

Monthly Report – November 2010

ROAD AHEAD...

Market Outlook for October 2010:

The September quarter results are coming ahead of expectations. Up till now 34 companies in Nifty 50 stocks have declared result and the results are ahead by 3.5% against consensus estimates. Considering the result which have been declared and expectation on balance 16 companies the PAT for Nifty stocks is expected to increase by 23.6% Year on Year which looks quite encouraging. The same is getting reflected in the stock prices as market is trading near to 52 week high.

No of company declared result	35
Expected PAT (Rs.bn)	352.7
Actual PAT (Rs. bn)	365.1
Variance	3.5%
YoY increase	23.6%

Banking, Auto, Fertilizer, Textile, Pharma companies came-up with results ahead of market expectation whereas Cement, Engineering, Steel and Capital goods company's results were disappointing.

Another reason for recent run up in the market was expectation of further stimulus in the US economy. As expected Federal Reserve has resorted to quantitative easing to further stimulate US economy and planned to infuse over \$600bn in the economy. As this was expected by the market it has already run up before the event. As the stock prices have factored in the good result and the US Fed event is also over we feel market will see some correction in Nov. month.

Sectoral Overview

During the month of November 2010, we believe that the following sectors could outperform Sensex.

Banking: Most of the bank including both public and private has reported results ahead of market expectations in Q2FY11. This rally is led by banking stock and the result has also come ahead of expectations. We feel the rally in banking stock will continue in this month as well. IDBI bank, Canara bank, Dena bank, Syndicate bank and ICICI bank looks good for near term.

Fertilizer: We expect fertilizer sector to outperform in Nov month. After the strong monsoon all fertilizer companies reported strong Q2FY11 results which also absorbed the full benefit of the new fertilizer policy. Besides robust sales, companies also saw improvement in profitability which is expected to continue as the Rabi season is also looking good

Up Coming Reports

Apar is engaged in manufacturing specialty oils and power conductors including transformer oils. It is the second-largest manufacturer of conductors and the leading transformer oil manufacturer in India. It has huge list of clientele such as PGCIL, Reliance Power, ABB, EMCO, BHEL etc. Apar to benefit from huge capacity addition of 1,00,000 MW in power sector in next five- seven years. (CMP 242)

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FLASH BACK...

Market Analysis

As against the surge witnessed in September 2010, the markets remained volatile during October 2010 on the back of a mixed set of quarterly results. On 13th Oct, SENSEX hit a 33-month high as world stocks rose on growing expectations that the US Federal Reserve will take further measures to boost the slowing economic recovery. But this gain was wiped out in subsequent trading sessions due to the selling pressures on account of profit booking. While SENSEX had a marginal decline over the month, both Midcap index and Small Cap index outperformed the SENSEX and grew by 2.70% and 3.43% respectively during the month.

Index PE	29 -Oct	30- Sep	Year Low	Year High
SENSEX P/E	23.23	23.80	19.09	24.47
NIFTY P/E	24.71	25.46	19.81	25.91

International Markets

International markets broadly performed well in the month of October 2010 with most of the markets closing positive except Japan. The US stock market performed well on back of better macro-economic data. It witnessed inflow of positive data like ISM Index, Index of sectoral employment and the GDP number which was in line with the expectations. Though corporate earnings saw mediocre results but due to better macroeconomic data and expected stimulus by FED, both the benchmark index, Dow & Nasdaq closed up by 3.0% & 5.7% respectively.

Hang Seng surged by 4.5% on account of growth in Chinese manufacturing output and expected quantitative easing from Fed. Nikkei fell down by 3.12% due to drop in factory output and soaring Yen giving no signs of improvement in economic recovery of Japan.

World Markets	29-Oct	31-Sep	Var(%)
Dow	11118.5	10,788.1	3.1%
Nasdaq	2,505.9	2,368.6	5.8%
FTSE	5,647.1	5,548.6	1.8%
Nikkei	9,158.1	9,453.1	-3.1%
Hang Seng	23,366.8	22,358.2	4.5%
Straits Singapore	3,191.8	3,104.7	2.8%
South Korea	1,880.3	1,880.6	0.0%
Taiwan	8,343.5	8,242.8	1.2%
Mexico Bolsa	35,568.2	33,330.3	6.7%
Brasil Bovespa	70,322.4	69,429.8	1.3%

Fund Activity

FII's were net buyers for the month of Oct with Rs.14388 Crs. driving the markets. While the DII's continued to be net sellers for Oct month and sold stocks to the tune of Rs. (11813) Crs.

FII (BSE + NSE) (Rs in Crs)			
Month	BUY	SELL	NET
Jul-10	53449	45129	8321
Aug-10	59760	52499	7261
Sep-10	78498	54886	23612
Oct-10	77706	63318	14388
Total	269413	215831	53582
DII (BSE + NSE) (Rs in Crs)			
Month	BUY	SELL	NET
Jul-10	25349	31672	(6323)
Aug-10	26294	30808	(4514)
Sep-10	25011	37931	(12921)
Oct-10	28069	39882	(11813)
Total	104723	140293	(35570)

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Sector Analysis

Healthcare: Healthcare sector was the top gainer for the month of Oct. on back of stock specific movements. Dr Reddy, Cipla and Sun Pharma were major gainers in the index pulling the overall index higher. They together have 46% weightage in the HC index. Dr Reddy announced better than street expectation results lifting the stock up. Sun Pharma gained on back of Taro dispute settlement.

Oil and Gas: Reliance having largest weightage (58.87%) in the Oil and Gas index pulled the overall index up in the month of Oct. Reliance had not participated in the rally in the earlier months and remained under performer for a quite some time. The stock moved up on back of strong results and took the whole sector up with it.

Auto: Auto companies announced strong auto sales numbers for the month of Sept on back of festive season starting pushed the stocks higher in Oct. Also quarterly results announced by the companies in Oct were better than expectations which also provided the support to the prices.

BSE Index Watch	29-Oct	30-Sept	Var(%)
NIFTY	6,018	6,030	-0.2%
SENSEX	20,032	20,069	-0.2%
MIDCAP	8,303	8,084	2.7%
SMLCAP	10,598	10,246	3.4%
AUTO	9,910	9,528	4.0%
BANKEX	14,016	14,025	-0.1%
Capital Goods	15,819	15,995	-1.1%
FMCG	3,605	3,720	-3.1%
Health Care	6,433	5,996	7.3%
IT	5,993	5,947	0.8%
METAL	16,682	16,865	-1.1%
Oil & Gas	10,949	10,447	4.8%
Power	3,118	3,235	-3.6%
Realty	3,635	3,727	-2.5%

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BSE 500 Review

Gainers

ABG Shipyard

ABG shipyard gain 89.2% in month of October 2010 in expectation of govt. policy for subsidiary for shipyard.

Indian bulls Financials

Indiabull financial was 2nd most top gainer in month of Oct on account of strong set of results. Consolidated net profit jumped by 142% & total income increased by 45% on YoY basis.

Karuturi Global

It gained 46% last month. Company has successful closed the GDR issue

Uflex

Uflex increased due to strong results. Company has reported net profit of Rs 79.29 crore in the Q2 quarter, up as much as 328.36% over the net profit posted by it in the corresponding quarter last fiscal.

SREI Infra

It gained due to strong set of result. SREI Infra reported 194% jump in PAT (YoY) & 48% increase in sales. It also got included in F&O segment from November series.

Gainers	29-Oct	30-Sept	Var(%)
ABG Shipyard	454.45	240.15	89.24%
Indiabulls Fin.	220.65	142.25	55.11%
Karuturi Global	34.85	23.85	46.12%
Uflex	302.90	209.50	44.58%
SREI Infra. Fin.	132.25	91.90	43.91%

Losers

Koutons Retail

Koutons Retail started declining from the begging of October 2010 as the company failed to make interest payments on its huge Debt. The stock continued to fall during the month as the investors got skeptical whether Koutons will be able to repay its debt.

SKS Microfinance

SKS Microfinance lost 23.3% in October 2010 after the internal problems within the company was exposed during end of the month.

BL Kashyap

BL Kashyap declined 21.4% in October 2010.

Sterlite Tech

Sterlite Tech fell 16.4% after it announced weaker Q2 FY11 results and sceptic outlook in optical fibre segment.

Ahluwalia Constructions

Ahluwalia Contracts India Ltd declined 15% in October 2010 after a media report on October 17 stated that "CAG'S 1st PROBE SALVO: CONTRACTOR WAS PAID TWICE FOR THE SAME JOB". The report alleged that ACIL got paid twice for the same work by Central Public Works Department (CPWD).

Losers	29-Oct	30-Sept	Var(%)
Koutons Retail	100.90	172.70	-41.57%
SKS Microfinance	1021.10	1331.40	-23.31%
B.L.Kashyap	36.05	45.85	-21.37%
Sterlite Tech.	82.80	99.00	-16.36%
Ahluwalia Contr.	175.60	206.60	-15.00%

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Economic Activity for the month of October 2010

The Index of Six core industries having a combined weight of 26.7% in the IIP, registered a growth of 2.5% (provisional) in September 2010 compared to 4.3% registered in September 2009. During April- September 2010, the six core industries registered a growth of 4.0% as against 4.5% during the corresponding period of the previous year.

India's exports grew 27.6% during April-September to \$103.3 billion, while imports grew by 29.9% to \$166.5 billion. Trade deficit during H1 of 2010-11 stood at \$63.2 billion. India's overall public debt increased marginally by 2.8% to Rs 27.77 lakh crore in the first half of the current financial year. India's fiscal deficit stood at Rs 1.33 lakh crore in the first half of the current fiscal, or 35% of the budgeted Rs 3.81.

IMF raised its India growth forecast for 2010 to 9.70%, up from the July forecast of 9.40%, citing robust industrial output and strong macroeconomic indicators, but warned that global economic recovery remained fragile.

Net direct tax collections for the first half of the current fiscal recorded 19.09% growth to Rs.1,81,758 crore (Rs.1,52,625 crore).

The People's Bank of China raised benchmark rates by 25 basis points, taking one-year deposit rates to 2.50% and one-year lending rates to 5.56%. China's economy growth slowed to 9.6% in the third quarter and inflation accelerated to 3.6% in September, the fastest pace in almost two years, adding weight to calls for the engine of the global recovery to let its currency appreciate more rapidly. UK'S Chancellor George Osborne outlined massive £83-billion cuts across all government departments and spending, designed to reduce UK's massive deficit, the largest in Europe, in over four years. The World Bank buttressed the argument made by China and others that US policies are sending a wave of cash flowing into higher yielding emerging markets, undermining their export competitiveness and pumping up inflation and asset bubbles.

The Governing Council of the ECB decided to maintain the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility at 1.00%, 1.75% and 0.25% respectively. Japan won't weaken the yen to become more competitive with other countries in trade and any currency intervention would be aimed at restraining excessive moves, Vice Finance Minister Fumihiko Igarashi said. S&P restored its outlook on Britain's credit rating to "stable" from "negative" after warning in May last year that the nation's top AAA grade was at risk. US GDP expanded at a 2.0% annual rate as consumer spending rose at its fastest pace since 2006. In its October outlook report, the Bank of Japan cut its assessment of economic growth to 2.1% in the year through March 2011 and 1.8% the following year.

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Technical View

Road ahead Nov'2010

The Nov. series opened at 67,391 cr. as against 64,208 cr. last month, wherein the Nifty future was 17,940 cr. and Stock futures were 49,451 cr. The positive global sentiment and the FII liquidity have driven the Indian market to a new calendar high. Going forward from the current levels of Nifty @ 6,160 we see that Indian markets are technically well shaped from a medium to long term perspective but from a very short term view we believe that markets will consolidate further so as to create a base to head for a big rally. The trend is very strong and buying is seen mainly in the quality stocks which signify that the downtrend from current levels is limited to the extent of 5,910 and any sharp decline should be used as a buying opportunity.

The rally on the Index has been clearly of the Institution play and the retails have largely left-out as the broader indices have not shown great significant move. On the F&O front, the Nov. series is trading with heavy premiums stating that still lot of shots are there in the system to be covered.

The PCR is at 1.29 which also signifies that markets are not yet overbought or there is not much leveraged position seen and hence chances of market rallying further is very high. On the option series we are seeing huge addition on the 6,300 Call which indicates that the outlook continues to remain positive in the markets.

India's medium term outlook remains promising and from here on markets will continue to take cues from global markets and also keep a close track on the FIIs fund flows. The current trend is positive and major breakdown could be seen in the Nifty only below 5910, so any decline is a buying opportunity. Going forward chances are that nifty could hit 6,350.

For the Nov. series we believe that Nifty would consolidate further in the absence of any fresh triggers. One should continue to remain very stock specific and work with strict stop losses on all positions. Traders should look forward to buy into quality mid-cap stocks which are trading slightly above their support levels and with higher volumes. The 50-

Flashback Oct'2010

The Oct. series opened at 64,208 cr. as against 63,436 cr. last month, wherein the Nifty future was 21,711 cr. and Stock futures were 42,497 cr. The markets traded within a tight range amid high volatility throughout the month of October.

Technically correction was due in the markets after witnessing a spectacular rally of almost 15% from the low's 5,348 to the high's of 6,284. The Indian markets managed to hold its 50-DMA at 5,912 which continues to act as a strong support and major sell off could be seen only if Nifty slips below this level on closing basis.

The Indian markets corrected almost 6% after making a 33 month high of 6,284/20,854 on 14 Oct. The markets consolidated throughout the month of Oct. ahead of the quarterly earnings season. The undertone of the markets however remained very strong as lot of action was seen in the mid cap and the small cap stocks which were driving the momentum.

Bank stocks continued to outperform the markets while the Metal and reality counters continued to remain under pressure. The global indices however rallied decently like the Dow Jones rallied (2.97%), Nasdaq (5.95%), S&P 500 (3.5%), Hang Seng (3.19%), Shanghai Comp (10.8%). So technically speaking the global and Indian markets are currently looking positive and chances are that Indian markets could continue to head further in the medium term if the global markets continue to remain firm.

For the September month the FIIs have remained consistent buyers of Rs. 14,388 cr. and the domestic institutions were net sellers of Rs. 11,812 cr. The October series ended at 5,987 down by 42 points or 0.70%.

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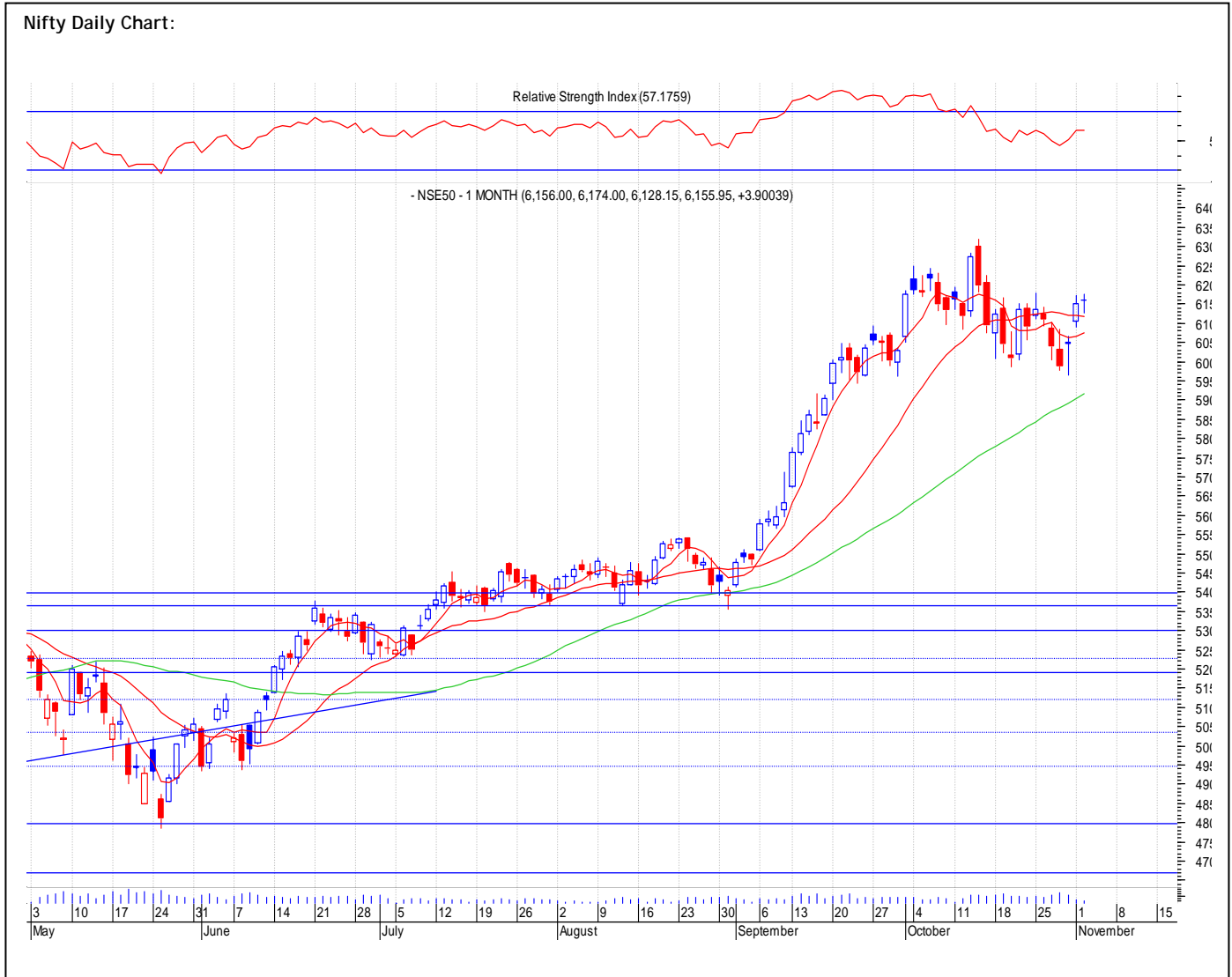
DMA (5,912) could act as an important support for the market

Nifty Daily Chart:

Stock Idea:

Stocks like Arvind, Cairn India, Chambal Fertiliser, IDFC, IFCI, MLL, Pipava Shipyard, Raymond, Uco Bank can be considered as a strong buy on corrective phase from an investment perspective.

As shown below on the daily chart nifty is well trading above all its short and long term moving averages and chances are that it could rally further up to 6,350 in the near term. Major fall seen only if trades below its 50 DMA at 5,912 till then markets continue to remain positive and any dip in the market can be considered as a good buying opportunity.

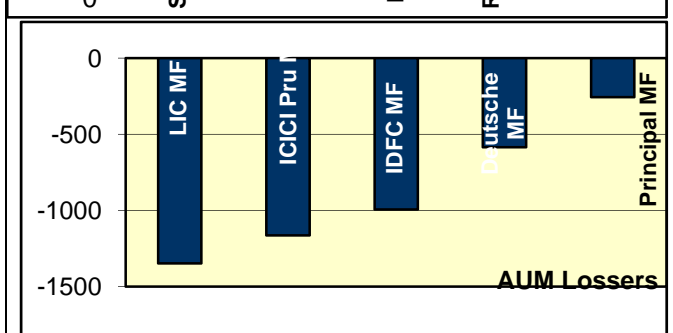
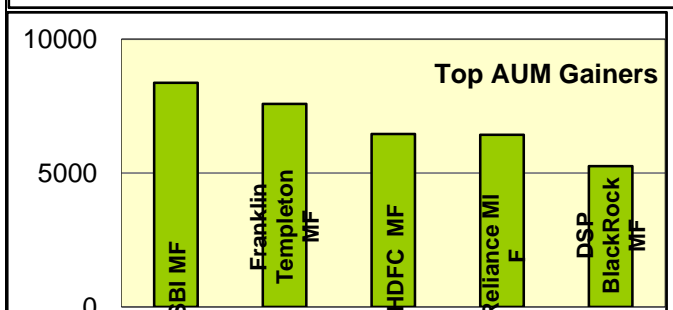
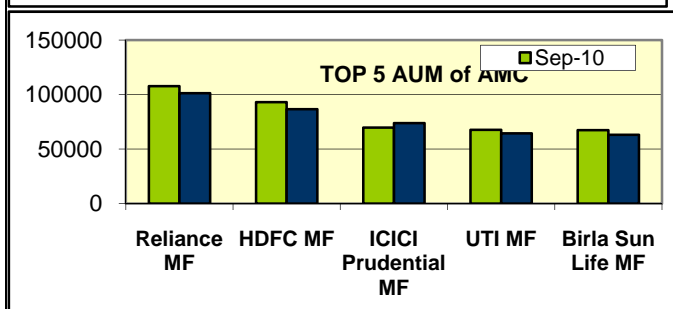
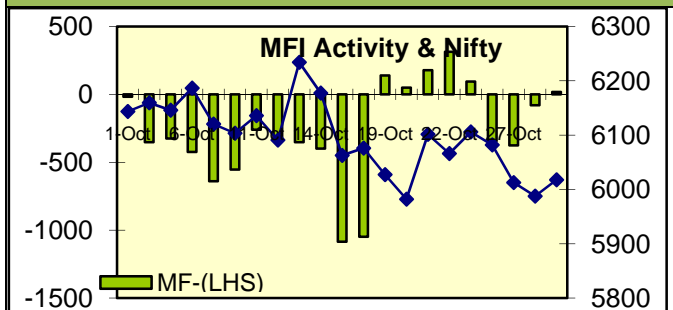




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Mutual Fund Overview



MFI Sum Up

During the June -Sept quarter Average Asset under Management (AAUM) has increased 5.53% to Rs.7.13 trillion. During month of October'10 Equity Market saw a net outflow of Rs.5800.80Cr. from MFI and a net inflow of Rs. 28562.80. from FIIs. The Debt market saw the FIIs net sale of Rs. 4260.5 Crs and net purchases of Rs.10977.7 Crs from MFI.

Top Performers across category :

Schemes	NAV*	1Yr Returns
DSP BlackRock Small & Midcap Fund - G	20.1790	63.9769
HDFC Prudence Fund - G	225.2400	43.2150
BNP Paribas Bond Fund - R - G	12.0646	8.8254
Reliance Banking Fund - G	123.2571	76.0587

Top Movers:

Schemes	NAV*	1 Month#
Birla Sun Life Commodity Eq Fund - GA - R - G	16.5890	8.3944
Reliance Banking Fund - G	123.2571	8.2268
Birla Sun Life Commodity Eq Fund - GMC - R - G	13.2451	6.7052
SBI Magnum Sector Umbrella - Pharma - G	45.0200	6.3297
Escorts High Yield Equity Plan - G	16.0499	5.7194

Laggards:

Schemes	NAV*	1 Month#
JM Telecom Sector Fund - G	8.3997	-6.1329
Sundaram Media & Entert Opp Fund - R - G	16.2126	-3.7022
Reliance Infrastructure Fund - R - G	11.9684	-2.9531
SBI PSU Fund - G	10.9000	-2.7654
Baroda Pioneer Infrastructure Fund - G	10.6300	-2.5665

New Fund Offerings:

Scheme Name	Close Date	Nature
IDFC Fixed Maturity Plan - Bi Sr 2 - G	04/11/2010	FMP
HDFC Fixed Maturity Plan - 370D - G	09/11/2010	FMP
ICICI Prudential FMP - Series 54 - 18 M- A - G	15/11/2010	FMP

Note: *As on 29th October 2010, # Absolute% (Point to Point)

Mr. Anish Arora

Head - Third Party Distribution 022 3027 4520/1/
7738380004

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Stocks under Coverage

Company	Recommendation	Target Price	Current Market Price
Auto			
Bajaj Auto Ltd	Hold	1596	1603
Maruti Suzuki Ltd	Hold	1303	1506
MM Forgings Ltd.	Hold	165	138
Steel Strips Wheels Ltd	Book Partial Profit	300	399
Banking			
ING Vysya Bank Ltd	Hold	500	422
Building Materials			
Astral Poly technik Ltd	Book Partial Profit	135	177
Engg & Construction			
Patel Engineering Ltd	Buy	575	370
Unity Infra projects Ltd	Hold	123	106
Elecon Engineering Ltd	Buy	121	93
UB Engineering Ltd	Book Partial Profit	230	200
FMCG			
ITC Ltd	Hold	148	177
IT & Telecom			
Polaris Software Ltd	Buy	230	168
Sasken Communication Ltd	Reduce	200	188
Take Solution Ltd	Buy	49	35
Infosys Technologies Ltd	Hold	3125	3077
Metals			
Adhunik Metal Ltd	Hold	129	107
Pennar Industries	Buy	74	49
IMFL	Buy	1040	773
Usha Martin Ltd	Book Partial Profit	119	85
Pharma			
Glenmark Pharmaceuticals Ltd	Hold	308	355
Vinati Organics Ltd	Buy	100	80
Cadila Health Care Ltd	BUY	790	720
Power			
Sterlite Technologies Ltd	Hold	121	83
Hospitality			
Royal Orchid Ltd	Hold	108	78

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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2 FOMC Meet	3 ADP Employment Report	4 Jobless Claim ECB Interest rate	5 Pending Home sales	6
7	8	9	10 MBA Purchase Application	11 EURO ZONE Unemployment data China IIP	12 EUROZONE GDP	13
14	15 Japan GDP BOJ Monetary policy	16	17	18 Jobless claim	19	20
21	22	23	24 Durables Goods FOMC Minutes	25	26	27
28	29	30 Japan IIP				

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NOTES

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