



Economy News

- ▶ The government is planning to raise the price of state-administered, or APM, gas sold to sectors other than power and fertiliser by over 10% to \$5.25 per million British thermal unit (mBtu). While the government had recently raised the price of APM gas sold to power and fertiliser units from about \$1.79 to \$4.20 per mBtu, including royalty, the rate for gas sold to non-core sector industries remained at \$4.75 per mmBtu. (BS)
- ▶ The government is likely to make it mandatory for mining companies to hand over a part of their revenues and make annual payments to land losers, bringing compensation rules in this sector in line with a policy followed by the Haryana government which has won the backing of Congress president Sonia Gandhi. (ET)
- ▶ The Department of Economic Affairs, or DEA, the ministry's policymaking wing, has called for exempting airlines from a regulation barring Indian companies from using foreign debt, commonly referred to as external commercial borrowings, or ECB, to repay loans from local banks. (ET)

Corporate News

- ▶ **Shipping Corporation of India (SCI)** will invest up to \$4 billion in the next four years to double its total cargo carrying capacity to 10 million dead weight tonnage. It will be six million in a year's time and around eight million tonnes in the next three years. SCI recently announced a follow-on public offer which will see the government divesting more. (BS)
- ▶ **Reliance Industries** has announced the completion of its deal to acquire 60% stake in the Marcellus Shale acreage in the US for \$392 million (around Rs18 bn). Marcellus Shale acreage in Central and Northeast Pennsylvania of the US was held by a joint venture between Carrizo and ACP II Marcellus LLC, an affiliate of Avista Capital Partners. The new Carrizo-Reliance joint venture agreement covers approximately 104,400 gross acres in northern and central Pennsylvania. Under the terms of the agreement, Carrizo retains a 40% working interest in the acreage and Reliance owns 60%. (BL)
- ▶ IFGL Inc, USA, a 100% subsidiary of **IFGL Refractories**, has acquired 100% interest in Ohio-based EI Ceramics (EIC) LLC and CUSC International Ltd (CUSC). The transactions consummated on September 10, and the companies were free of long term debts. The cost of acquisition is \$13 million. EIC designs, manufactures and supplies alumina graphite continuous casting refractories to several major steelmakers in North America while CUSC is engaged in providing ancillary services including processing of raw materials, warehousing, packaging, to EIC. (BS)
- ▶ **PowerGrid Corporation's (PGCIL)** next public offering of Rs80 bn is set to enter the market in the second week of November 2010. This would be second major issue after the largest-ever IPO of Rs140 bn by Coal India in the current fiscal. PowerGrid is expected to file the DRHP shortly after October 6 when it completes its three years listing period on the Indian bourses and has the free float of more than Rs50 bn, which is the mandatory requirement for the fast track issue. (ET)
- ▶ The construction of annicut for the Rowghat iron ore mining project of **Steel Authority of India (SAIL)** in Chhattisgarh has plunged into troubled water after threats from Naxalites. To meet the water requirement for the project, Chhattisgarh government had decided to supply 2.35 million cubic meter of water from the Nibra river. For this, a construction of annicut (small dam) was proposed near Aturgaon in Kanker district. The BSP had proposed to set up a 14 million tonne per annum (MTpA) mine in Rowghat by 2014-15. (BS)

Equity

	9 Sep 10	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	18,800	0.7	3.2	11.1
NIFTY Index	5,640	0.6	3.3	11.1
BANKEX Index	12,984	2.2	8.7	22.1
BSET Index	5,664	0.2	1.3	9.8
BSETCG INDEX	15,095	0.8	2.0	9.4
BSEOIL INDEX	10,175	(0.3)	1.2	1.7
CNXMcap Index	9,085	0.6	5.5	15.3
BSESMCAP INDEX	10,249	0.3	5.8	19.2
World Indices				
Dow Jones	10,463	0.5	1.5	2.5
Nasdaq	2,242	0.3	3.2	(0.0)
FTSE	5,502	0.1	4.3	6.5
Nikkei	9,239	1.5	0.8	(3.9)
Hangseng	21,257	0.4	2.1	8.2

Value traded (Rs cr)

	9 Sep 10	% Chg - Day
Cash BSE	4,808	(17.2)
Cash NSE	15,246	8.0
Derivatives	98,766	5.9

Net inflows (Rs cr)

	8 Sep 10	% Chg	MTD	YTD
FII	463	129.9	2,865	61,952
Mutual Fund	(105)	(435.4)	526	(14,994)

FII open interest (Rs cr)

	8 Sep 10	% Chg
FII Index Futures	19,055	4.8
FII Index Options	74,521	4.0
FII Stock Futures	38,190	1.7
FII Stock Options	1,197	11.8

Advances / Declines (BSE)

	9 Sep 10	A	B	S	Total	% total
Advances	118	1,025	232	1,375	52	
Declines	83	921	182	1,186	45	
Unchanged	3	76	12	91	3	

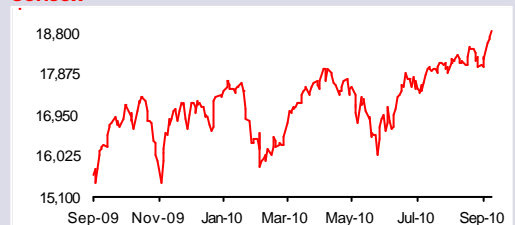
Commodity

	9 Sep 10	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	77	1.1	2.5	4.8
Gold (US\$/OZ)	1,246	0.2	2.5	1.6
Silver (US\$/OZ)	20	1.0	9.7	9.1

Debt / forex market

	9 Sep 10	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	N/A	7.91	7.82	7.61
Re/US\$	46.52	46.64	46.13	47.03

Sensex



COMPANY UPDATE

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MARUTI SUZUKI INDIA LIMITED

PRICE: Rs. 1314

TARGET PRICE: Rs. 1224

RECOMMENDATION: REDUCE

FY11E P/E: 16.1x

- ❑ Aggressive increase in capacity to take care of future demand. Company to add another 0.5mn units capacity in the next 2-3 years.
- ❑ Company to invest in excess of Rs60bn over the next three years on capacity expansion and building up a R&D centre.
- ❑ Demand for cars continues to remain robust. Industry car volumes grew by 27% YTD.
- ❑ MSIL volumes remain unaffected by competition. Company logs its highest ever monthly volumes in August 2010.
- ❑ Margins to remain under pressure due to firm commodity prices. Higher royalty will remain a drag on the margins.
- ❑ We expect net profit de-growth for the company in FY11. Given that we believe that the current valuations to be expensive.
- ❑ We therefore continue to maintain our REDUCE stance on the stock with an increased price target of Rs1,224.

Summary table

(Rs mn)	FY10	FY11E	FY12E
Sales	290,989	344,504	385,284
Growth (%)	42	18	12
EBITDA	34,398	34,095	38,481
EBITDA margin (%)	11.8	9.9	10.0
Net Profit	24,976	23,580	26,890
Debt	8,214	6,047	6,000
EPS (Rs)	86.4	81.6	93.1
DPS (Rs)	6.0	5.0	5.0
RoE (%)	23.6	18.2	17.6
RoCE (%)	31.8	24.9	24.4
EV/Sales (x)	1.1	0.9	0.8
EV/EBITDA (x)	9.3	9.5	8.1
P/E (x)	15.2	16.1	14.1
P/BV (x)	3.2	2.7	2.3

Source: Company, Kotak Securities - Private Client Research

MSIL plans aggressive capacity expansion

- MSIL has indicated towards addition of 0.5mn units at Manesar to take their effective capacity to more than 1.7mn annually.
- The company would be spending in excess of Rs60bn over the next 3 years towards capacity expansion and building up an engine plant and a R&D unit.
- Currently the company produces more than 100,000 cars monthly thereby taken its capacity slightly in excess of 1.2mn.
- The company expects to add another line capable of producing 250,000 units in Manesar and the same is expected to get ready by 4QFY12.
- MSIL is planning to add one more line of 250,000 units and the same is expected to get completed by 2HFY13.
- On the above mentioned capex plans the company will be spending in excess of Rs60bn and all the projects will be funded from internal accrual.
- Company's cash and cash equivalents position in FY10 stood at ~Rs70bn.
- We expect the company to generate cash in excess of Rs30bn annually over the next 3 years. Accordingly the company is well funded to finance its future capex plans.

Competition unable to impact MSIL's volumes

- MSIL volumes in FY11 have remained strong despite several new launches by competition. The company posted record monthly volumes of ~105,000 units in August 2010.
- Overall industry car sales have also grown at a fast pace with YTD growth of 27%.
- MSIL recently launched the new ALTO with the 1L K-Series engine. Apart from that the company also came out with CNG variants for 5 of its existing models (Alto, Wagon-R, Estilo, SX4 and Eeco).
- New models and variants coupled with robust car demand are expected to help the company post domestic sales volumes in excess of 1mn units in FY11.
- Export on the other hand will remain subdued for the remaining part of FY11. We expect the company's export volumes to remain similar to FY10 levels.
- We expect the company's volumes to grow by 18% in FY11 and this is expected to come on back of 29% volume growth registered in FY10.

Margins continue to remain the major point of worry

- Prices of major commodities like steel and aluminum remained firm keeping margins under pressure. Rubber prices have come down from its peak but still remain significantly higher as compared to last years prices.
- MSIL have already taken various rounds of price increases in the past 9 months in order protect the margins. Despite that margins remain impacted and the same were visible during 1QFY11 margins.
- Increase in royalty charges to parent company during early part of 2010 from 3.5% of sales to ~5% of sales will be a major dampener on the company's margins in the future.
- We believe the company faces a major risk from foreign currency movements during 2HFY11 as their position remains unhedged.
- MSIL is expected to report EBITDA margin of 9.9% and 10% in FY11E and FY12E respectively versus EBITDA margin of 11.8% reported during FY10. Our margin estimates faces further downside risk to unfavorable foreign currency movement.

Upgrade our estimates and target price but maintain REDUCE rating

- We are increasing our volume assumption for FY11E and FY12E on back of increased production due to de-bottlenecking. For FY11E we raise our volume estimates from earlier 1.15mn units to 1.2mn units now translating into 18% volume growth in FY11. For FY12E we now expect the company's volumes to grow by 10% to 1.32mn units.
- Due to higher sales from the lower priced C segment (van type) we are lowering our realization estimates by around 1%.
- Our revised revenues estimates for FY11E and FY12E stands at Rs344,504mn (3.2% higher than previous estimate) and Rs385,284mn (2.6% higher than previous estimate) respectively. Higher capex requirement would lower the investible surplus and thereby impact the company's other income.
- We expect the company to report net profits of Rs23,580mn in FY11E and Rs26,890mn in FY12E. Our revised EPS estimates now stands at Rs81.6 and Rs93.1 for FY11E and FY12E respectively.
- We are increasing our target price on the stock from Rs1,200 to Rs1,224 but continue to maintain our **REDUCE** rating on the stock.

We continue to maintain REDUCE on Maruti Suzuki India with an increased price target of Rs.1224

Bulk deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
13-Sep	Action Fin	Shrish L Keniya	B	50,000	24.2
13-Sep	Aksharchem	Ushadevi Rajendrakumar Agarwal	B	19,532	25.1
13-Sep	Amulya Leas	Manoj Gupta	B	71,400	37.5
13-Sep	Amulya Leas	Securocrop Securities India Pvt Ltd	S	74,000	37.5
13-Sep	Anand Credit	Ashish Sureshbhai Shah	S	65,000	38.8
13-Sep	Anil Special	Ketan Shah	B	70,000	17.3
13-Sep	APL Apollo	Consolidated Securities Limited	B	102,523	143.0
13-Sep	APL Apollo	Ronak Devendra Chheda	B	150,000	147.9
13-Sep	Arvind Intl	Neelam Jain	S	40,000	16.3
13-Sep	Arvind Intl	Manju Agarwal	S	50,000	16.3
13-Sep	Ashiana Hous	Axismutualfund	B	161,420	167.1
13-Sep	Control Print	Fairdeal Infin Services Pvt. Ltd.	B	54,515	52.9
13-Sep	Crew Bos	Ashish Dhawan	S	85,000	141.9
13-Sep	ETC Networks	Pradeep Kumar Dhelia	B	125,915	269.0
13-Sep	ETC Networks	Acacia Partners L. P.	S	133,000	269.0
13-Sep	Golden Sec	Gemini Vinimay Private Limited	S	25,000	14.5
13-Sep	IFL Promoters	Bharat Gupta	B	45,000	16.0
13-Sep	IFL Promoters	Kirti Jain	B	19,000	15.7
13-Sep	IFL Promoters	Sheetal Kirti Jain	S	18,000	15.7
13-Sep	IFL Promoters	Ours Trading and Holdings Pvt Ltd	S	22,916	16.0
13-Sep	Jaihind Syn	Hiren Deepak Dhakan	S	25,000	49.2
13-Sep	Jaihind Syn	Dinesh Jayntalal Doshi	S	52,162	49.8
13-Sep	KAY Power	Bampsl Securities Ltd	B	72,530	19.0
13-Sep	Marathwada Re	Ritu Dua	S	5,000	380.1
13-Sep	Master	Bala Rama Venkata Siva Naga S	S	40,416	49.4
13-Sep	Mayur Leather	Vipul Virendrakumar Patel	B	25,000	155.4
13-Sep	Midfield Ind	Luminous Impex Private Limited	S	83,570	396.4
13-Sep	NCL Research	Investwell Agents Pvt. Ltd.	B	17,000	181.5
13-Sep	NCL Research	Bazigar Trading Private Limited	B	45,000	185.0
13-Sep	Nitin Spinners	Ashok Kumar Bilgaiyan	B	236,858	12.2
13-Sep	Omkar Overseas	Nimeshbhai Ashokbhai Parikh	B	49,950	36.2
13-Sep	Orbit Exports	Kalpana Sonu Padyal	B	59,099	39.9
13-Sep	Orbit Exports	Paritosh Trading Private Limited	S	50,000	39.4
13-Sep	Parichay Invest	Krupa Sanjay Soni	B	7,000	60.6
13-Sep	Parichay Invest	Parsharti Investment Limited	B	15,000	61.0
13-Sep	Parichay Invest	Dhirenkumar Dharamdas Agarwal	B	15,150	61.0
13-Sep	Parichay Invest	Komalben Nalinkumar Pala	B	14,400	60.9
13-Sep	Parichay Invest	Amul Gagabhai Desai	B	11,000	60.6
13-Sep	Parichay Invest	Omi Bagadia	S	60,000	61.0
13-Sep	Parichay Invest	Dhirenkumar Dharamdas Agarwal	S	27,050	60.7
13-Sep	Passari Cellu	Basheer Ahamed M	B	50,000	64.4
13-Sep	PM Telelinnks	Shantidevi Champalal Jain	B	99,000	16.6
13-Sep	PM Telelinnks	Utsav Nitinbhai Shah	B	100,000	16.6
13-Sep	PM Telelinnks	Span Tradelink Private Limited	S	74,773	16.6
13-Sep	Polypro Fibrils	Ajay Ravindra Shah	B	34,823	26.6
13-Sep	Prakash Stelage	Harsh Stock Portfolio Pvt Ltd	B	207,829	161.0
13-Sep	Priyadarshini Sp	Jag Par Securities Ltd	B	61,707	91.5
13-Sep	Raj Packaging	Jagdish N Shah Jagdish	B	32,000	85.0
13-Sep	Raj Packaging	Harsha Mayurbhai Sheth	B	25,000	85.9
13-Sep	Raj Packaging	Rajesh Navlani	B	30,000	85.9

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Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
13-Sep	Raj Packaging	Chimanlal Maneklal Securities Pvt.Ltd	B	22,500	85.8
13-Sep	Raj Packaging	Sarju Anupchand Shah	S	21,000	85.9
13-Sep	Raj Packaging	Arjunbhai Haribhai Dubasia	S	22,000	85.9
13-Sep	Raj Packaging	Jayesh Keshavji Vora	S	29,889	85.4
13-Sep	Raj Packaging	J Shah Sangita	S	32,000	85.0
13-Sep	Raj Packaging	Arcadia Share & Stock Brokers Pvt. Ltd	S	25,000	85.9
13-Sep	Raj Packaging	Mihir Bharatkumar Shah	S	20,631	85.9
13-Sep	Rama Phosp	South Indian Bank	S	28,779	66.1
13-Sep	Ranklin Sol	Venkatrami Reddi Gorla	B	30,000	129.0
13-Sep	Ranklin Sol	Bala Rama Venkata Siva Naga S	S	40,225	128.2
13-Sep	Ranklin Sol	Gopala Krishna Bonam	S	31,085	129.0
13-Sep	Raunaq Auto	Rajkarni Dua	B	42,271	24.4
13-Sep	SNL Bearings	Sainath Herbal Care Marketing	B	48,342	97.7
13-Sep	SNL Bearings	Sunil Pannalal Banthia	S	35,946	97.0
13-Sep	Steel Exchange	Pushkeswara Rao Vantipalli	S	293,780	48.0
13-Sep	Suave Hotels	Camphar Securities and Advisory	B	64,750	42.5
13-Sep	Suave Hotels	Sanjeevkumar Govindram Saraf	B	100,000	43.2
13-Sep	Suave Hotels	Polysol Ltd	S	88,372	41.7
13-Sep	Technocraft	Ganesh Kumar Gupta	S	244,981	69.5
13-Sep	Tribhuvan Hous	Rajesh C R Nair	S	300,000	24.8
13-Sep	Trishakti Elect	Nina Dilip Vakharia	S	15,856	27.4
13-Sep	Venus Ventures	Piyushkumar Bhailalbai Kamdar	B	27,139	10.6
13-Sep	Venus Ventures	Rajan Girija	B	200,000	10.8
13-Sep	Venus Ventures	I K Projects Private Limited	S	29,991	10.5
13-Sep	Venus Ventures	Vesta Solutions Private Limited	S	282,500	10.5
13-Sep	Venus Ventures	Vadlamudi Srikrishna	S	40,000	10.6
13-Sep	Visesh Info	Chandrakant B Shah	B	250,000	11.5
13-Sep	Visesh Info	Shweta Kishore Bhatia	S	250,000	11.5

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
Gainers				
ICICI Bank	1,050	2.2	8.7	3.5
HDFC Bank	2,245	3.0	7.9	1.3
SBI	2,984	3.0	7.8	3.2
Losers				
ITC	162	(1.2)	(3.5)	4.9
Tata Motors	1,015	(1.8)	(2.0)	2.4
Sterlite Ind	166	(0.9)	(0.8)	4.2

Source: Bloomberg

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