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**Poor results ahead.....**

**Opportunity to BUY**

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Nirmal Bang Research**

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## Three basic reasons for market correction

1. International Uncertainty
2. High Inflation in India
3. Lack of government action



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## International Uncertainty - Europe

### Greece

2 Year Bond Yield	60.05%
10 Year Bond Yield	21.55%
10 Year Bond Rate (Euro)	39.97
Debt to GDP	145%
Industrial Production	-2.80%
Unemployment Rate	16%
CPI	1.70%
GDP	-5.45%

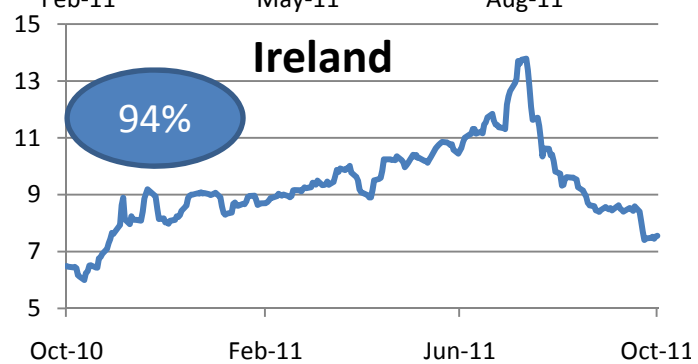
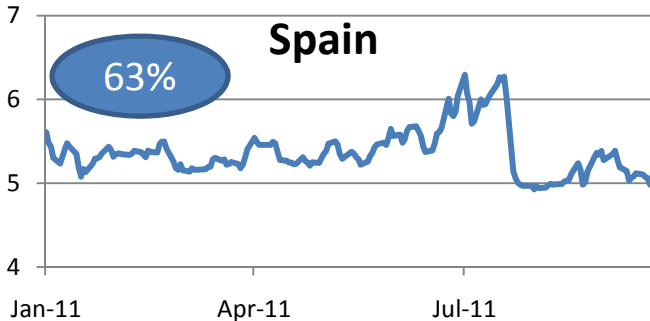
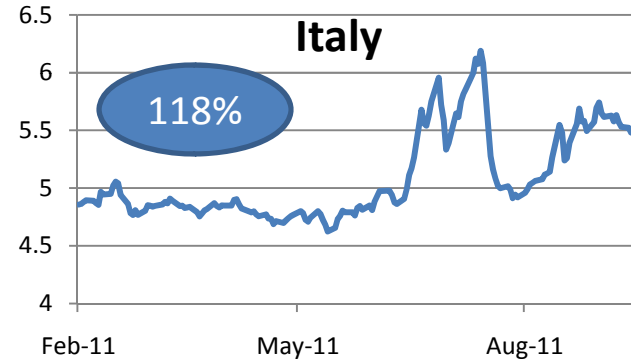
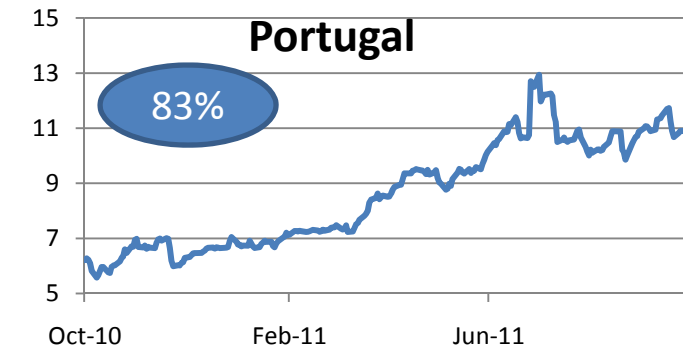
### 10 year Bond yield





## International Uncertainty - Europe

### 10 year Bond yield and Debt to GDP of other PIIGS



**Spain and Ireland 10 year bond yield suggest major improvement in debt condition and may not be target of contagious impact**



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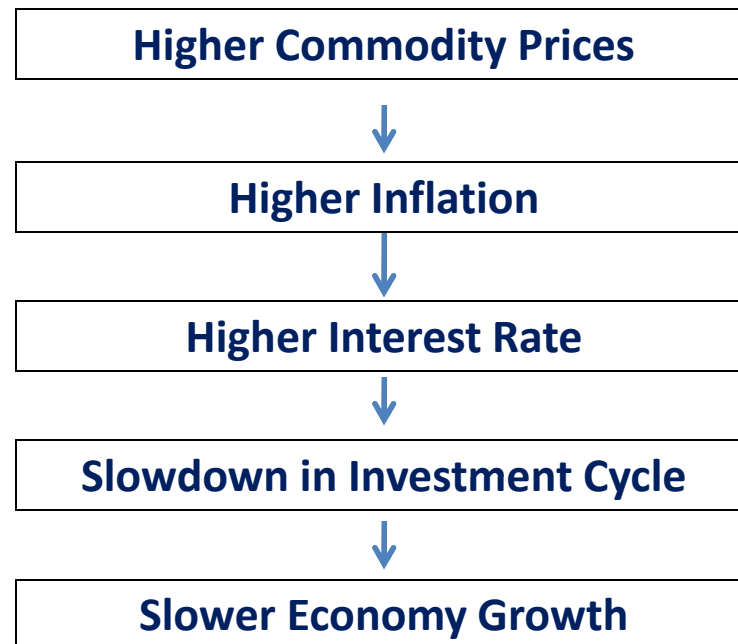
## **International Uncertainty – Europe**

- ❖ **European Union is planning to recapitalize European Banks**
- ❖ **Germany and France have issued a joint statement announcing that they are ready to recapitalize their banks and will present package by end of the month**
- ❖ **EFSF is under process of approval and talks are to further leverage or pre-pone implementation**



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## High Inflation in India

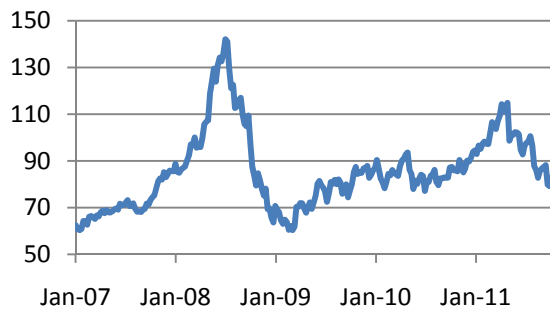




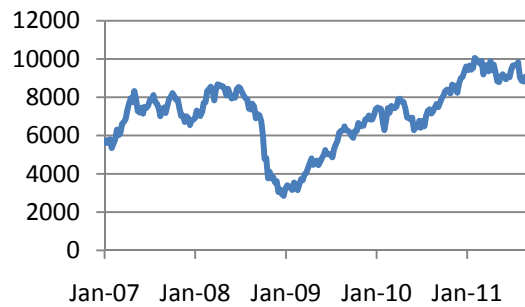
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## Inflation is likely to moderate – commodity prices already coming down

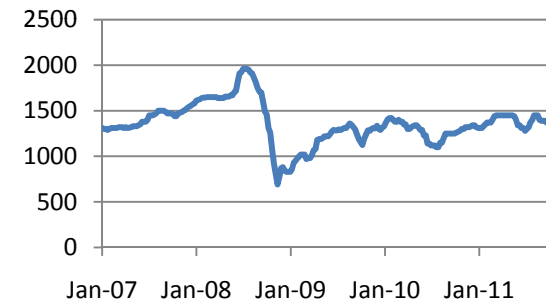
**Light Crude**



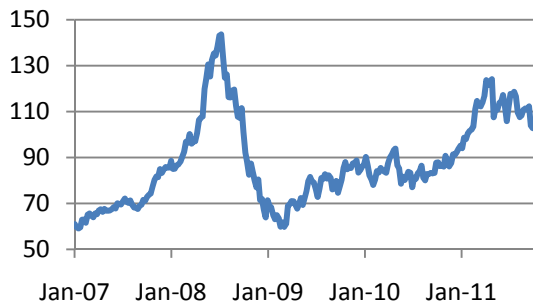
**Copper**



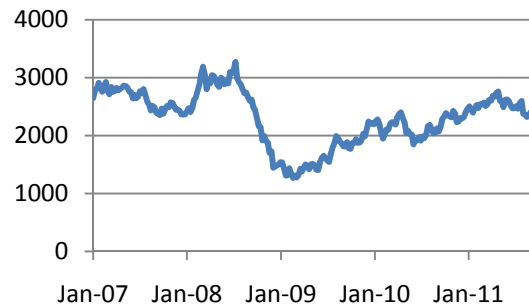
**HDPE**



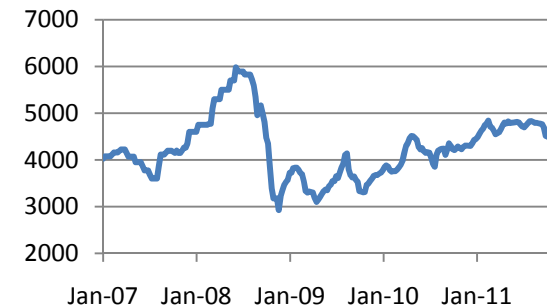
**Brent**



**Aluminum**



**China HRC**





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## Rupee Depreciation has partially negated the benefit of commodity price correction



	Variance from High	Net Decline
Light Crude	-28.0%	-16.2%
Brent	-14.7%	-3.2%
Copper	-26.7%	-15.2%
Ruppe/\$	11.5%	

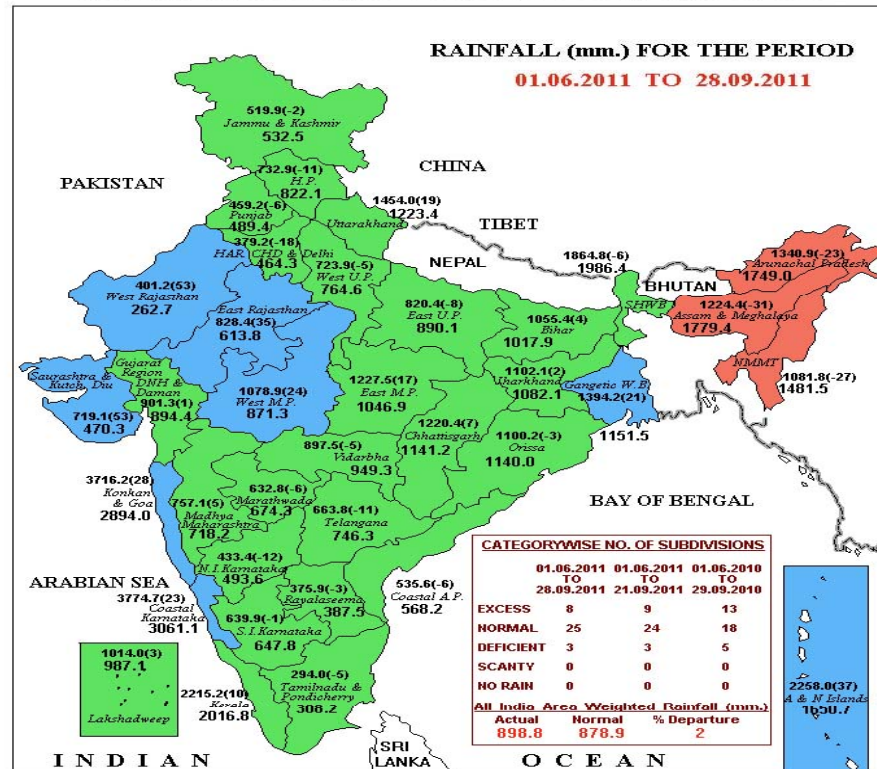
**With the improvement in supply from Libya the difference between Light Crude and Brent will reduce**



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**Inflation is likely to moderate – Monsoon 3% above normal and wide spread**

**भारत मौसम विज्ञान विभाग  
INDIA METEOROLOGICAL DEPARTMENT**



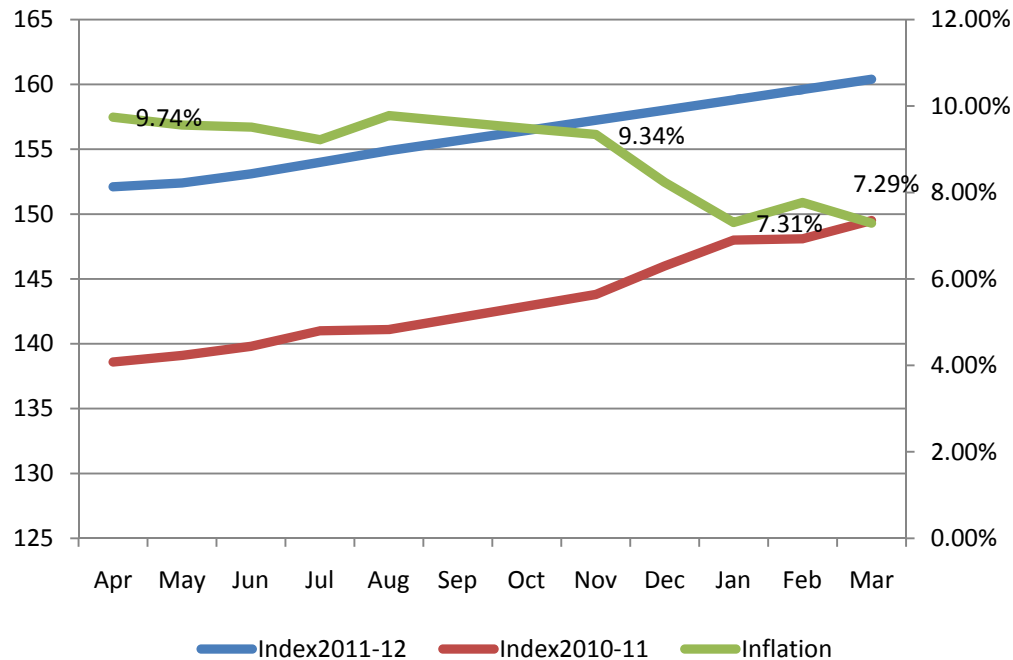
**LEGEND:** ■ EXCESS (+20% OR MORE) ■ NORMAL (+19% TO -19%) ■ DEFICIENT (-20% TO -59%)  
■ SCANTY (-60% TO -99%) ■ NO RAIN (-100%)  NO DATA

**NOTES:**

- [a] Rainfall figures are based on operational data.
- [b] Small figures indicate actual rainfall (mm.), while bold figures indicate Normal rainfall (mm.)  
Percentage Departures of Rainfall are shown in Brackets.



## Inflation is likely to moderate – Base effect

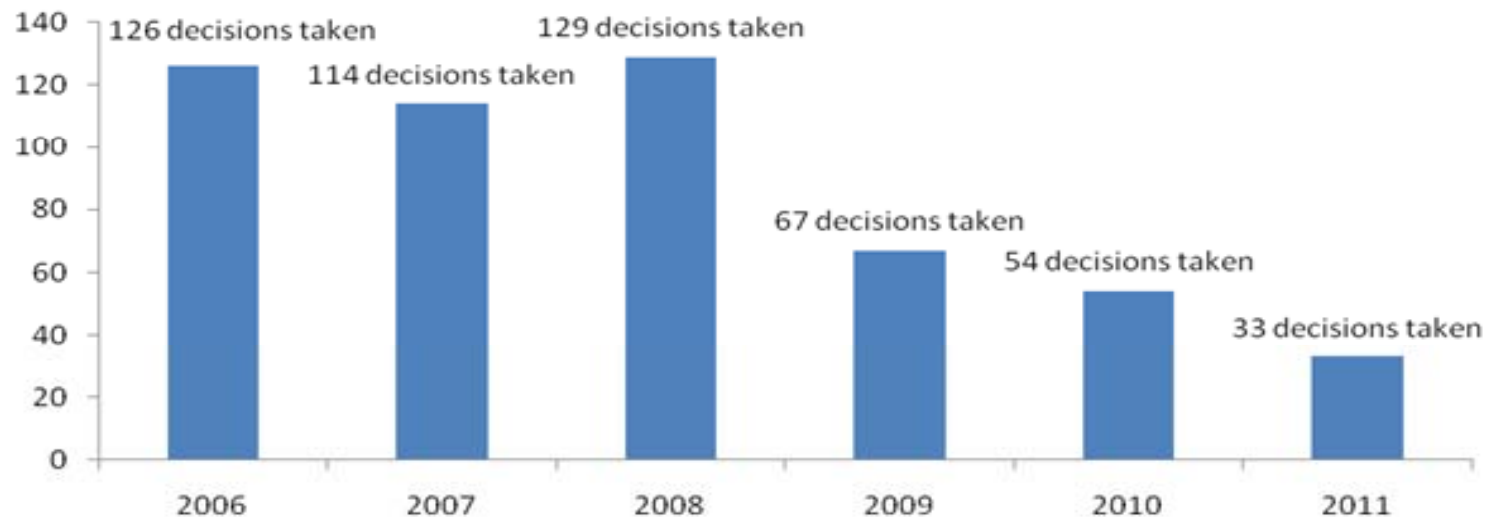


**Base effect and decline in commodity prices will lead to decline in Inflation from Dec**



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## Lack of government action

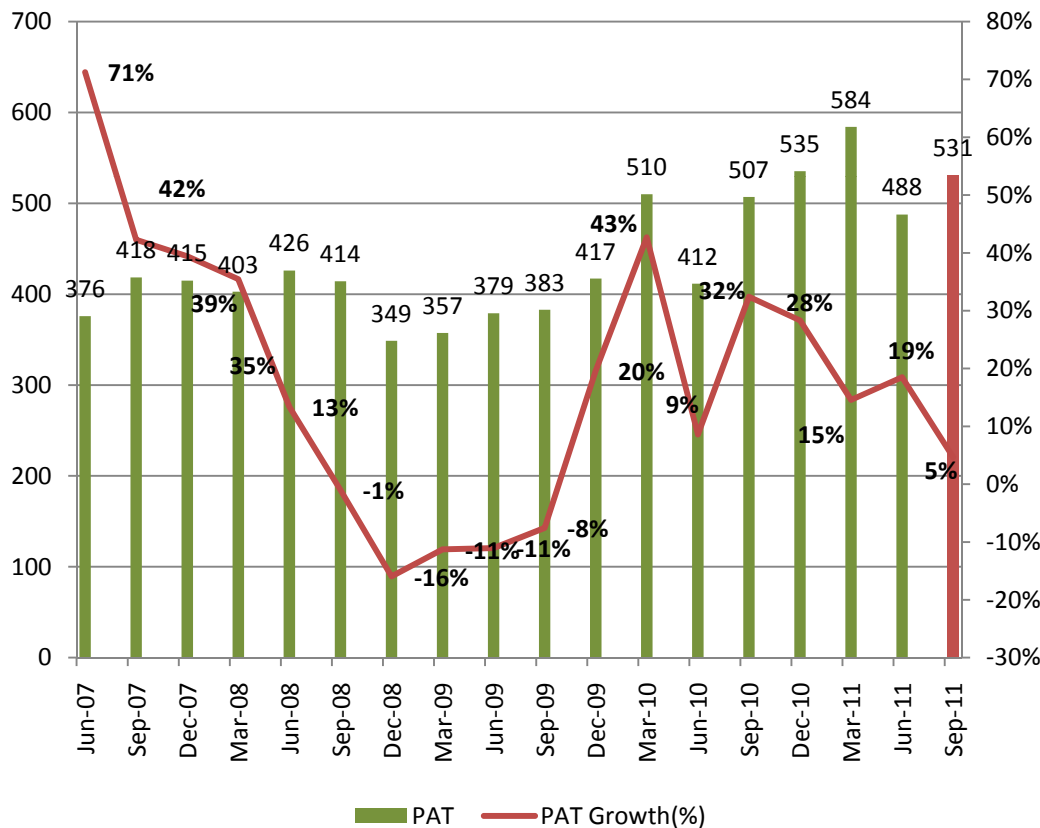


Cabinet approvals fell from 54 to 33 in the first six months of Current year  
Ministers passed 67 proposals in the first half of 2009 and 129 in 2008.  
Declining growth may force government to take faster decisions



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## Corporate Result are likely to be subdued in September quarter



Excluding Oil and Gas related companies, aggregate PAT of NIFTY companies are likely to fall by 3.4% QoQ

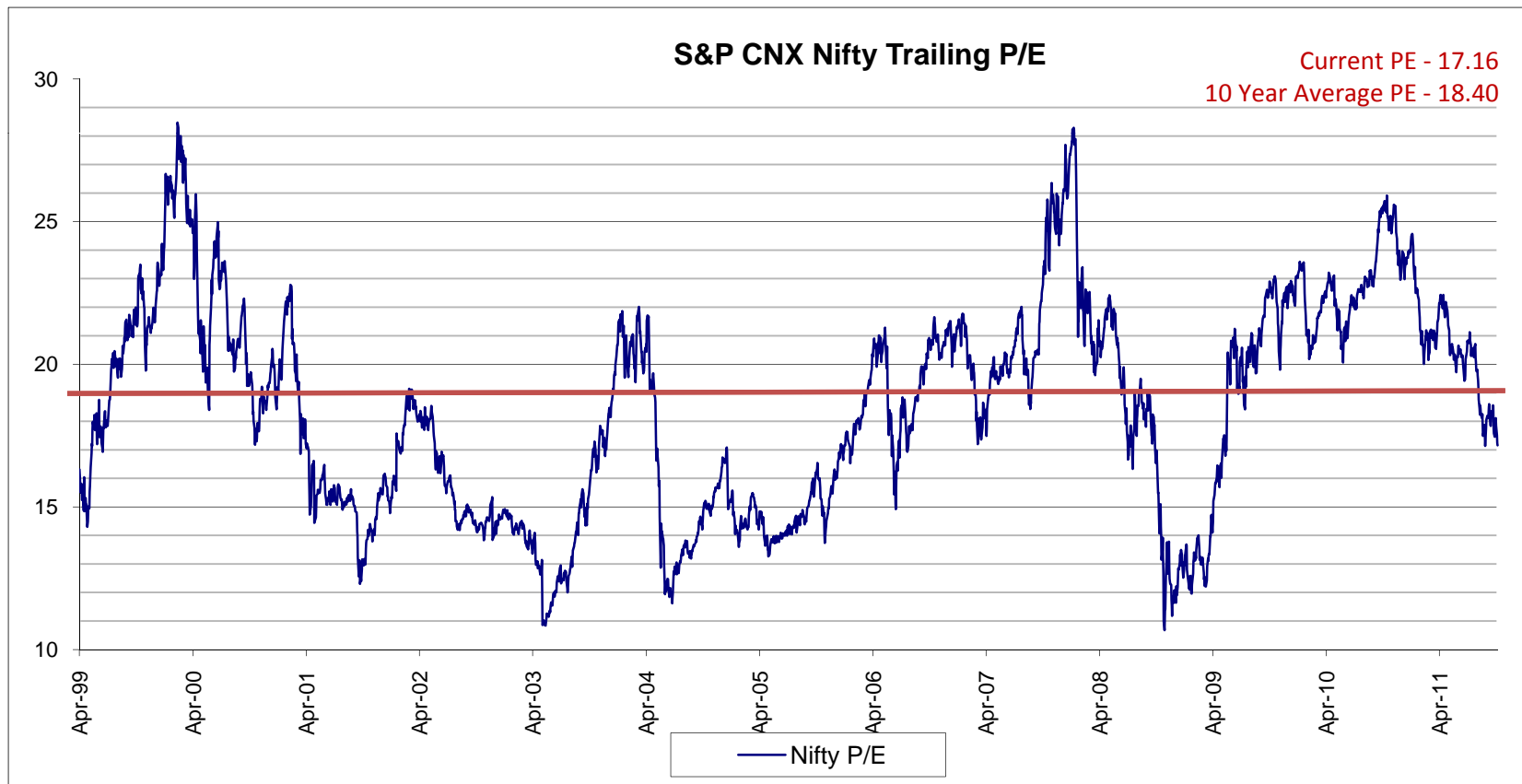
Apart from general slowdown, Sept quarter result will also be impacted by Rupee depreciation and inventory losses

Metal, Utility, Construction and Engineering companies will be impacted more.



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## Valuations below 12 years average





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## Last time you missed the opportunity

Company Name	28-Nov-08	5-Nov-10	x times
V I P Inds.	33	631	18.1
Aurobindo Pharma	22	261	10.8
Bajaj Fin.	74	814	10.0
Bajaj Auto	160	1610	9.0
Whirlpool India	32	304	8.6
eClerx Services	65	610	8.3
Tata Motors	27	249	8.1
Sterlite Tech.	9	84	7.9
IndusInd Bank	32	280	7.7
LIC Housing Fin.	33	274	7.4
Supreme Inds.	21	154	6.3
Central Bank	29	207	6.2
Coromandel Inter	46	331	6.2
Havells India	58	413	6.2



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## Conclusion

- ❖ **Any Solution of European crisis will surprise positively equity markets (can touch 5400-5500)**
- ❖ **Interest Rates are nearing peak – may start coming down**
- ❖ **September quarter results would be subdued**
- ❖ **In near term market may correct**
- ❖ **However valuations are below long term averages**
- ❖ **Gradually accumulate stocks on decline**



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## Stock Recommended

Company	Price
Bajaj Electrical	191
Yes Bank	262
Tecpro system	218
Torrent Pharma	549
Ajanta Pharma	300
Dhanuka Agritech	102
Redington	91
Dena Bank	74
Bajaj Finance	625
Development Credit Bank	40



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# THANK YOU

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