

CNI Publications

Editorial

GDP 8.8 % which was as per market expectation. We thought that it could come at 8.5% but for India the growth story is intact. Some selling did happen on Friday from operators which was also visible in their interviews but the buying was unabated from FII on Monday. Operators want to take Nifty to 5250 and hence we should be prepared for the same. Let them break it we should consolidate our positions. May be it is impossible for 99 out of 100 because they are already over leveraged. Instead of buying you are busy with trimming positions and selling even cash stocks at bottom prices there being no option.

Meanwhile many stocks have come in F and O the EPS grown and valuations too growth that need some adjustment and hence even at Rs 150000 crs I do not believe that we are overbought. We are just Rs 60000 crs whereas we ought to have been at Rs 90000 crs at least to show that there are good positions in the market.



The technical calls such as charts, astrology and bearish calls on valuation also fail to work. White collared analysts continue to give you buy in Hero Honda even after the news was broken out on value buying the stock has started drifting. It will now keep on drifting till Nov when finally HONDA will depart Hero Honda. NO company tells the public in advance, it is always a board's decision which need to be intimated to the stock exchange first then the press release has to be made. Ambuja had denied three times about Holcim deal finally it happened.

The valuations are absurd concept when it comes to liquidity. In Harshad's time we had seen PE ratio of over 100 and again even after it was know to market just 8 years after history repeated with KP and now again 10 years have passed and history is set to repeat third time. The issue is ownership. Just think why are TITAN BHEL SBI valuations are sustaining....? These stocks were accumulated from Rs 100 to 200 levels and still are under

Newsletter to make you wealthy

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Change of the week

	03 -Sept-10	Rise /Gain
Sensex	18211	223 
Nifty	5479	70 

Net Investments (Rs Crs)

	FII	DII
30-Aug-10	-32.80	68.71
31-Aug-10	272.70	-595.33
1-Sep-10	538.40	168.56
2-Sep-10	526.80	-118.28
3-Sep-10	147.90	-123.50
	1453.00	-73.22

Turnover (Rs Crs)

	FII	DII	Combined
3-Sep-10	147.90	68.71	216.61

28-Aug-10	Advances	Declines	Ratio
	1661.00	1246.00	1.33

strong control and cannot collapse unless some real bad news like what we have seen in Hero Honda comes in light. Do you know entire 2008 crash only 2 stocks were holding very strong Bharati and Hero Honda. Thanks to a vizard in broking community who was after this stock. He got first setback when Bharati collapsed and downgrades took Bharati to a low of Rs 255.

Dealers, traders and brokers decide the trend of the market based to their screen reading. Screen clearly says that there is no buying from FII for last couple of days and hence market is sliding and set for correction. There is no dispute with regard to their reading. But it is short term because if the buying starts at 2 PM, these theories do not stand. What is interesting to note in all these scenario is that FII damage the stock. We have seen this again with Maruti. Therefore you should pick stocks like BEML, Jindal SW Holding where the FII holding is very low. There are damagers.

Coming to liquidity, it is ample. Ownership is skewed. Hence FII are afraid to sell India though they say 18 K is expensive. They know 21000 and 26000 are set to happen and if they sell they will not be able to buy again.

We love when people say market is overvalued. At 8000 market had no clarity. Entire journey they did not get chance to buy with conviction. Rather kept on selling at every rise. See the FII holding came down from 20 to 16 pc retail from 10 to 8 LIC and banks rose from 4 to 6 promoters plus GOI down from 55 to 49 and operators up from 15 to 27. Now just understand who has cornered 12% holding in India Inc and at what price...? Take the total market capitalization of India Inc and see their stake. From minority they have reached at second best. If you exclude promoters and GOI then they are single largest. Now compare with FII stake. It is 27 Vs 16.

FII are still sitting on huge cash piles, DII are sitting on cash, India is the highest growing country, no fund can ignore India, China too is slowing in comparison to India, lower Indian base will help India grow faster than China. You talk of expensive markets yet you have no choice. US market straggled with cash liquidity over 3 trillion USD which can be seen in big acquisitions. Same is here. Realty is set to double in 3 years as GOI has opened fresh doors of inclusive growth. We can see big spurt in Rs 1 cr house segment post DTC and this is good for Indian Economy. Please ignore all stocks above 15 PE for the time being and you will notice that 70% companies are still between 5 to 10 PE which offers 100% return to you.

5 Top Gainers

Scrip	3-Sep-10	27-Aug-10	% Gain
BEML	1134.30	1006.90	12.65
Hind Copper	456.05	407.85	11.82
EIH Ltd	150.85	135.20	11.58
Chambal Fert	73.80	66.75	10.56
United SPR	1518.30	1379.95	10.03

5 Top Losers

Scrip	3-Sep-10	27-Aug-10	% Gain
Jet Airways	698.95	778.55	-10.22
Chennai Pet	239.95	250.70	-4.29
Hind Pet	510.55	532.50	-4.12
ZEE Ent	286.20	298.30	-4.06
Alstom Power	704.55	727.80	-3.19

Top 5 Picks by CNI 'A' Group

Company name
HCC
HDIL
IFCI
IDBI
Century

Top 5 Picks by CNI 'B' Group

Company name
Talwalkars
Finolex Industries
Mahindra Stayam
VLS Finance
Mirc Electronics

Global Story:

Funds calling.....

We interviewed 18 fund managers across the globe to find out whether India is expensive and if so why...? What is the liquidity situation...? Will they buy India or sell India...? Under what circumstances they will infuse more funds in India...?

Most of the fund managers echoed similar views. The consensus said India is expensive as it trades at 17 PE multiple and many other countries trade below that level. They have admitted that the liquidity is not a concern and withdrawal of funds is not their mind so long any major bank failure or system failure do not take place in US and Europe. They are churning portfolio ahead of DEC bonus, removing underperformers from their portfolio and including out performers. Their bonus hinges on the annual performance. This year the performance is robust due to sharp recovery in valuations and is a good case to remove under performers so that the assets do not reflect in losses on the bonus day. The steep healthy returns have provided an opportunity to adjust some of the losses of under performers. Few fund managers also agreed that they are changing the holdings within the schemes to adjust profits and losses only to remind us that funds are not different than our traders.

They will infuse more funds on more visibility of GDP and fiscal consolidation nos, aggressive reforms case and some brilliant individual stock performances.

When asked what will be the stand of funds if PE drops to level of 12 or around even though Sensex remains at 18000 due to re jiggging of Sensex from 30 scrips to more say 100 as 30 scrips do not represent Sensex un justified manner. They echoed thumps up. In fact, many confirmed that yes we are looking at stocks beyond Sensex as they are still attractively prices. Yet many said we have compulsion not to look beyond Sensex and the flow can become more vibrant if 30 is changed to 100 because 70 more companies will be available to us for additional investment and if these 70 companies are PSU stocks then for sure the half of GOI work is done through.

Fund managers do not go into deep to find out Sensex composition and generally stick to broader Sensex PE for taking call in the market. Sitting in US , UK, Singapore, Hong Kong they just want to know where is INDIA Taiwan, Korea Brazil and Russia.

There is consensus among on India growth story and with every rise in GDP nos money will flow in otherwise also but for sure till that time the call is stock specific.

Team Cni...

Next Week's Events

Monday 6st Sept 2010

Labor Day, All markets closed

Tuesday, 7st Sept 2010

4 – Week Bill Announcement
Treasury Strips

Wednesday, 8st Sept 2010

Bank Reserve Settlement
MBA Purchase Applications
ICSC Goldman Sales
Redbook

Thursday, 9st Sept 2010

International Trade
Jobless Claims
EIA Natural Gas Report
EIA Petroleum Report
Money Supply
Fed Balance Sheet

Friday 10st Sept 2010

Wholesale trade



Global Indices:

Country	Indices	Date	Price	Prev.Price	High	Low	Change
Brazil	Bovespa	3-Sep-10	66678.62	66808	67672.77	66541.1	-129.38
France	CAC 40	3-Sep-10	3672.2	3631.43	3706.48	3631.32	40.77
Germany	DAX	3-Sep-10	6134.62	6083.85	6177.15	6088.26	50.77
US	Dow Jones	3-Sep-10	10447.93	10320.1	10451.15	10321.84	127.83
UK	FTSE 100	3-Sep-10	5428.15	5371	5452.51	5371.04	57.15
Hong Kong	Hang Seng	3-Sep-10	20971.5	20868.92	21028.66	20860.89	102.58
Mexican	IPC	3-Sep-10	32592.87	32417.33	32871.37	32270.23	175.54
Indonesia	Jakarta	3-Sep-10	3164.28	3122.15	3164.36	3122.25	42.13
Malaysia	KLSE	3-Sep-10	1435.67	1441.07	1440.05	1431.67	-5.4
US	Nasdaq	3-Sep-10	2233.75	2200.01	2235.57	2213.56	33.74
Japan	Nikkei 225	3-Sep-10	9114.13	9062.84	9141.09	9050.83	51.29
India	Sensex	3-Sep-10	18221.43	18238.31	18316.32	18206.5	-16.88
South Korea	Seoul	3-Sep-10	1780.02	1775.73	1786.04	1774.95	4.29
Singapore	Straits Times	3-Sep-10	3002.56	2986.66	3002.56	2977.12	15.9
Switzerland	Swiss Market	3-Sep-10	6400.71	6333.6	6425.1	6334.91	67.11
Taiwan	Taiwan Weighted	3-Sep-10	7830.21	7720.82	7830.21	7770.93	109.39

Select Bulk Deals:

Deal Date	Scrip Code	Company	Client Name	Deal Type	Quantity	Price
40218	511607	Birla Shloka	MAN MOHAN DAMANI	B	400087	37.18
40218	511607	Birla Shloka	PARAM COMMODITIES PRIVATE LIMITED	S	162000	37.25
40218	511607	Birla Shloka	APURVA COMMODITIES PRIVATE LIMITED	S	228087	37.12
40218	532542	Crew Bos	PRIMUS REAL ESTATES PRIVATE LIMITED	B	75000	121.49
40218	532542	Crew Bos	SAHAR VYAPAR PRIVATE LIMITED	B	111078	118.88
40218	532542	Crew Bos	SAHAR VYAPAR PRIVATE LIMITED	S	111078	121.19
			GOLDEN GALE INC-(PROP. HEMANT SURESH LOKHNADE)			
40218	531270	Dazzel Conf	SURESH LOKHNADE)	B	80000	32.72
40218	531270	Dazzel Conf	RAMA DEVI BODHU	S	90000	32.64
40218	517477	Elnet Tech	SAR AUTO PRODUCTS LIMITED	B	57500	76.69
40218	517477	Elnet Tech	URVI SHREYAS VIRANI	B	24500	80.34
40187	531591	Bampsl Sec	KAUSHALYA GARG	S	1000000	1.2
40187	511607	Birla Shloka	DEVKANT SYNTHETICS INDIA PVT.	S	126858	35.16
40187	531270	Dazzel Conf	ICCM OVERSEAS LIMITED	B	31000	32.6
40187	531270	Dazzel Conf	RICHA AGARWAL	S	34100	32.46
			GOLDEN GALE INC-(PROP. HEMANT SURESH LOKHNADE)			
30/8/2010	531270	Dazzel Conf	SURESH LOKHNADE)	B	50000	34
30/8/2010	531270	Dazzel Conf	JAYSHREE SHANKAR BHOSLE	B	35000	34.33
30/8/2010	531270	Dazzel Conf	MANISH KUMAR	B	72000	34.25
30/8/2010	531270	Dazzel Conf	RAJESH NAVLANI	S	99494	34.21
30/8/2010	531270	Dazzel Conf	DISHA KASTURI	S	34700	34.2



Call Put Analysis:

Strike Price	Volume	Best Buy	Best Sell	LTP	Best Buy	Best Sell	LTP	OI	Change OI(%)
Sep-4000.00	62800	1.25	1.35	5479.4	0	0	0	1189300	-0.03
Sep-4100.00	47900	1.15	1.3	5479.4	0	0	0	155600	0.29
Sep-4200.00	2250	1.5	1.55	5479.4	0	0	0	584100	0
Sep-4300.00	11050	1.6	1.75	5479.4	0	0	0	823500	0.24
Sep-4400.00	2200	1.6	1.75	5479.4	0	0	0	660150	0.07
Sep-4500.00	7600	1.65	1.75	5479.4	0	0	0	669350	-0.1
Sep-4600.00	38750	1.85	2.05	5479.4	0	0	0	749400	-1.44
Sep-4700.00	273500	2.15	2.25	5479.4	0	0	0	814150	-4.42
Sep-4800.00	607650	2.55	2.7	5479.4	0	0	0	3070900	-6.82
Sep-4900.00	774100	3.1	3.25	5479.4	0	0	0	5828000	-2.03
Sep-5000.00	1403450	5	5.5	5479.4	0	0	0	6274700	1.86
Sep-5100.00	2826750	9.2	9.25	5479.4	0	0	0	8202900	11.18
Sep-5200.00	3943550	18.5	18.75	5479.4	0	0	0	8978800	-0.13
Sep-5300.00	5130550	33	33.75	5479.4	0	0	0	8047000	-1.18
Sep-5400.00	9536000	55	55.2	5479.4	0	0	0	11473050	2.42
Sep-5500.00	7945600	89.7	90.5	5479.4	0	0	0	6186750	9.74
Sep-5600.00	2342900	149	149.9	5479.4	0	0	0	1827450	47.6
Sep-5700.00	49200	225.85	228	5479.4	0	0	0	209950	-0.76
Sep-5800.00	3350	314.75	319.95	5479.4	0	0	0	113650	-0.31
Sep-5900.00	100	411.5	417.5	5479.4	0	0	0	35750	-0.28
Sep-6000.00	1850	511.5	517	5479.4	0	0	0	150700	0.74
Sep-6100.00	0	521.25	624	5479.4	0	0	0	12100	0
Sep-4000.00	50	0	0	0	1461.05	1475	5479.4	40900	0.12
Sep-4100.00	0	0	0	0	1363.05	1375	5479.4	1100	0
Sep-4200.00	0	0	0	0	1262.05	1276	5479.4	45150	0
Sep-4300.00	0	0	0	0	1166	1177	5479.4	41100	0
Sep-4400.00	150	0	0	0	1068	1076	5479.4	209750	0.05
Sep-4500.00	1200	0	0	0	965.05	977	5479.4	72500	1.12
Sep-4600.00	2300	0	0	0	870	883	5479.4	110300	-1.43
Sep-4700.00	0	0	0	0	771	777	5479.4	19500	0
Sep-4800.00	2600	0	0	0	672	677	5479.4	118250	-0.34
Sep-4900.00	200	0	0	0	571	579.95	5479.4	90150	-0.22
Sep-5000.00	5400	0	0	0	475.1	481	5479.4	394350	-0.6
Sep-5100.00	11550	0	0	0	380.05	384.85	5479.4	354100	-1.17
Sep-5200.00	86700	0	0	0	291	296.1	5479.4	507900	-10.64
Sep-5300.00	385200	0	0	0	207.6	208.6	5479.4	2100700	-5.12
Sep-5400.00	4324300	0	0	0	129.55	130	5479.4	5431300	-1.4
Sep-5500.00	10276900	0	0	0	67.4	67.5	5479.4	8778250	8.12
Sep-5600.00	7536000	0	0	0	28.75	28.95	5479.4	9898100	9.77
Sep-5700.00	3415950	0	0	0	9.65	9.9	5479.4	8662450	3.94
Sep-5800.00	1093350	0	0	0	3.95	4	5479.4	3886650	-3.04
Sep-5900.00	327150	0	0	0	2.1	2.15	5479.4	1111900	-3.99
Sep-6000.00	69850	0	0	0	1.5	1.6	5479.4	650800	0.05
Sep-6100.00	82200	0	0	0	1.1	1.15	5479.4	143300	-4.15

Forthcoming Board Meeting & Results:

5th Sept, 2010	
Company	Purpose
Tanla Sol	Dividend Results

6th Sept, 2010	
Company	Purpose
Gemini Comm	Dividend, Results
India Steel	Results
Titan Biotech	Dividend

Street Talk:

CNI newsletter was first to break the story of HONDA quitting Hero Honda. It was followed by ET Now, Economic times, Business Standard, Times of India and everybody claiming that they were first. CLSA now even issued report downgrading Hero Honda to under perform. Stock price corrected when Cni gave sell call at Rs 1925 and thereafter with every report there is no material impact on the price on the stock.

After Hero Honda, Cni is breaking another buzz in this news letter today. May be after some time media will start talking about it. Volkswagen is set to raise their stake in Suzuki Japan from 19.24% to 56% and Warren Buffet could drive this move. Suzuki is a key player in small car segment and it holds 54% stake in Maruti. Maruti stock has moved from Rs 1200 to 1295 recently and on this news breaking out in some time Maruti could be star performer on the street. In any case, the festive season ahead will bring more power to Maruti steering.

Yesterday CNBC flashed a buzz in SNL Bearing which was in active coverage of CNI Research Ltd. Even Tickerplant had similar news that Tata Bearing a subsidiary of Tisco could take over 68% stake of SNL Bearing from NRB Bearing. Tisco M D denied so also SNL Bearing management denied. There can not be smoke without fire. Sources close to the investment banker says that it is true that SNL plant is at jharkhand where co is facing major labour problems and NRB kind growth is not possible for SNL Bearing. Sources also says that NRB which acquired the plant from SKF Bearing has removed 100 odd workers through VRS last year yet is not picking up in volume growth and hence ideally could look out for selling the plant. NRB had taken over the co for Rs 17 crs in 2006, infused Rs 10 crs in the co and spent Rs 2 crs on VRS so far. In the AGM the MD of the company had told major shareholders that SNL will grow at 60 to 70% CAGR for next 5 years.

The current market cap of the co is Rs 30 crs. The entire bearing industry is doing extremely well and Tata Bearing which was in the news has 30 mn bearing capacity yet running short of capacities due to Tata Motor's growth. It is located at Jamshedpur and dealing with jharkhand labour should not be a big deal for Tata Bearing. Whether NRB sell SNL stake or not; SNL which is a subsidiary of NRB Bearing is going cheap at Rs 30 crs market cap due to low base. Auto ancillary is the sector for next 3 years.



Price Details

CMP* (Rs)	169.0
Target Price	282.0
Upside	69.0%
52 week H/L	169/44

Market Details

P/BVPS	1.61
EPS (TTM)	15.26
Current PE (X)	11.1
M Cap (Rs Mn)	2404.6
EV/EBITDA	8.68
Shares out (Mn)	14.23
Free Float (%)	25.1045.24
Volume (daily)	103k
Nifty*	5234
Sensex*	17,510

Stock Details

BSE Code	532716
BSE Group	B
NSE Code	GILLANDERS
ISIN Demat	INE047B01011
Reuters	GIAR.BO
Bloomberg	GILLA IN
Face Value	10
Listing	BSE & NSE
Industry	Diversified
	Medium/Small

- Yesterday Closing (Jan 14th, 2010)

Gillanders Arbuthnot & Company Ltd

Rec: Buy, Upside: 67.0%

Investment Rationale

Stunning H1FY10 Result: First half sales increased by 20% to Rs 256.5 Crs from Rs 214.3 Crs and PAT increased by 38% to Rs 18.7 Crs from Rs 13.54 Crs.

EBITDA & EBIT: First half EBITDA and EBIT increased by 52% and 43% respectively. First half EBITDA is Rs 39 Crs from Rs 25.5 Crs and EBIT is Rs 28.1 Crs from 19.7 Crs..

Robust Margin: First half EBITDA margin increased by 322 bps, EBIT margin increased by 178 bps and PAT margin increased 97 bps.

EPS: First half EPS is increased by 36.6% to Rs 13.1 from Rs 9.6 and annualized EPS is Rs 26.3.

H1FY10 financial Highlight

Type	H1FY09	H1FY10	Var (%)
Net Sales	214.32	256.45	19.66
EBITDA	25.51	38.77	51.98
EBIT	19.68	28.12	42.89
PAT	13.54	18.69	38.04
EPS (Rs, Current)	9.62	13.14	36.59
EBITDAM (%)	11.90	15.12	27.06
EBITM (%)	9.18	10.97	19.41
PATM (%)	6.32	7.29	15.36

Q2FY10 Financial Highlight

Year	Q2FY09	Q2FY10	Var (%)
Net Sales	118.63	146.32	23.34
EBITDA	16.31	24.25	48.68
EBIT	13.22	18.91	43.04
PAT	10.02	14.51	44.81
EPS (Rs)	7.12	10.20	43.26
EBITDM (%)	13.75	16.57	20.51
EBITM (%)	11.14	12.92	15.97
PATM (%)	8.45	9.92	17.40

Net Sales Increased by 23.3% to Rs 146.3 Crs from 118.6 Crs and PAT increased 45% to Rs 14.51 Crs from Rs 10 Crs. Quarterly EPS is Rs 10.20. Company has shown a robust margin. EBITDA Margin increased by 282 bps, EBIT increased PAT

Margin increased by 147 bps.



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