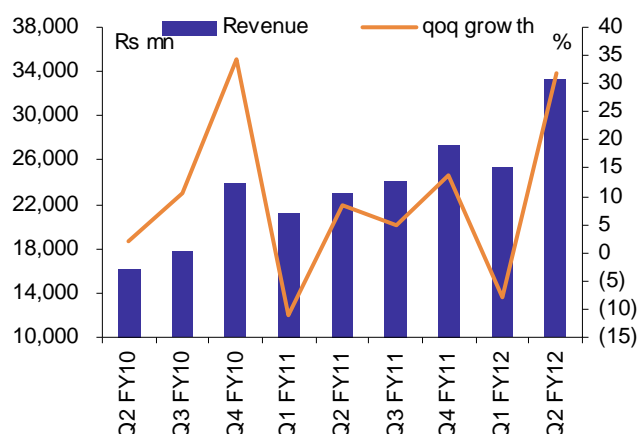
(Rs mn)	Q2 FY12	Q1 FY12	% qoq	Q2 FY11	% yoy
Net sales	33,338	25,265	32.0	22,996	45.0
Material costs	(11,008)	(6,682)	64.7	(6,223)	76.9
Power and fuel costs	(2,316)	(1,888)	22.7	(1,521)	52.3
Personnel costs	(933)	(881)	6.0	(694)	34.5
Other overheads	(8,214)	(6,181)	32.9	(5,999)	36.9
Operating profit	10,867	9,634	12.8	8,560	27.0
OPM (%)	32.6	38.1	(554) bps	37.2	(463) bps
Depreciation	(2,139)	(2,066)	3.5	(1,638)	30.6
Interest	(1,459)	(1,325)	10.1	(781)	86.9
Other income	77	167	(53.6)	60	28.7
PBT	7,347	6,410	14.6	6,202	18.5
Tax	(1,911)	(1,709)	11.9	(1,420)	34.5
Effective tax rate (%)	26.0	26.7		22.9	
Adjusted PAT	5,436	4,702	15.6	4,782	13.7
Adj. PAT margin (%)	16.3	18.6	(230) bps	20.8	(449) bps
Extra ordinary items	(1,478)	-	-	-	-
Reported PAT	3,958	4,702	(15.8)	4,782	(17.2)
Ann. EPS (Rs)	23.3	20.1	15.6	20.5	13.6

Source: Company, India Infoline Research

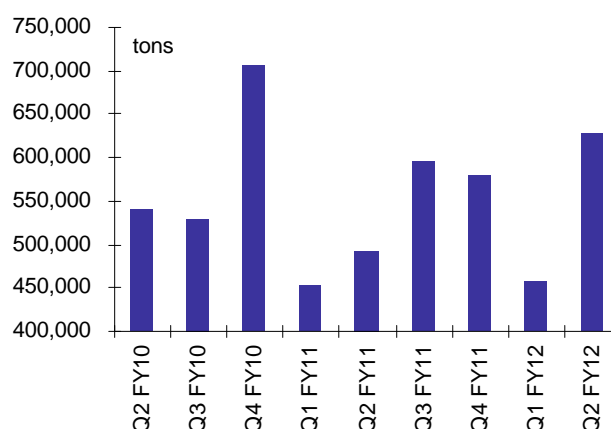
Strong steel volumes boost topline by 32% qoq to Rs33.3bn

JSPL's standalone Q2 FY12 revenue jumped 32% qoq to Rs33.3bn higher than our estimate of Rs24.3bn. The outperformance was due to strong steel sales volume. Steel sales for the quarter increased 31% qoq and 19% yoy to 598,209 tons, quite higher than our estimate. Topline was further boosted by strong external pellet sales during the quarter. External pellet sales jumped 51.6% qoq due to higher production and a marginal decline in demand for sponge iron production. Power production power volumes were lower than our expectations. Higher internal consumption of power for steel manufacturing also led to lower external power sales. In Q2 FY12, steel production increased 3.6% qoq to 629,562 tons and sales volumes increased 31% qoq due to liquidation of previous quarter volumes. Average power realization in the standalone entity decreased from Rs3.87/unit in Q1 FY12 to Rs3.7/unit during the quarter.

Quarterly standalone revenue trend



Steel sales volumes *



Source: Company, India Infoline Research * pig iron sales not provided for the quarter

Production and sales volume

	Q2 FY12	Q1 FY12	% qoq	Q2 FY11	% yoy
Production					
Sponge iron	339,809	363,653	(6.6)	311,474	9.1
Pig iron	413,097	402,107	2.7	422,273	(2.2)
Steel products	629,562	607,726	3.6	562,530	11.9
Pellets	898,065	828,800	8.4	634,100	41.6
Power	947	931	1.7	780	21.4
Sales					
Sponge iron	28,798	-	-	28,825	(0.1)
Steel products	598,209	456,887	30.9	462,429	29.4
Pellets	526,331	347,104	51.6	21,514	2,346.5
Power	222	259	(14.3)	180	23.3
Total steel volumes	627,007	456,887	37.2	491,254	27.6

Source: Company, India Infoline Research * pig iron sales not provided for the quarter

Segmental results (Standalone)

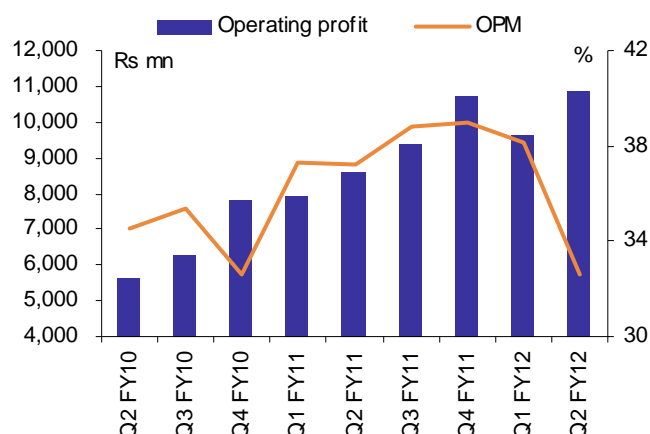
	Q2 FY12	Q1 FY12	qoq chng	Q2 FY12	Q1 FY12
Sales (Rs m)			in %	Sales Contribution (%)	
Iron & Steel	31,944	24,098	32.6	95.8	95.4
Power	3,518	3,606	(2.4)	10.6	14.3
Others	672	296	127.0	2.0	1.2
Less: Intersegment sales	(2,797)	(2,735)	2.3	(8.4)	(10.8)
Total	33,338	25,265	32.0		
EBIT (Rs m)			in %	EBIT contribution (%)	
Iron & Steel	9,741	7,671	27.0	166.0	119.7
Power	1,044	1,313	(20.5)	17.8	20.5
Others	(4,916)	(2,573)	91.0	(83.8)	(40.1)
Total	5,869	6,410	(8.4)		
EBIT margins (%)			in bps		
Iron & Steel	30.5	31.8	(134)		
Power	29.7	36.4	(672)		
Total	17.6	25.4	(777)		
ROCE (%)			in bps		
Iron & Steel	45.5	35.8	968		
Power	13.7	15.6	(190)		
Others	0.1	(2.3)	231		
Total	25.5	20.6	498		

Source: Company, India Infoline Research

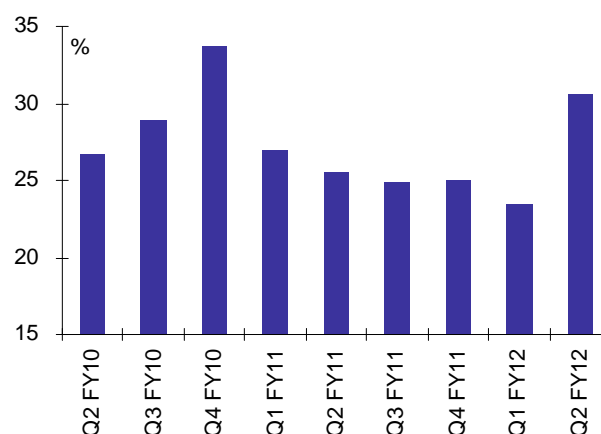
Operating margin under pressure due to rising raw material costs

Operating profit during the quarter increased 12.8% qoq to Rs10.9bn, higher than our estimate of Rs9.1bn. The outperformance in operating profit was largely on account of higher steel sales volume. However, OPM shrunk 554bps qoq to 32.6% in Q2 FY12 on account of higher coking coal costs and subdued long steel prices. Margins were also under pressure from higher coal prices and lower PLF. Availability of coal declined during the quarter due to strong monsoons and wet coal. On a segmental basis, EBIT margins for the steel business decreased from 31.8% in Q1 FY12 to 30.5% in Q2 FY12 and that of the power division declined sharply from 36.4% to 29.7%. The company's power division EBIT during the quarter continued to be impacted by higher coal costs. Costs per unit of power increased from Rs2.46 in Q1 FY12 to Rs2.61 in Q2 FY12 as the new power capacities continued to operate at lower PLFs.

Quarterly operating profit and OPM trend



Raw material costs as a % of sales



Source: Company, India Infoline Research

Cost analysis (Standalone)

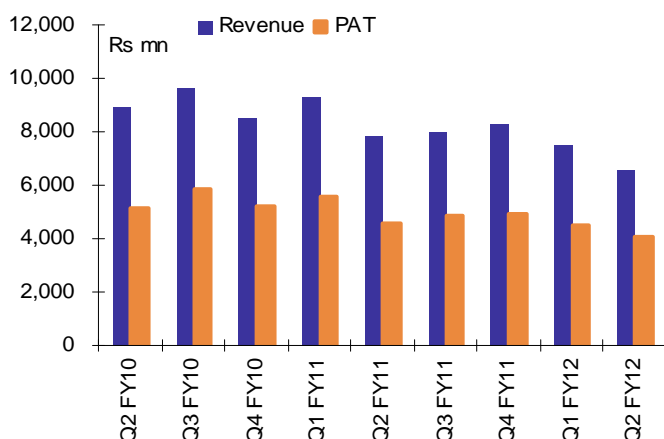
As a % of net sales	Q2 FY12	Q1 FY12	bps qoq	Q2 FY11	bps yoy
Material costs	33.0	26.4	657	27.1	596
Power and fuel costs	6.9	7.5	(53)	6.6	33
Personnel Costs	2.8	3.5	(69)	3.0	(22)
Other overheads	24.6	24.5	17	26.1	(145)
Total costs	67.4	61.9	554	62.8	463

Source: Company, India Infoline Research

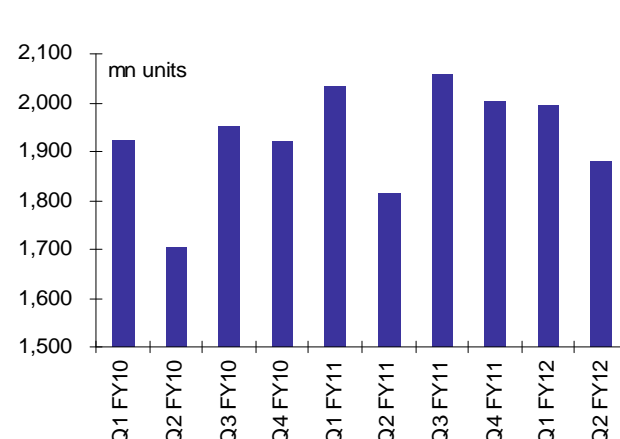
JPL performance impacted by lower realizations and lower volumes due to maintenance

JSPL's 96.4% subsidiary, Jindal Power Ltd (JPL), recorded a bottomline of Rs4.1bn, a decline of 9.5% qoq and 10.3% yoy. The bottomline is lower than expectations due to lower realizations and volume. Average power realizations decreased from Rs3.8/unit in Q1 FY12 to Rs3.5/unit in Q2 FY12, lower than our expectation of Rs3.6/unit. Power generation for the quarter was 2.17mn units, 0.5% lower on a qoq basis and 2% on a yoy basis. PLF for the quarter stood at 99.2%.

JPL's quarterly revenue and PAT trend



Power sales volume



Source: Company, India Infoline Research

Standalone earnings to drive earnings growth over the next two years

Steel prices globally are stable over the last few months after declining marginally in early Q1 FY12. Steel prices have been in a range even though other metal prices have declined sharply due to the European debt crisis. The downward support to steel prices has been largely due to the high input costs and decline in global steel production. We believe that JSPL will be one of the major beneficiaries of the sharp increase in coking coal and iron ore prices on account of its raw material integration and the DRI-EAF route of steel manufacturing benefit. We are awaiting the results of the performance of the three power units commissioned during the last six months. We believe that the commissioning of the power plants would be delayed further in FY13 and stabilizing of the units would take some time. Also, the expansion under Tamnar-II has been delayed due to regulatory issues. The company has managed to get clearance for only 1,200MW of the total 2,400MW planned. We also built in the delay in the commissioning of the steel plant at Angul. As a result of the above mentioned delays and a slower ramp up in the standalone power projects we lower our FY12 and FY13 estimates for the company. JSPL's stock has fallen sharply over the past one quarter due to delays in commissioning/stabilization of power projects and issues related to the environment clearance of its power projects. We believe that the issues faced by the company are temporary. We upgrade JSPL to BUY from Market Performer with a revised 9-month price target of Rs609, given the strong business fundamentals, attractive valuations, healthy earnings growth and the stock underperformance. The recent surge in merchant power prices would act as positive triggers for the company in the near term.

Financial summary

Y/e 31 Mar (Rs m)	FY10	FY11	FY12E	FY13E
Revenues	110,915	131,116	164,560	191,724
yoy growth (%)	2.0	18.2	25.5	16.5
Operating profit	58,477	63,166	78,089	91,123
OPM (%)	52.7	48.2	47.5	47.5
Pre-exceptional PAT	35,730	37,539	44,551	50,773
Reported PAT	35,730	37,539	44,551	50,773
yoy growth (%)	17.3	5.1	18.7	14.0
EPS (Rs)	38.4	40.2	47.7	54.3
P/E (x)	13.4	12.8	10.8	9.5
Price/Book (x)	4.6	3.4	2.6	2.1
EV/EBITDA (x)	9.7	9.8	8.0	7.1
Debt/Equity (x)	0.8	1.0	0.8	0.8
RoE (%)	40.9	30.6	27.5	24.7
RoCE (%)	27.4	21.3	20.3	19.8

Source: Company, India Infoline Research

Sector: Automobiles

Sensex:	16,748
CMP (Rs):	1,985
Target price (Rs):	2,205
Upside (%):	11.1
52 Week h/l (Rs):	2,232 / 1,378
Market cap (Rscr) :	39,635
6m Avg vol ('000Nos):	556
No of o/s shares (mn):	200
FV (Rs):	2
Bloomberg code:	HMCL IB
Reuters code:	HROH.BO
BSE code:	500182
NSE code:	HEROHONDA

Prices as on 18 Oct, 2011

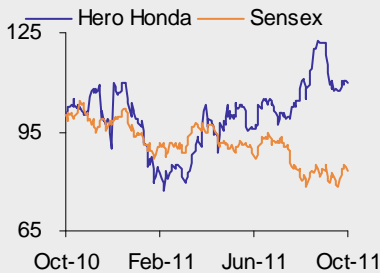
Shareholding pattern

September '11	(%)
Promoters	52.2
Institutions	39.0
Non promoter corp hold	1.6
Public & others	7.2

Performance rel. to sensx

(%)	1m	3m	1yr
Hero Honda	(8.7)	20.5	32.0
Bajaj Auto	0.1	22.8	24.5
TVS Motors	(1.0)	33.7	3.7

Share price trend



- ⊕ Revenues rise 28% yoy due to 20.1% yoy growth in volumes and 6.6% higher realizations
- ⊕ Higher overheads owing to increased advertising spends lead to 77bps yoy fall in OPM to 12.6% (ahead of expectations)
- ⊕ Higher production from Uttaranchal plant results in lower effective tax rate
- ⊕ Key concerns: R&D capabilities following exit of Honda, sustenance of margins
- ⊕ Upgrade to BUY rating with a revised 9-month price target of Rs2,205

Result table

(Rs m)	Q2 FY12	Q2 FY11	% yoy	Q1 FY12	% qoq
Volume	1,544,315	1,285,944	20.1	1,529,577	1.0
Realisation	37,747	35,398	6.6	37,156	1.6
Net sales	58,293	45,520	28.1	56,833	2.6
Material costs	(42,237)	(33,100)	27.6	(42,448)	(0.5)
Personnel costs	(1,794)	(1,498)	19.7	(1,645)	9.0
Other overheads	(6,925)	(4,842)	43.0	(6,333)	9.3
Operating profit	7,337	6,079	20.7	6,408	14.5
OPM (%)	12.6	13.4	(77) bps	11.3	131 bps
Depreciation	(935)	(608)	53.9	(628)	48.9
Interest	45	21	116.9	32	40.8
Other income	798	784	1.8	884	(9.8)
PBT	7,245	6,276	15.4	6,696	8.2
Tax	(1,208)	(1,220)	(1.0)	(1,117)	8.2
Effective tax rate (%)	16.7	19.4		16.7	
Reported PAT	6,036	5,056	19.4	5,579	8.2
PAT margin (%)	10.4	11.1	(75) bps	9.8	54 bps
Ann. EPS (Rs)	120.9	101.3	19.4	111.7	8.2

Source: Company, India Infoline Research

Net sales increase by 28% yoy

Hero Motocorp Ltd (HML) reported 28.1% yoy increase in revenues to Rs58,293mn. Growth was driven by 20.1% yoy growth in volumes and 6.6% yoy higher realizations. Growth in realizations, which were higher than our expectations, was on account of better product mix and a price hikes implemented over the past few quarters. On sequential basis, revenues for Q2 FY12 rose by 2.6% led by 1% higher volumes and 1.6% yoy rise in realizations.

Higher overheads cause 77bps yoy fall in margins

After considering the royalty accounting treatment (refer next page), OPM for Q2 FY12 was at 12.6%, a yoy fall of 77bps but a sequential jump of 131bps. The margins were better than our expectations of 12.0%. Operating profit per vehicle remained flat on yoy basis but gained 13% on sequential basis. Ahead of expectations margin performance was owing to better realizations and weakness in commodity prices. Nevertheless, higher overheads due to the new branding exercise and increased advertising spends caused the margins to fall on yoy basis.

A recap on accounting treatment of royalty payments to Honda on existing models

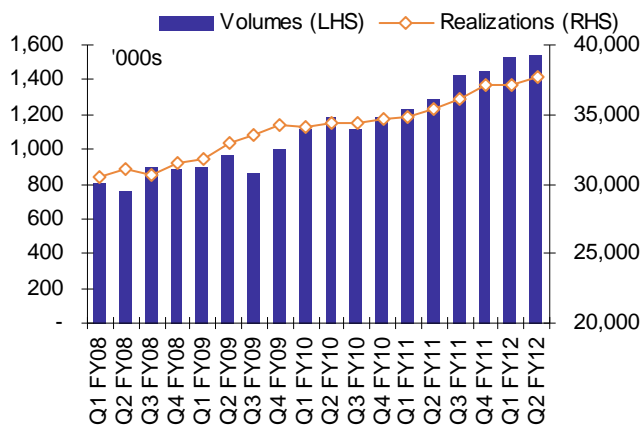
HML, as per MoU with Honda, will have to pay Rs19,284mn for licenses granted for manufacture, assembly, selling and distribution and Rs5,510mn for export license. Cumulative amount has been capitalised as Intangible Assets (along with applicable cess and taxes). With effect from January 01, 2011 HML’s liability to pay ongoing royalty for all the existing / modified products / parts would cease. These intangible Assets have to be amortised over a period of forty two months up to June 30, 2014. Accordingly, liability payable up to March 31, 2012 has been included under current liabilities and the balance has been disclosed as Deferred Payment Credits. An amount of Rs1.85bn was added to depreciation. However, **for comparison sake we have deducted the same amount from depreciation and added to other expenditure (which includes royalty)**. Royalty on new products from Honda will continue to be charged in line with existing products.

Cost analysis

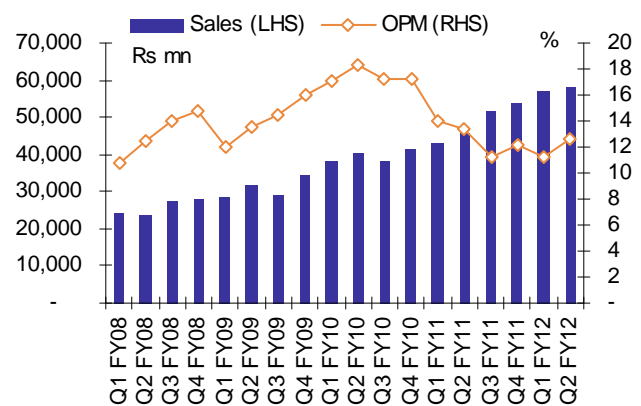
As a % of net sales	Q2 FY12	Q2 FY11	bps yoy	Q1 FY12	bps qoq
Material costs	72.5	72.7	(26)	74.7	(223)
Personnel Costs	3.1	3.3	(21)	2.9	18
Other overheads	11.9	10.6	124	11.1	74
Total costs	87.4	86.6	77	88.7	(131)

Source: Company, India Infoline Research

Trends in volumes and realizations



Trend in revenues and OPM



Source: Company, India Infoline Research

Upgrade to BUY with a revised price target of Rs2,205

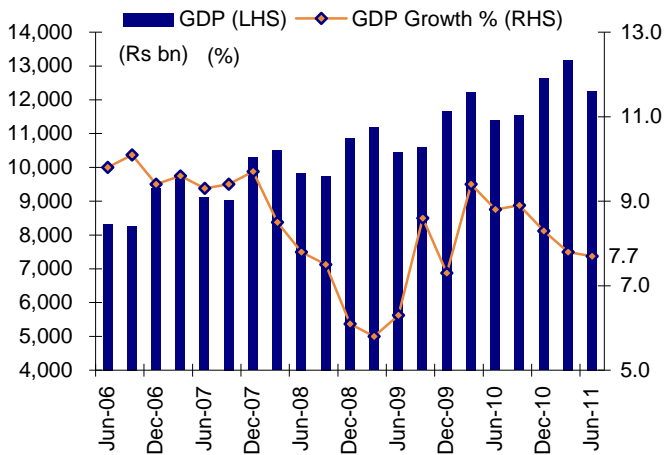
We are upgrading our rating on the stock to BUY considering a continued outperformance of the company in terms of two wheeler volume growth. Increasing trend in competition has not put any dent in the market share of the company. Margin improvement trend is expected to continue as 1) sourcing from new low cost vendors, 2) fixed royalty cost getting apportioned over higher number of vehicles sold and 3) better pricing power. We expect the company to deliver 14.5% and 19.5% CAGR in revenues and profitability during FY11-13E respectively. Considering the growth and a very attractive dividend yield, we upgrade the stock with a revised price target of Rs2,205.

Financial summary

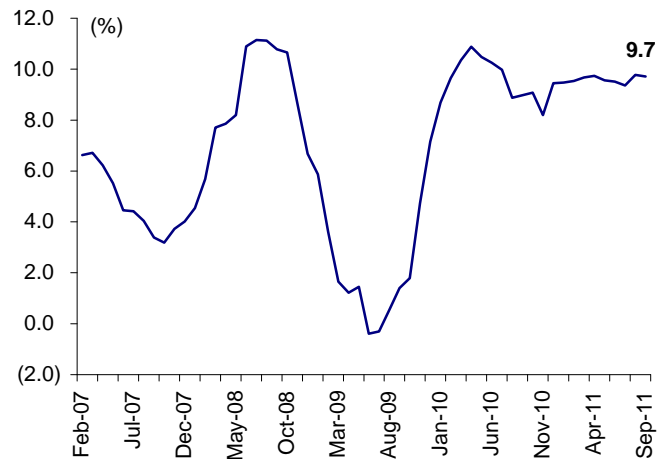
Y/e 31 Mar (Rs m)	FY10	FY11	FY12E	FY13E
Revenues	157,582	192,450	222,623	251,688
yoy growth (%)	27.9	22.1	15.7	13.1
Operating profit	26,620	22,832	26,954	31,650
OPM (%)	16.9	11.9	12.1	12.6
Pre-exceptional PAT	22,318	20,077	23,545	27,526
Reported PAT	22,318	19,279	23,545	27,526
yoy growth (%)	70.7	(13.6)	22.1	16.9
EPS (Rs)	111.8	100.5	117.9	137.8
P/E (x)	17.8	19.7	16.8	14.4
Price/Book (x)	11.4	13.4	11.4	11.1
EV/EBITDA (x)	14.2	18.0	14.6	12.2
Debt/Equity (x)	0.0	0.0	0.0	0.0
RoE (%)	61.4	62.5	73.3	78.1
RoCE (%)	72.9	71.8	81.1	86.9

Source: Company, India Infoline Research

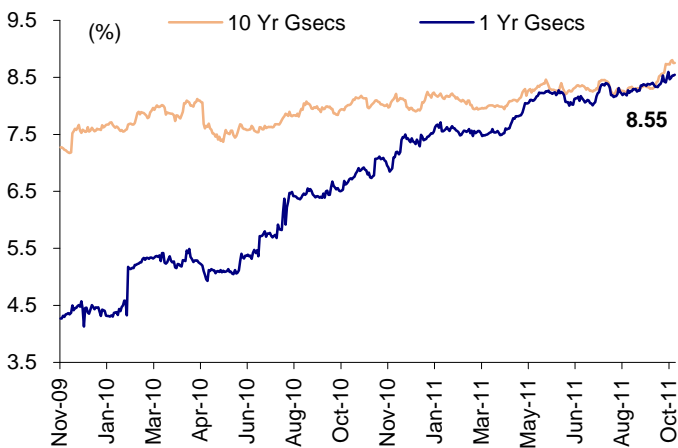
GDP growth (Quarterly)



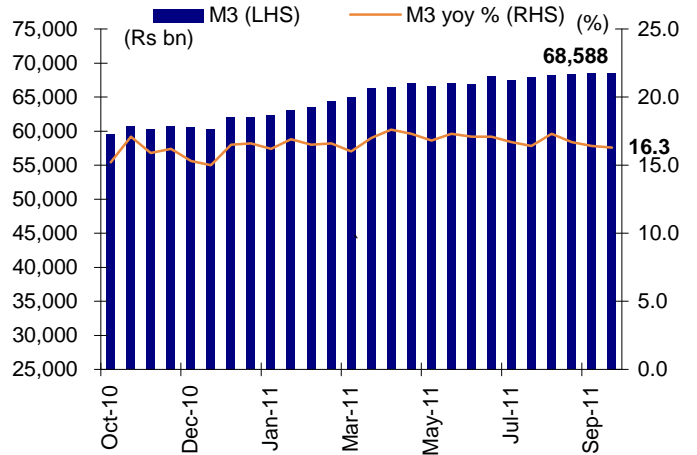
Inflation



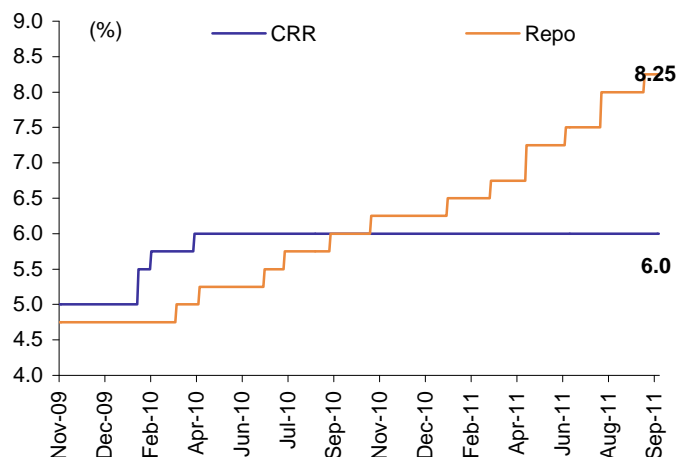
G-Secs yield



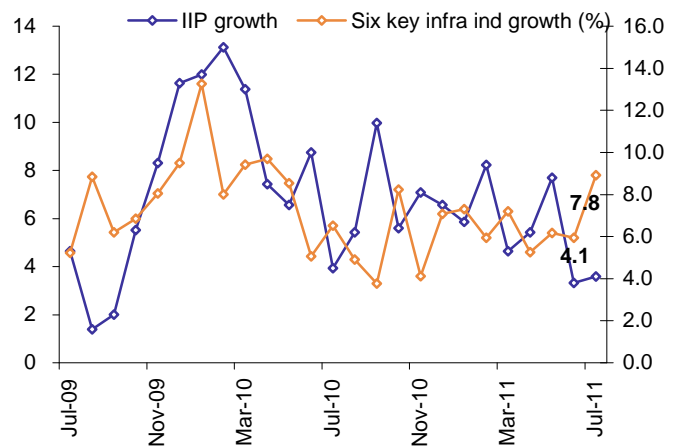
M3 growth



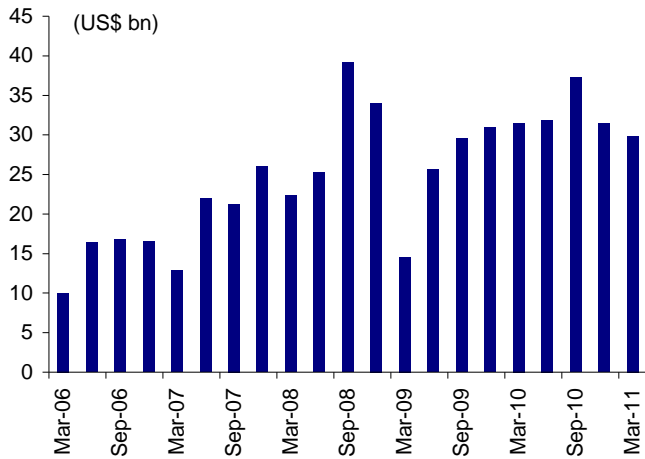
CRR, Repo



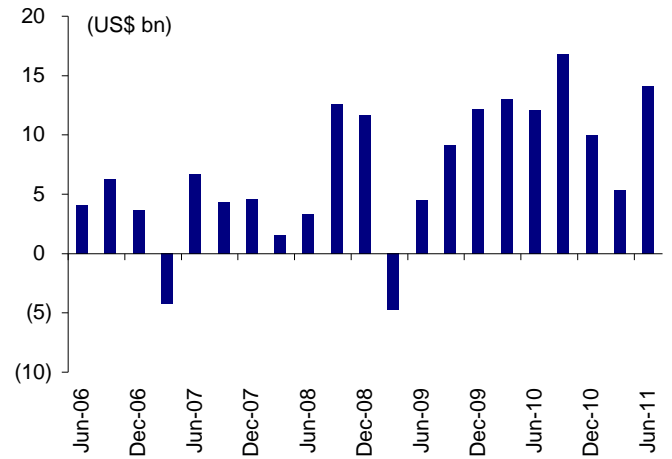
IIP and Six key infra industry growth



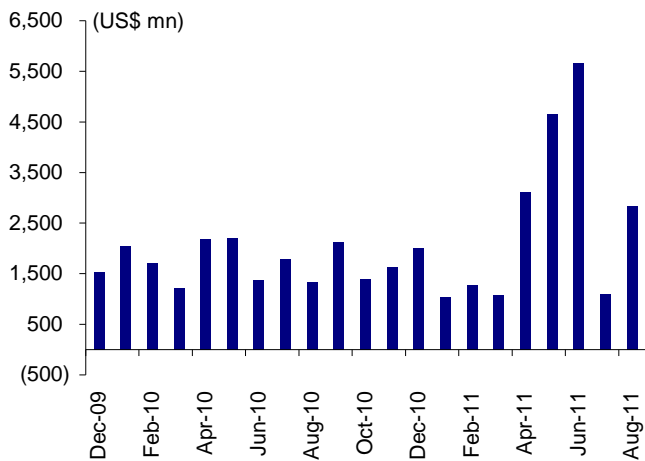
Trade deficit (Quarterly)



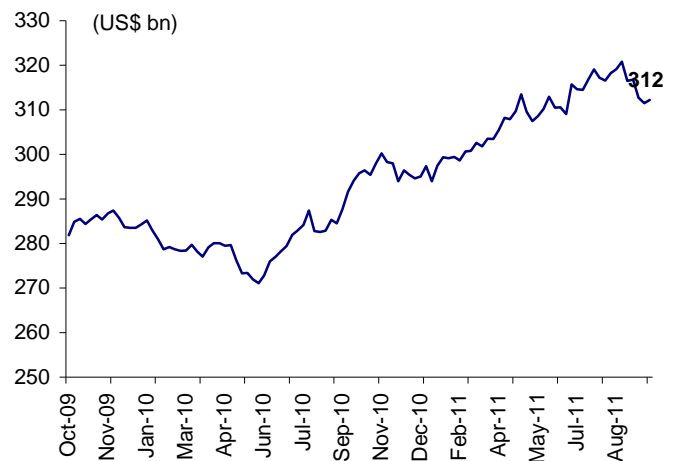
Current account deficit (Quarterly)



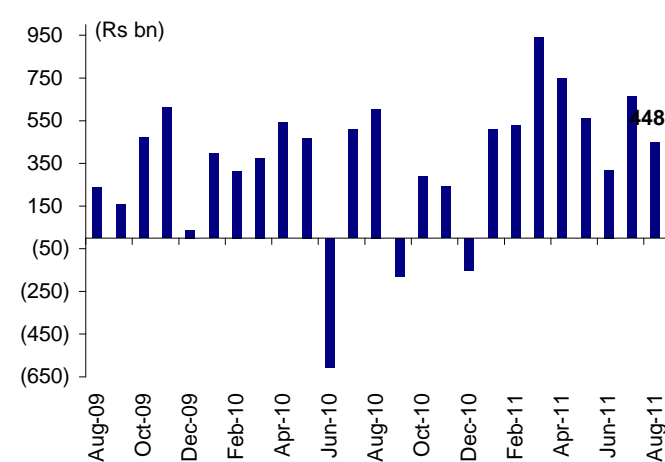
FDI



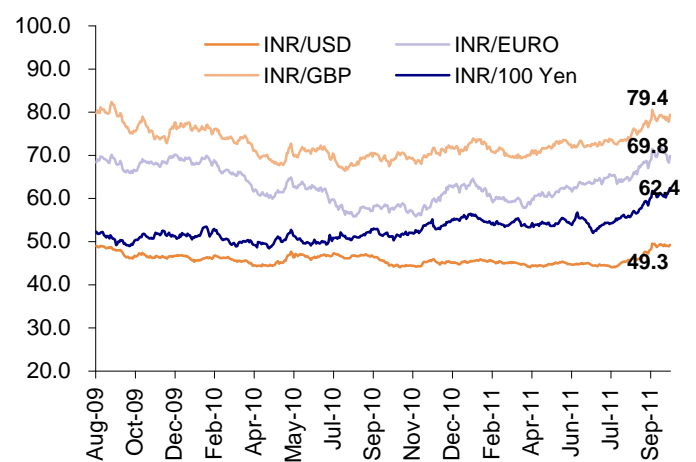
RBI forex reserves



Fiscal deficit



Currency movement



Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
October 03 Aug Exports YoY% 44.3% vs 81.8% Aug Imports YoY % 41.8% vs 51.5%	October 04	October 05	October 06	October 07 US unemployment rate 9.1% vs 9.1% US wholesale inventories 0.4% vs 0.8%	October 08 US consumer credit -\$9.5b vs \$11.9b
October 10 Sintex	October 11 TTK Prestige	October 12 Sept IIP data YoY 4.1% vs 3.3% Infosys	October 13 US trade balance -\$45.6b vs -\$44.8b Praj Ind	October 14 Sept inflation data YoY% 9.72% vs 9.78% US business inventories 0.5% vs 0.4% GDL, RIIL	October 15 Reliance Industries, Oberoi Realty
October 17 US Sep IIP 0.2% vs 0.2% HDFC, MindTree, TCS, Zee Ent, Mahindra Life	October 18 US producer price index yoy 6.9% vs 6.5% Patni Computers, IndusInd Bk, Crisil, HCL Tech, Hero Moto, Jet Air, Petronet Lng, NIIT Tech	October 19 US building permit mom% US housing starts mom% Bajaj Finance, Bajaj Finserve, HDFC Bank, IGL, Mastek, WWIL, Dish TV, Crompton Greaves, Hind Zinc, Rallis, Infotech Ent	October 20 Bajaj Auto, Hexaware, Thermax, Cairn India, Yes Bank, Biocon, Exide Ind, IDBI, KPIT, Pir Health, Ultratech Cem, Noida Toll, DB Corp	October 21 3iInfotech, Asian Paints, HCC, HT Media, L&T, JSW Steel, United Phos, Shopper Stop, Godrej Prop, Godrej Ind, Idea	October 22 Axis Bk, Grasim, Jagran, Power Grid, Suzlon
October 24 M&M Fin, Titan, Gail, ITC, Pfizer, Union Bk, Sterlite	October 25 RBI policy meet Dr Reddy's Lab, Eng Ind, NTPC, Sesa Goa	October 26	October 27 US GDP qoq	October 28 NHPC, Indian Hotel	October 29 Maruti, Lic Housing
October 31 Sept CPI BPCL, Colgate, Dabur, OBC, Castrol, Wipro, HUL, ICICI Bk					ACC – 1 Nov Ambuja Cem – 1 Nov Aditya Birla Nuvo – 1 Nov ABB – 8 Nov IDFC – 8 Nov Apollo Tyre – 9 Nov Cadila – 10 Nov India Cem – 14 Nov M&M – 14 Nov

Blue: Economic data, Black: results

In the year 2011 itself, we have received two reputed awards for being the Best Broker in India.

'Best Equity Broker of the Year' – Bloomberg UTV, 2011

IIFL was awarded the 'Best Equity Broker of the Year' at the recently held Bloomberg UTV Financial Leadership Award, 2011. The award presented by the Hon'ble Finance Minister of India, Shri Pranab Mukherjee. The Bloomberg UTV Financial Leadership Awards acknowledge the extraordinary contribution of India's financial leaders and visionaries from January 2010 to January 2011.

'Best Broker in India' – Finance Asia, 2011

IIFL has been awarded the 'Best Broker in India' by Finance Asia. The award is the result of Finance Asia's annual quest for the best financial services firms across Asia, which culminated in the Country Awards 2011

Other awards



Recommendation parameters for fundamental reports:

Buy – Absolute return of over +10%

Market Performer – Absolute return between -10% to +10%

Sell – Absolute return below -10%

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