

### **BUY** Nagarjuna Construction Company **CMP Rs153**

#### **Diversified order backlog translates to 21% revenue growth**

NCC's current order backlog of Rs139bn, 3.3x FY09 revenues, provides strong earnings visibility. The company has presence across 9 verticals of infrastructure space which reduces the risk of dependence on any particular sector. 22% of the order book is from the international market, thus diversifying its geographical risk. With increasing infrastructure spend in the country and the Middle East region; we expect its order backlog to grow by 9% CAGR over FY09-11E. Strong execution of the orders should translate into 21% revenue CAGR over FY09-11E.

#### **Highly leveraged BOT investments to start pay off**

NCC has one of the largest BOT portfolios in the industry comprising 5 BOT road projects, 3 power projects, 2 Greenfield airports and 1 port project. We have valued the BOT road projects on DCF based valuation method and arrive at Rs16.9 per share value, the power projects are valued on P/Bv basis and arrived at Rs3.6 per share value. Airport and port projects are at initial stages of development, so we have not assigned any value to the projects.

#### **Rs4.72bn cash flow will improve balance sheet position**

NCC raised Rs3.6bn through QIP route and has received approval for the sale of 9.5% stake in Gautami Power to GVK power for a total consideration of Rs1.126bn. These cash flows are likely to be deployed for retiring the working capital debt and also fund its new BOT projects.

#### **Diversified play, Initiate with BUY**

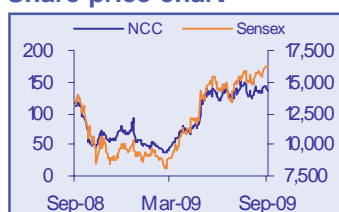
NCC's Rs139bn order book provides strong revenue visibility for the next three years. We believe with expanding margins and lower interest expenses will translate into 34% earnings CAGR over FY09-11. NCC will also benefit from the commissioning of its BOT projects. We initiate coverage with a BUY rating and target price of Rs167/share.

### Financials

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	34,729	41,514	49,115	60,121
yoy growth (%)	21	19.5	18.3	22.4
Operating profit	3,598	3,737	4,666	5,712
OPM (%)	10.4	9	9.5	9.5
Reported PAT	1,641	1,539	2,667	2,773
yoy growth (%)	8	(6.2)	73.3	4
EPS (Rs)	7.2	6.7	8	10.8
P/E (x)	21.4	23.0	19.3	14.3

Source: Company, India Infoline Research

#### Share price chart



Source: Company, India Infoline Research

#### Shareholding pattern

Jun-09	(%)
Promoter	67.3
FII & MF	18.6
Non promoter corp hold	2.8
Public & others	11.3

### **SELL** Ultratech Cement Ltd **CMP Rs783**

#### **Faces pricing pressure in key markets**

Cement players have enjoyed a strong pricing environment (with 10-30% hike in some regions) over the past six months. Acceleration in government related construction projects and rural housing demand were the key drivers of this robust phase. However, we believe the current cyclical upturn in prices is on its last legs as a medium term supply glut looms. Our dealer checks indicates prices have corrected by ~3-10% (Rs5-20 per bag) in most parts of Southern and Western India in the second half of Aug' 09. Dealers in North, Eastern and Central India also alluded to price cuts.

#### **Ultratech FY11 revenues to decline 3-5%**

With the commissioning of 4.9mtpa capacity in Q1 FY10, the Southern region now accounts for 35% of Ultratech's capacity. Lower capacity utilization (88% in FY11 versus 95% in FY09) would limit volume growth to about 1% next year. Also, prices in South are likely to decline much more than our earlier expectation of 5-10%. A combination of muted volume growth and lower prices would lead to revenue decline of ~3-5% yoy in the next fiscal. We have factored in up to 6% fall in FY11 realization.

#### **Margin to decline ~410bps over FY09-11**

Over the FY09-11 period, we expect margin decline of ~410bps on account of lower cement realizations. We incorporate a 5-10% hike in coal prices next year based on expected price hike by Coal India. On the other hand, higher captive power utilization would partly negate an increase in fuel cost.

#### **Valuations appear expensive; SELL**

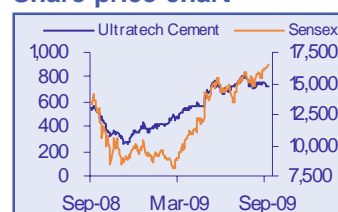
Ultratech compounded earnings are estimated to decline 11.3% over FY09-11, on margin squeeze and revenue degrowth. The stock appears expensive at 12.4x FY11 earnings considering the pricing pressure in key markets and lower capacity utilization. We downgrade Ultratech to SELL with a target price of Rs640.

### Financials

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	56,368	65,720	72,316	69,136
yoy growth (%)	13.4	16.6	10	(4.4)
Operating profit	17,366	17,185	20,953	15,223
OPM (%)	30.8	26.1	29	22
Reported PAT	10,101	9,819	11,220	7,728
yoy growth (%)	28.7	(2.8)	14.3	(31.1)
EPS (Rs)	80.7	77.5	88.4	60.9
P/E (x)	9.7	10.1	8.8	12.8

Source: Company, India Infoline Research

#### Share price chart



Source: Company, India Infoline Research

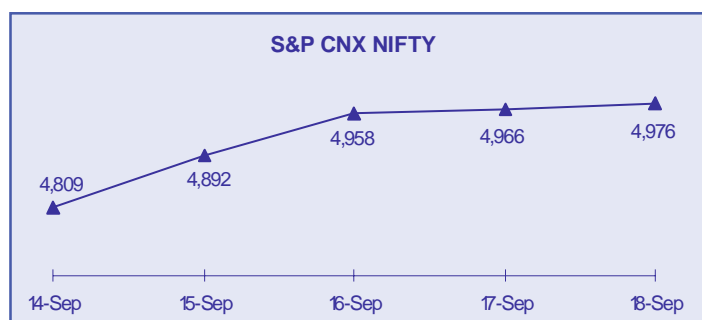
#### Shareholding pattern

Jun-09	(%)
Promoter	54.8
FII & MF	11.2
Non promoter corp hold	17.6
Public & others	16.4

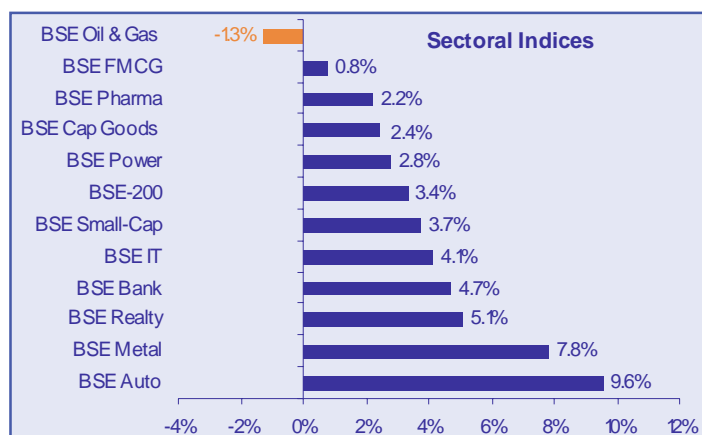
# India Infoline Weekly Wrap

## Market review

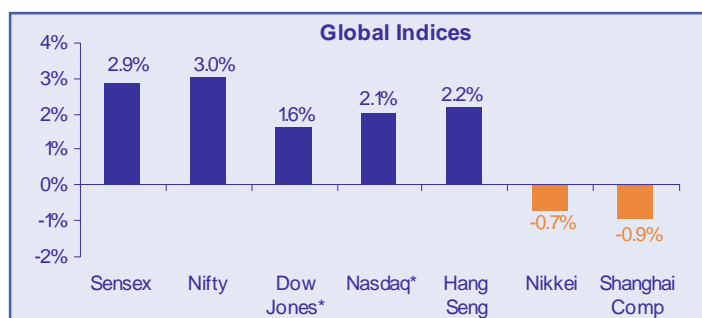
Recent reports on tax collections and exports led to a belief of a positive surprise on the economic front. Positive global cues and constant buying by the FIIs also lifted the sentiments on Dalal Street. Finally, the BSE benchmark Sensex added 2.9% and NSE Nifty added 3%, to close at 52-week high.



Auto stocks outperformed the key indices on anticipation of a pick up in demand during the festive season. Metal stocks advanced on the bourses mostly buoyed by firm trend in base metal prices on expectations of increase in demand after better-than-expected US economic data. Realty, banking and IT stocks also attracted buying interest.



US markets touched their 2009 high after a stronger-than-expected retail sales report and comments from Fed chairman Ben Bernanke helped bolster optimism that the worst is behind. Meanwhile, in Asia, Shanghai index closed lower led by steel stocks, as a slew of upcoming new share issues sparked profit-booking.



\*As per previous close

## FII & MF activity

(Rs cr)

Date	FII	MF
	Net Investment	Net Investment
10-Sep	575	(343)
11-Sep	331	(432)
12-Sep	262	(197)
15-Sep	886	98
16-Sep	1,174	10
<b>Total 2009</b>	<b>45,356</b>	<b>4,703</b>

## BSE Sensex & BSE 200 Top Five Gainers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
SBI	2,148	11.8	Bharat Forge	287	34.7
Hindalco	138	11.1	Orchid Chem	163	31.1
Tata Steel	518	10.4	Spicejet	34	30.8
ACC	845	9.3	Raymond	226	23.6
Tata Motors	600	9.0	Procter & Gamble	1,422	18.4

## BSE Sensex & BSE 200 Top Five Losers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
RIL	2,099	(2.0)	GVK Power	46	(7.6)
ONGC	1,161	(1.3)	Bosch Ltd	4,029	(5.3)
-	-	-	Indiabulls Fin	187	(4.8)
-	-	-	Apollo Hosp	550	(4.7)
-	-	-	Jubilant Org	241	(2.9)

## Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
14-Sep	Reliance MF	Sundaram Fas.	B	5.7	305
14-Sep	Emerging Cap.	Tricom India	S	4.0	17
16-Sep	Videocon Ind	Great Offshore	S	2.2	557
-	-	-	-	-	-
-	-	-	-	-	-

## Book closures and record dates

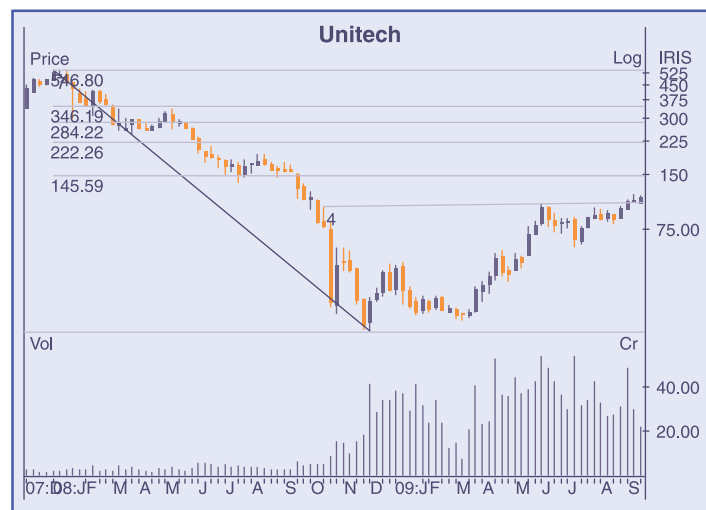
Company	Date	Purpose
Opto Circuit	23-Sep-09	Dividend & AGM
-	-	-

# India Infoline Weekly Wrap

## Technical ideas

**Unitech**

**BUY**  
CMP Rs112



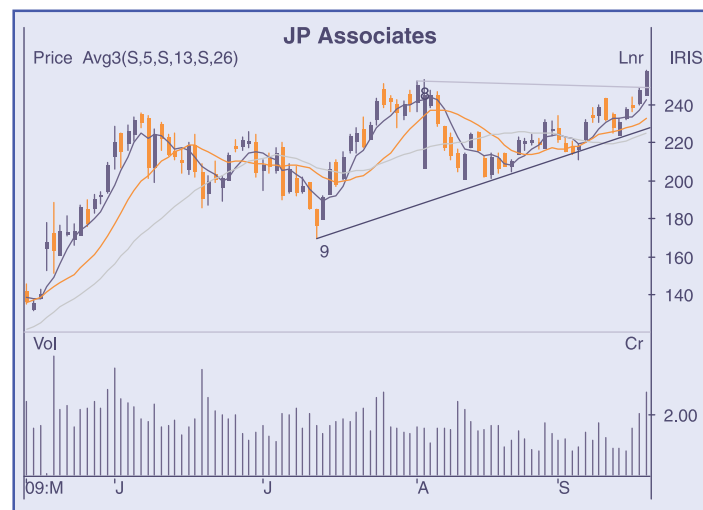
The weekly chart of the Unitech suggests that it has broken out from an 11-month high. The pattern is depicting a trend of a 'Cup and Handle' formation. It is bullish pattern that shows a brief consolidation period to be followed by a breakout. The period from the second week of August 2008 to the first week of June 2009 resembles the formation of a Cup.

We believe the breakout from (the Handle's trading) will result into continuation of the bullish trend. As shown above in the chart, once the stock stabilizes above the levels of Rs110, it could attempt Rs145, i.e 23.6% retracement from the peak of Rs546 to a low of Rs22.

We recommend traders to accumulate the stock in the range of 107-115 with a SL of Rs102 for target of Rs138, 144 in the medium term.

**JP Associates**

**BUY**  
CMP Rs257



The stock has broken out from an ascending triangle formation. It is considered a bullish formation and is most reliable when accompanied by strong volumes.

In the above chart, the top part of the triangle appears flat, while the bottom part of the triangle has an upward slant. This week, the stock broke out from the horizontal trendline, which had been preventing the price from heading higher with impressive volumes.

Moreover, on the daily chart, the stock has formed a Bullish Candlestick suggesting upside from the current levels. The daily RSI is already in strong buy mode. The stock has closed above all its key daily moving averages.

Keeping in mind the above-mentioned evidences, we recommend high risk traders to buy the stock between the range of Rs250-261 with a stop loss of Rs242 for a target of Rs280 and Rs285.

### Positive open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
Bharat Ele.	1.0	193.6	0.2
Mphasis	1.7	169.9	17.9
Ispat Ind	2.8	159.4	777.4
Divis Lab	1.8	159.0	15.3
IFCI	0.2	138.0	539.5

### Negative open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
Patni	(3.2)	336.0	10.9
Jindal Saw	(1.2)	262.8	18.9
BRFL	(0.1)	233.2	11.7
Alstom Project	(0.4)	220.4	4.5
UCO Bank	(1.6)	214.4	10.3

### Technically strong

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
India Cements	135	129	85.6	26.3
IDFC	146	143	159.0	120.1
Rolta	177	173	50.4	35.8
Reliance Cap.	930	910	59.9	46.5
Punj Lloyd	273	264	85.7	56.6

### Technically weak

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Financial Tech	1,382	1,420	1.0	1.7
Gateway Dist.	112	115	0.9	5.3
Kirloskar Bro	222	225	0.2	0.5
Marico	87	88	2.7	8.2
Sun Pharma	1,197	1,216	4.4	1.5

# India Infoline Weekly Wrap

## Mutual fund round-up

### India Infoline picks

Mutual Funds	Assets (Rs Cr)	NAV (Rs)	Absolute return (%) as on September 17, 2009							
			1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
DSP-BR Top 100 Equity - RP (G)	1,814	83.8	3.1	9.2	16.9	70.6	31.5	21.5	68.5	274.8
Birla SL Tax Relief '96 (D)	896	80.7	4.0	7.5	17.7	96.8	26.4	(13.1)	25.9	146.4
HDFC Top 200 Fund (G)	4,756	166.6	3.3	10.2	19.9	94.6	37.2	28.2	68.0	295.6
ICICI Pru Dynamic Plan (G)	1,645	81.5	1.4	8.9	19.6	73.5	22.6	12.0	48.5	307.0
Reliance Monthly Income Plan (G)	398	19.0	1.3	3.3	6.8	21.7	30.6	34.9	44.3	85.4

### Fund this week: Reliance Monthly Income Plan

Fund snapshot		Asset allocation (%)	
Fund Manager	A Tripathy, Ashwani Kumar	Equity	15.0
Latest NAV	Rs19.0	Debt	67.0
NAV 52 high/low	Rs19/14	Cash/call	18.0
Latest AUM	Rs398	<b>Top 5 holdings (%)</b>	
Type	Open-ended	Government securities	31.0
Class	Hybrid: Monthly Income	Tata Motors Ltd	15.1
Options	Growth & dividend	HDFC Ltd	12.5
Min investment	Rs10,000	Indian Oil Corporation Ltd	6.2
Entry load	Nil	IDBI Ltd	5.0
Exit load	1% <1 year	<b>Top 3 sectors (%)</b>	
Benchmark	Crisil MIP Blended	Government securities	31.0
No. of stocks	23	Banks	17.9
Expense ratio	2.0%	Auto & Auto ancillaries	15.1

### NFO update

Fund Name	Close	Type	Class
ICICI Pru FMP - Sr 49-3Y-A	22-Sep	CE	Debt - FMP
IDFC FMP 15M Sr 3	23-Sep	CE	Debt - FMP
Mirae Asset China Advantage	09-Oct	OE	Hybrid

### Dividend update

Mutual Fund	Dividend %	Record date	Class
SBI Debt Fund Series 13M 8	100.0	21-Sep	Debt - FMP
HDFC Quarterly Interval-A	100.0	22-Sep	Debt - Invnt
Kotak Q Interval Series 2	100.0	22-Sep	Debt - Invnt

## Commodity, debt and currency graphs



\* As per previous close

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