NDA

NDA Securities Ltd

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Ideas 2 Wealth

Monthly Investment Intelligence

October 2011

Editor's Desk

Whether high interest rate is curbing inflation or it is just acting as a growth killer?

The RBI raised interest rates on Tuesday for the **13th time since early 2010 but signaled to hold off on further increases** as it expects high inflation to ease beginning in December. It also revised down its growth forecast for the FY12 to 7.6 % from 8 %.

Inflation has remained above 9% almost on a secular basis for more than a year now. However various sections, including economists from banks and brokerages, as well as corporates have made representations to the RBI to pause on raising its key policy rates amidst concerns over a slowdown in the global economy with a possible spillover on the domestic economy. **There are already signs of slow down in the economy.** Factory output grew 4.1% from a year earlier in August, a tad quicker than July's 3.8% increase but slower than the 5.0% median forecast in a poll of 13 economists.

Despite continued policy tightening, inflation in India remains sticky, with the headline WPI up 9.7% annually through Sept, its 10th straight month above 9% and highest among the BRIC nations.

Food inflation has accelerated to a six-month high to 11.5% for the week ended Oct 15 from 10.6% in the previous week. While tighter money supply has impacted growth, the rate of price rise has remained stubbornly high.

The **RBI has to balance anchoring of inflationary expectations with growth side risks.**

Market Commentary

After 3 months of correction, **the Indian markets bounced back smartly in Oct 2011 to end the month with robust gains.** The Sensex & Nifty **surged 10.2% & 10.5%** respectively. On global front, sentiments got bolstered after the European policy makers approved a three-pronged agreement which will help in easing Greece's debt burden and strengthen banks and the European bailout fund. **Indications from RBI about the end of monetary tightening cycle along with global cues uplifted investor mood**.

The first week turned out to be a somber week with the benchmark **indices loosing 1% each** in a holiday-shortened week. If it wasn't for Friday's strong rally, the losses could have been deeper. However, a series of downgrades by Moody's, including that of Italy and lack of consensus among eurozone members served as reminders that the worst is still not over for global markets.

The benchmark indices **skyrocketed by over 5%** in the second week as encouraging developments from global front as well as slight moderation in domestic inflation numbers augured well for the markets. Disappointing IIP and inflation reports were more than offset by positive news from **Infosys, which announced the better than expected 2QFY12 earnings numbers** and boosted overall market sentiments.

Lingering European woes drag Indian benchmarks by over 1.5% for the week ended 21 Oct. Sentiments got spooked after global rating agency **Moody's put France's AAA credit rating on negative watch** and warned that it could slash the coveted rating in the coming three months if its budget stretches too much. Also Chinese GDP numbers signaled that the economy expanded at its slowest pace in two years. On the domestic front, **disappointing earnings announcement by heavyweights like Reliance, L&T and Toubro, HCL Tech and TCS dented investors' morale.**

Muhurat trading session largely remained a non-event affair as indices settled on a flat note. **Indications of a pause by the RBI offset the 13th rate hike in the past 18 months.** The indices rallied in lockstep with other world markets amid expectations of a wide-ranging deal to control the eurozone debt crisis.

Bajaj Electricals Limited

CMP ₹199 BUY

Bajaj Electricals Limited (BEL), a 73 years old company with a turnover of ₹2,771 cr, is a part of the Bajaj Group. BEL is primarily engaged in the businesses of marketing and distribution of appliances, fans, lighting products, luminaires and undertakes projects for stadium lighting, road lighting, transmission towers, high masts and rural electrification, among other projects. It operates in five key strategic business units, namely, Appliances, Fans, Lighting, Luminaries and Engineering and projects.

Negative Q1FY12 performance; Fiscal outlook remains positive. BEL reported a poor performance in Q1FY12. Net Sales zoomed 12.48% to ₹544.07 cr owing to a moderate growth in the consumer business segment (15.7% yoy) and Engineering & Project (E&P) business showcased a marginal growth of 2.5% as compared to same period last year. The consumer business was badly affected due to depressed demand for fans and coolers because of shorter summer season. BEL reported an EBIT of ₹27.09 cr during the quarter, a decrease of 29.23% yoy on account of negative EBIT margin from its E&P division since it had to incur additional cost to close down its old/stuck projects to free up more working capital and bring efficiency in employee costs. The bottom-line decreased by 50.84% yoy to ₹ 11.06 cr as against ₹ 22.5 cr on account of higher interest costs, higher working capital and a slowdown in revenue. However, the management expects to post an impressive FY12 result on the account of better performance by E&P business and the consumer durable business. **Strong Distribution network.** Since consumer durables market is highly fragmented with stiff competition from regional as well as national player, BEL sells its products, spread over five business verticals, through a strong network of over 1000 distributors and over 4000 dealers. Its products, ranging from bulbs and lamps to fans and a wide range of domestic appliances, are sold through over 4,00,000 retail outlets. BEL has a strong pan India presence with network of 19 branch offices and over 282 Customer Care centers. With the economy growing and demography changing, the market is expected to get more organized in the coming years.

Business segments	Contribution to revenues (%)			
	FY08	FY09	FY10	FY11
Engineering & Projects	26	29	34	31
Fans	18	17	17	19
Appliances	26	26	26	28
Luminaires	17	16	11	11
Lighting	13	12	12	11

Vendor driven outsourcing model. BEL has built up a strong base of 200 vendors (70% are associated with the company for several years) to outsource its manufacturing jobs. BEL has prompted a large number of its vendors to move production base to backward areas in Himachal Pradesh and other similar locations for cost effective production. BEL is outsourcing 20% of appliances and fans and 5% of luminaires from China. Apart from enjoying the competitive pricing, the company has also been able to effectively face the competition from the Chinese companies. With such kind of setup, BEL is an asset light entity. BEL has more time and resources in its core competency of R&D and marketing & distribution.

Valuation: Despite a slowdown in the overall business in Q1FY11, BEL is confident of registering a growth of 20% in revenue in the present financial year. The company had an order book of ₹ 750 cr in the beginning of the quarter and expects the order growth to continue in the FY13 as well. While fixed-costs and interest rate burden played havoc with Q1, the engineering segment is likely to pick up going forward and post better sales as well as profitability quarter by quarter. The company is taking several initiatives to bring back the E&P business on track including better working capital management, inventory management and control in costs over-run. Hence, we remain positive on BEL from medium to long term growth prospects and recommend BUY with a **fair price target of ₹ 230**.

Particulars (In crore ₹)	FY10	FY11	FY12E	FY13E
Sales	**2,227**	**2,739**	**3,267**	**3,691**
Growth %	*26.2%*	*23.0%*	*19.3%*	*13.0%*
EBITDA	**243**	**258**	**290**	**342**
EBITDA margin (%)	*10.9%*	*9.4%*	*8.9%*	*9.3%*
PAT	**125**	**145**	**158**	**192**
EPS (FV ₹2)	12.79	14.6	16.0	19.4

Insecticide India Limited

CMP ₹370.75 BUY

Incorporated in 1996 as a private limited company, Insecticide India Limited (IIL) is engaged in the business of manufacturing and distribution of formulations of plant protection chemicals and house-hold pesticides. IIL commenced its commercial operations in 2002 after its Chopanki unit was set up. In 2007, the company came out with an IPO to fund its expansion plans. The popular brands from IIL's product portfolio include Lethal, Thimet and Victor. In March 2011, the company has acquired the brand Monocil from Nocil Ltd., which is expected to generate healthy revenues from FY12.

Q1FY12 Performance. IIL witnessed a 24% yoy jump in net sales to ₹ 12,181.4 lakh in Q1 FY12 from ₹ 9,823.8 lakh. EBITDA margin rose by 54bps yoy to 10.43% in Q1FY12. Net profit for the quarter stood at ₹ 906.61 lakh Vs ₹ 621.20 in the last year, an increase of 46%. The improvement in performance is attributed to better capacity utilization, ongoing emphasis on productivity and efficiency, improvement in all areas of operation. During the quarter, IIL also commenced commercial production on its newly established plant at Udhampur (J&K).

Business segments	Contribution to revenues (%)			
	FY08	FY09	FY10	FY11
Formulations- liquid	59.0	46.9	44.2	49.3
Formulations- granules	22.2	22.9	28.3	21.4
Formulations- powder	18.3	25.7	18.0	18.6
Technicals	0.5	4.5	9.5	10.7

Capacity expansion to keep growth momentum intact. IIL currently has five plants situated in Rajasthan (2 in Chopanki), Jammu & Kashmir (1 each in Samba & Udhampur) and Gujarat (1 in Dahej). In order to augment its international pie, the company is in the process of setting up a new plant in Rajasthan and also ramping up the existing capacities in all its five plants. IIL is set to increase its formulation capacity from 3.5 lakh tonne to 5 lakh tonne and its technicals capacity will be enhanced to 22,000 tonnes from 12,000 tonnes at present. IIL is targeting a turnover of ₹ 50 cr from export segment starting next year. It is in the process to tap international markets like the Middle East, commonwealth of independent states (CIS) countries, African and far-east Asian countries in the first phase.

Well-diversified product base. IIL is in the business of Pesticide formulation (which constituted ~90% of revenues in FY11) and Technicals (10% of revenue in FY11), with a diversified product portfolio of around 106 products including insecticides, fungicides, herbicides and household pesticides. The wide range of products with a variety of applications not only ensures risk diversification but also provides a complete one-stop-shop solution to the farmers. This enables the company to easily drive its products in the small retail farm outlets.

Pan-India distribution network. IIL has a presence across all major farming states of Haryana, Uttar Pradesh and West Bengal, where the pesticide consumption is the highest. Prior to the incorporation of IIL, the management was involved in the trading of pesticides for around three decades. This experience has enabled the company to establish a strong dealer network and relationship with farmers, a pre-requisite for success in the pesticides segment. It has over 50,000 distributors and 29 depots across India. It also undertakes initiatives to encourage and promote new agricultural techniques through crop seminars, farmer meetings, demonstrations and various educational literatures.

Valuation Summary. The company posted strong Q1FY12 numbers with ~46% jump in bottom-line. So, fundamentally financial figures are on track. Moreover, the management expects the company's revenue to enhance by ~40% to ₹ 700 cr in FY12 and an increase of ~ 1% in the PAT margins to ₹ 50 cr. Taking into account new expansion plans, acquisition of more brands and expansion into international market, we expect revenues to boost up further on a sustained basis and hence we remain positive on medium to long term growth prospects of IIL and recommend BUY with a **fair price target of ₹ 405**.

Particulars (In crore ₹)	FY10	FY11	FY12E	FY13E
Sales	**397**	**478**	**700**	**844**
Growth %	*34.8%*	*20.4%*	*46.5%*	*20.6%*
EBITDA	**34**	**44**	**69**	**91**
EBITDA margin (%)	*8.6%*	*9.2%*	*9.8%*	*10.7%*
PAT	**28**	**32**	**50**	**64**
EPS (FV ₹10)	22.3	25.4	39.5	50.7

Common National Level Platform for 'SPOT' Buying and Selling of Commodities

National Spot Exchange (NSEL) is a state-of-the-art electronic, demutualised commodity spot market. It enables investors to invest their funds into commodities in smaller denomination and hold it in demat form. It is available on the pan India electronic trading platform which can be accessed through us as members of NSEL.

At present the following 5 commodities can be traded at NSEL: -

Name of commodity	Lot Size	Market Price*	Name of commodity	Lot Size	Market Price*	Name of commodity	Lot Size	Market Price*
Gold	1 gram	2803.3	Silver	100 gram	5829.5	Copper	1 Kg	483.9
Lead	1 Kg	143.15	Zinc	1 Kg	129.6			

Market Price in ₹as on 28 October 2011

How to Participate: - An investor has to open a client account and a demat account with any of our branches. Thereafter, he can buy and sell these products by placing order in the manner similar to buying or selling shares. The transaction is settled on T+2 basis. The investors are allowed to do intraday trading, but all positions outstanding at end of day must result into delivery. In case of non delivery, the Exchange conducts buying in auction to cover short deliveries and selling out auction to cover buyer's position.

The Exchange provides an option to take physical delivery of commodities at exchange designated delivery centres in the denominations specified by the Exchange. Investors have to inform their DP of their intention to take physical delivery at a specific location. At present, the physical delivery of Gold is allowed in terms of 8 grams, 10 grams, 100 grams, 1 kg and any combination thereof. For Silver, the delivery denomination is available in 1 kg, 5 kg, 30 kg and any combination thereof.

To open an account or to know more, please contact our nearest branch or SMS "NDA"at 56677

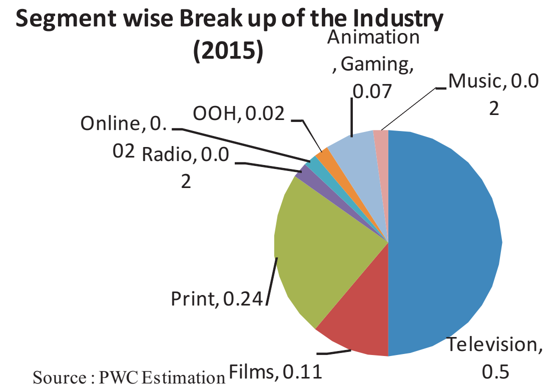
CURRENCY INVESTING		
CURRENCY PAIR	28-OCT	% CHANGE
USD/INR	48.821	(1.22)
Euro/INR	69.29	5.22
Euro/USD	1.41	7.26
USD/JPY	75.82	(1.04)

COMMODITIES INDEX		
COMMODITIES INDEX	28-OCT	% CHANGE
MCXSCOMDEX	3603.45	7.02
MCXSMETAL	4650.65	4.66
MCXSENERGY	3149.81	13.58
MCXSAGRI	3216.10	2.10

Entertainment and Media Industry

Entertainment and Media (E&M) Industry to grow by 13.2 % over FY2011-FY2015

The Indian entertainment and media industry is slated to grow at a cumulative aggregate growth rate (CAGR) of 13.2% over 2011-15 to reach ₹ 1,199 billion by 2015 as per PwC Report. The E&M Industry comprises mainly of Television and print; they continue to dominate the sector. *The sector segments such as gaming, digital advertising, and animation VFX are growing at a faster rate, having tremendous potential in the coming years.* The E&M industry in 2010 stood at ₹ 646 billion as compared to ₹ 580.8 billion in 2009 growing at 11.2%, recording one of the highest growth rates in the world. This was largely due to the rebound in consumer, advertising and E&M spend.



Source : PWC Estimation

The industry will continue to be dominated by TV, print and films till 2015. The next five years will see digital technologies increase their influence across the industry and that rapid change in technologies and consumer behavior will continue across all E&M segments.

Outlook for major segments of the Indian Entertainment & Media Industry:

Television: This sector is projected to command half of entertainment pie by 2015 as it is estimated to grow at a robust 14.5% over the next five years.

Music: Due to the tremendous uptake of the mobile VAS market, the sector is projected to grow at a CAGR of 17.6% over FY11-15.

Films: The Indian film industry saw a drop from ₹ 95 billion in 2009 to ₹ 87.5 billion in 2010 while the sector is projected to grow at a CAGR of 9.3% (a revision over last year's CAGR of 12.4%) over the next five years, reaching ₹ 136.5 billion in 2015.

Projected growth of Indian E&M Industry in 2010 - 2015

INR billion	2010	2011P	2012P	2013P	2014P	2015P	CAGR
Television	**306.5**	**353.0**	**404.0**	**465.0**	**532.5**	**602.5**	**14.5%**
% Change		*15.2*	*14.4*	*15.1*	*14.5*	*13.1*	
Film	**87.5**	**96.5**	**104.5**	**115.3**	**125.0**	**136.5**	**9.3%**
% Change		*10.3*	*8.3*	*10.3*	*8.4*	*9.2*	
Print	**178.7**	**196.2**	**214.4**	**235.6**	**256.5**	**282.0**	**9.6%**
% Change		*9.8*	*9.3*	*9.9*	*8.9*	*9.9*	
Radio	**10.8**	**13.5**	**16.5**	**19.0**	**22.0**	**26.0**	**19.2%**
% Change		***25.0***	***22.2***	***15.2***	***15.8***	***18.2***	
Internet Advertising	**7.7**	**10.0**	**12.5**	**15.5**	**19.5**	**24.0**	**25.5%**
% Change		29.9	25.0	24.0	25.8	23.1	
OOH	**14.0**	**15.5**	**17.0**	**19.0**	**21.5**	**24.0**	**11.4%**
% Change		**10.7**	**9.7**	**11.8**	**13.2**	**11.6**	
Animation,gaming & VFX	**31.3**	**38.6**	**47.8**	**57.7**	**69.4**	**82.6**	**21.4%**
% Change		*23.4*	*23.8*	*20.6*	*20.3*	*19.0*	
Music	**9.5**	**11.9**	**13.9**	**16.1**	**18.4**	**21.4**	**17.6%**
% Change		*25.0*	*17.5*	*15.6*	*14.2*	*16.0*	
Total	**646.0**	**735.2**	**830.7**	**943.2**	**1064.8**	**1198.9**	**13.2%**
% Change		*13.8*	*13.0*	*13.5*	*12.9*	*12.6*	

Source: PWC

Recent Investments. The India Innovation Fund (IIF), an early stage venture capital fund, has invested in SureWaves MediaTech, a Bengaluru-based start-up operating in the digital media-technology space. IIF and Accel Partners have invested ₹10 cr (US$ 2.16 million) as part of Series A investment. The Bengaluru-based company InMobi has acquired US-based Sprout, which creates rich media mobile advertising, for an undisclosed amount in cash and stock.

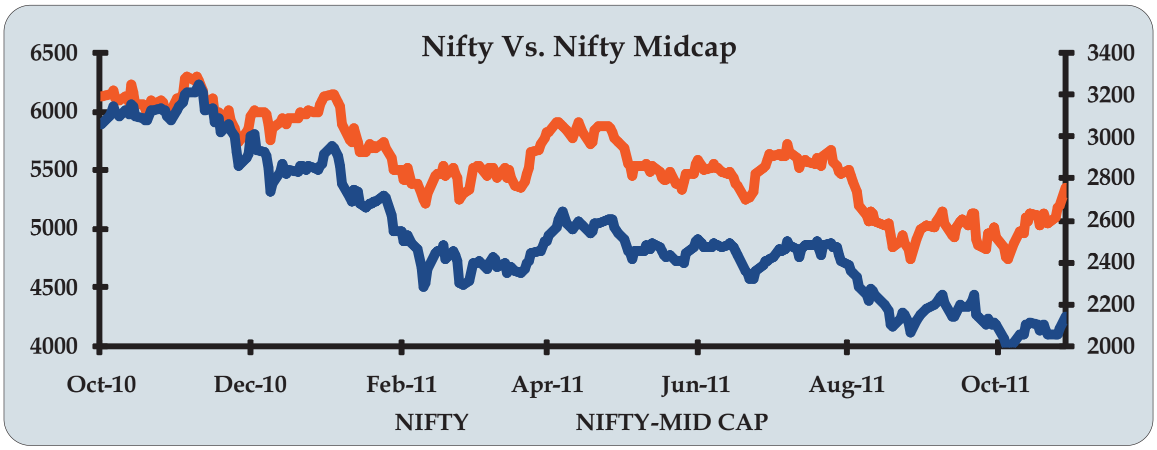
Road Ahead. Significant revenues continue to be from the non-digital segment though there continues to be good growth in digital spending too. The cricket World Cup and IPL 4 in 2011 drove advertising and viewership to a new level. 3D cinema is driving the growth of digital screens in the country. The Indian internet advertising market is one of the fastest-growing segments in the E&M Industry. Social networking is giving a boost to game development, with more companies focusing on localized content. Favorable government policies will help but the industry does need to look at their own operating model such that sustained investment in the sector becomes possible. Riding on two key macroeconomic factors, growth in consumption and increasing penetration of media, the industry is set to grow at a strong pace through the next decade and beyond.

Recently, in a major boost to cable and satellite television industry and consumers, **the Cabinet Committee of Economic Affairs (CCEA) has cleared the ordinance to amend Section 4A of the Cable TV**, making way to digitize TV broadcast. All urban areas would be covered by September 30, 2014 while the entire country will be covered by Dec 31, 2014.

The new ordinance will augment the cable and satellite television industry, especially TV channels that pay 20-50 % of the total cost of running a channel as carriage and placement fee. Post-digitisation, broadcasters will no longer have to pay the carriage fee to cable operators, bringing down their costs. Also, all satellite channels will be beamed to houses through set-top boxes only. The measure will empower consumers to an increased number of channels and high quality viewing. **The financial implication of shifting to a digital addressable system has been estimated at ₹ 15,000 - ₹ 20,000 cr for the entire country.**

Market Indicators

Nifty and Nifty Midcap - 52 week Rolling



Sectoral Indices

BSE SECTOR	28 OCT	% CHANGE		
		1 MONTH	3 MONTH	YTD
CD	6,633.37	6.00	(1.51)	2.77
FMCG	4,153.36	7.84	1.58	12.46
HC	6,170.56	5.81	(4.43)	(8.76)
CG	11,035.54	5.38	(15.68)	(28.73)
IT	5,830.27	12.21	(0.94)	(14.47)
TECK	3,521.60	9.51	(4.11)	(13.03)
REALTY	1,922.79	14.31	(6.24)	(33.02)
OIL & GAS	9,179.21	8.91	3.80	(13.39)
BANKEX	11,372.49	7.85	(8.90)	(15.47)
METAL	12,142.72	15.04	(12.27)	(32.39)
POWER	2,217.11	5.94	(9.92)	(26.22)
PSU	7,616.01	3.79	(8.46)	(19.97)
AUTO	9,571.12	13.06	8.42	(6.33)

Global Indices

GLOBAL INDICES			
WORLD MARKET INDICES	3 OCT	28 OCT	% CHANGE
SENSEX	16,151.45	17,804.80	10.24
NIFTY	4,849.50	5,360.70	10.54
DOW JONES*	10,655.30	12,231.11	14.79
NASDAQ*	2,335.83	2,737.15	17.18
HANG SENG	16,822.15	20,019.24	19.01
NIKKEI	8,545.48	9,050.47	5.91
SHANGHAI COMP	2,359.22	2,473.41	4.84

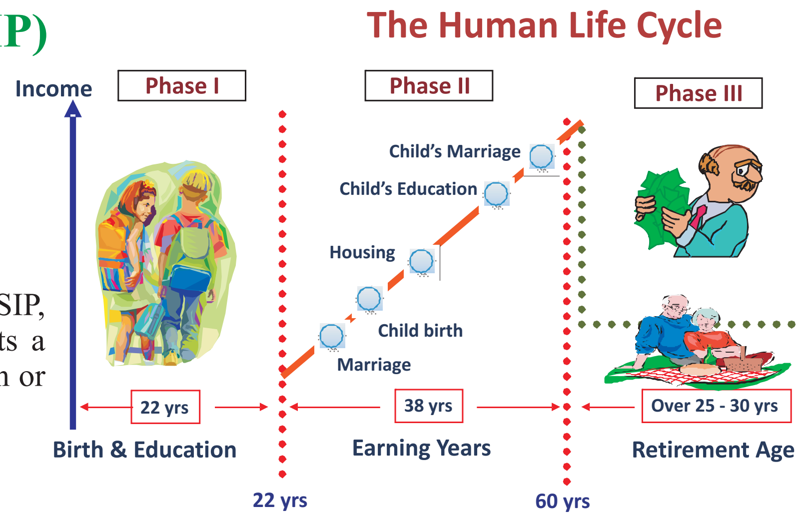
* As per previous close

INSTITUTIONAL ACTIVITY (In cr.)			
YTD	BUY	SELL	NET
FII	4,91,179.94	4,98,663.08	(7,483.14)
DII	2,27,475.64	2,04,005.07	23,470.57
Monthly	BUY	SELL	NET
FII	41,645.57	40,161.88	1,483.69
DII	18,271.12	20,111.40	(1,840.28)

* Data upto 28 OCTOBER 2011

Systematic Investment Plan (SIP)

a time tested proven method of Wealth Creation



Why Invest?

There exists a need for a regular investment habit, throughout the various life stages of an Investor…

What is SIP?

Systematic Investment Plan**,** popularly known as SIP, is a simple method whereby an investor invests a fixed amount on a fixed date or day every month or week.

The Systematic Investing

The benefits of are summarized as under: -

- ☆ It is similar to a Recurring Deposit with a bank.
- ☆ It is the method of investing predetermined amounts of money regularly to benefit from the stock market volatility.
- ☆ It is Convenient and Hassle-Free – The investor has to sign one-time instruction and investments happen automatically on periodical future dates for the fixed amount to be decided by the investor.
- ☆ Light on the wallet – SIP can be as low as ₹1,000 per month
- ☆ It gives the benefit of 'Rupee Cost Averaging'. This ensures that he buys more units when prices are lower and fewer units when prices are rising, thereby resulting in lower average cost per unit in most situations.
- ☆ No timing the market! Equity investing is not about timing the market but time in the market.

So what is the formula for creating wealth ?

Start Early ➕ Invest Regularly ═ Create Wealth

Start Early: -The benefit of 'Starting Early' is explained through the following illustration: -

❶ Suppose Your current age is 25 years and you start investing ₹10,000 p.a. today for the next 15 years and remain invested up to your age of 60 years. Your total investment of ₹1,50,000 shall be worth ₹24 lakh when you retire 60 years assuming compounded annual growth at 10% p.a.

❷ On the other hand, Your Friend who is also of your age but starts to invest at the age of 40 years similar amount of ₹10,000 p.a. for the next 20 years. His total investment of ₹2,00,000 shall be worth ₹6,40,000 only assuming similar compounded annual growth of 10% p.a. when he attains the age of 60 years!!

Thus, your wealth is almost **4 times more** than your friend's in spite of your lesser total investment for a shorter investment period.

A small amount invested regularly can grow to substantial lumpsum

Invest Regularly: -

When We earn regularly; We spend regularly; Shouldn't we also invest regularly?

It is the small drops that make an ocean. It relieves you of the last minute pressure. More importantly, it ensures that average cost of acquisition is lower in most situations. There is a saying "Slow and steady wins the race".

☜ This illustration explains it suitably.

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Stocks to Watch

SCRIP	CMP (₹)	RECOMMENDATION
IPCA Laboratories	240.85	BUY
Piramal Healthcare	360.45	BUY
Bajaj Finance	696.50	HOLD
Cairn India	304.80	BUY
Cummins India	385.05	BUY
Coromandal Int	334.55	BUY
Allahabd Bank	144.60	SELL

** Prices as on 28 October 2011*

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Delhi
Barakhamba Road
East Patel Nagar
Hauz Kazi
Inder Puri - I
Inder Puri - II
Janak Puri
Kalkaji
karol Bagh
Najafgarh
Naya Bazar
Paschim Vihar
Pitam Pura - I
Pitam Pura - II
Pushp Vihar
Rohini
Shahdara
Shatri Nagar
Sheikh Sarai
Sidharth Extension
Vikas Puri

Haryana
Hissar
Mahender Garh
Rohtak
Sonepat
Charkhi Dadri

Punjab
Amritsar
Barnala

Uttar Pradesh
Agra
Aligarh - Marriss Rd
Aligarh - Massodabad
Meerut
Varanasi

Uttaranchal
Dehradun
Kotdwar

Mumbai
Borivali