NDA

NDA Securities Ltd

MEMBER: NSE & BSE DP: NSDL

Sebi Regn. : INB- 230643830/INF-230643830/INB-010643832

NDA Commodity Brokers Pvt Ltd

Member: NCDEX & MCX

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Ideas 2 Wealth

Monthly Investment Intelligence

June 2011

Editor's Desk

Time's running out. As heavily indebted Greece continues to implode, threatening to drag Europe down with it, US should remember one key fact: **Repeated bailouts don't work, only fiscal responsibility does.** Greece owes close to US $240 bln to European Union governments and banks that it can't pay. This is why the EU has decided to throw good money after bad, doubling the size of its bailout fund from US $1 trillion to more than US $2 trillion. It fears political chaos, widespread bank failures and a collapse of the euro.

The votes are just in and **the €28bn (£25 bln) Greek austerity bill has been passed**. Wednesday's austerity vote solves nothing. Lending them more cash is just a stopgap – it's a bit like borrowing on your credit card to pay your mortgage. More to the point, the Greek crisis highlights a question being raised across the world. **Who should bear the cost of recession?** Austerity packages didn't solve Ireland's debt problems and are unlikely to solve Greece's.

Market Commentary

In the month of June, the key benchmark indices registered marginal increase with **Nifty revisiting 5,600 levels.** Th market reacted sharply when RBI increased **Repo rate by 25 bps to 7.5% and reverse repo to 6.5%.** *(10th hike since March of last year)*. At the fag end of the month, Investors' morale got a boost as FIIs showed renewed vigor in Indian equities and optimism in the global market of approval of Greece austerity measures.

The newly introduced IIP index with an updated base of 2004-05, expanded at 6.3% pace against 7.3% in March, indicating that RBI's aggressive rate hikes have had an adverse impact on factory output growth. Sentiments in global markets also got spooked after Fed chief came with frail view of US economic outlook.

The government took bold step and **hiked prices** of diesel, kerosene and cooking gas which was long awaited.

The stock markets concluded first week on a pessimistic note, leading to moderate losses of around half a percent. For week ended 17th June the downtrend continued, markets declining ~2% as investors at large continued to avoid long positions. On one hand it was the **1Q advance tax numbers** which registered sluggish growth, indicating that sentiments are not much bullish among the India Inc. for the 1Q of FY12, while on the other the **quarter percent rate hike by Indian central bank** pulverized domestic sentiments. On the global front, **escalating political upheaval in Greece** and concerns that the European nations would struggle to avoid a debt default pounded on investors' morale.

The last week started on a somber note amid the buzz that India will be pushing for **removal of tax concessions in the tax treaty with Mauritius**, which prompted panic selling by investors. Despite the Finance Secretary clarification that no meeting has been planned for now with Mauritius, investors took the opportunity to trim down positions. But on the last day of the week it regained all its lost ground and rallied through out the day to close at the high point of **the week gaining 2% on weekly basis.**

Although, high inflation remains a concern, it is expected to come down to 6.5% in the longer term, if the international oil and commodity prices soften, as stated by Prime Minister Manmohan Singh. While in the short term, the market may remain volatile due to uncertainty about monsoon and quarterly numbers not expected to be encouraging. However, long term domestic consumption led theory of India remains intact.

Exuberant Indian markets have sustained the uptrend on the first three days of the F&O expiry week.

Kalpataru Power Transmission Ltd

CMP ₹124.60 BUY

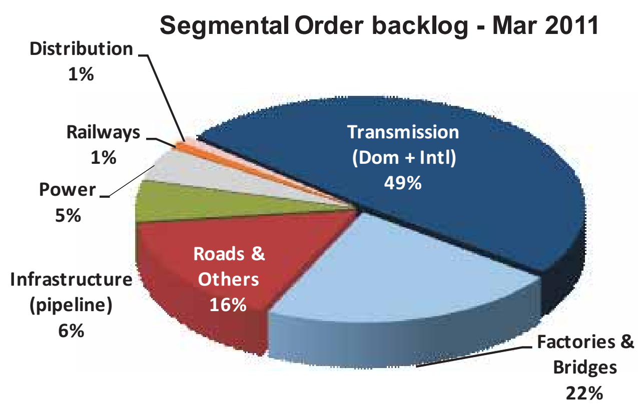
Incorporated in 1981, Kalpataru Power Transmission (KPT) is one of India's leading engineering, procurement and construction (EPC) companies providing services to the power transmission sector. The company is promoted by Mumbai based Kalpataru Group which holds 67% stake in the company. The company has capabilities to execute EHV transmission line projects up to 800 KV. It has two fabrication plants in Gandhi Nagar with a combined capacity of 108,000 MT per annum.

KPT has 5 business divisions, viz. Transmission & Distribution, Real Estate, Biomass Energy, Infrastructure and Construction. The Transmission & Distribution line business contributed ~58% to FY11 sales while the Construction business accounted ~31% in FY11 (on a consolidated basis). KPT also has ~53% stake in JMC Projects (subsidiary).

FY11 Performance: On a standalone basis, KPT witnessed marginal revenue growth of 9.3% in FY11 to ₹ 2,879 cr from ₹ 2,633 cr last year owing to muted execution. For the audited full year, net profit (PAT) grew 11.8% from ₹ 171 cr to ₹ 191 cr in the fiscal year ending March 31, 2011. Raw material expenses moved up 11.5% to ₹ 1,277 cr while employee expenses increased to ₹ 193 cr. Tax expenses for the period under review came at ₹ 66 cr. As a result, margins were impacted limiting the profitability growth. EPS too decreased 2.3% from last year's value of ₹ 12.9 per share to ₹ 12.6 per share.

On a consolidated basis, KPT's net sales for FY11 increased 8.1% to ₹ 4,351 cr against ₹ 4,024 cr last year. PAT too, came in line at ₹ 213 cr compared to ₹ 196 cr last year positing a growth of 8.7%. Going forward, the management expects 20%-25% growth in revenues in FY12E.

Order pipeline remains strong, providing visibility beyond FY12 revenue: KPT had an order backlog of ₹5,500 cr (₹ 55 bn) as on March 2011 which instills confidence in the company's future revenue growth. This was on the back of robust flows in Q4FY11 to the tune of ₹~1,400 cr. On a consolidated basis, the order backlog as of March 2011 stood at ₹ 9,600 cr (₹ 96 bn). Of this, JMC Projects' order backlog was ₹ 4,100 cr, up 50% YoY.



Sound Balance sheet: The debt-to-equity fell to 0.5x in March 2011 (vs 0.9x in FY10) mainly on account of debt repayments and equity raising (QIP of ₹ 450 cr). The company utilized the QIP funds to subscribe to equity shares of JMC Projects (preferential allotment) to the tune of ~₹ 90 cr, on account of which the company's holding in JMC (subsidiary) increased to 67.2% from 53%.

Valuation Summary:

PARTICULARS (In cr)	FY 10	FY 11	FY 12E	FY13E
Sales	**4,023.8**	**4,351.1**	**5,025.6**	**5,585.9**
Growth %	24.0	8.1	15.5	11.2
EBITDA	**433.1**	**464.5**	**527.4**	**606.9**
EBITDA margin (%)	10.8	10.7	10.5	10.9
PAT	195.6	212.6	250.6	291.9
Adjusted EPS	13.4	13.2	14.7	15.9
Growth %	-	-1.5	11.4	8.2

**Equity shares were sub divided from INR 10 /- each into 5 equity shares of INR 2 /- each in, 2010.*

KPT is favorably poised in terms of capacity and execution and with order flows gaining momentum in FY11, we believe execution to be robust in FY12E. Significant contributions from company's key subsidiaries are also likely to add to cash flow generation. With strong sales visibility, continued traction in domestic and international orders and higher capex, we estimate standalone revenues to grow 15-20%. We maintain our BUY rating on the stock given adequate upside with a **fair price of ₹ 155**.

V-Guard Industries Ltd

CMP ₹ 220.90 BUY

Incorporated in 1996, V-Guard Industries is amongst the most trusted brand in India. The company operates in two major segments: Electrical/Electro mechanical Products (67% of FY11 revenue) and Electronics (30%). It has a comprehensive product portfolio comprising of voltage stabilizers, pumps, electric water heaters, solar water heaters, cables, UPS, ceiling fans, etc. The company has manufacturing facilities at Coimbatore (Tamil Nadu), Udhamsingh Nagar (Uttarakhand) and Sirmour (Himachal Pradesh). Also, it's setting up a manufacturing facility for solar water heater at Perundurai.

Healthy Financial Performance: V-Guard reported a topline growth of 60% to ₹ 726.4 cr in FY11 on account of higher sales in the non-south region and a phenomenal growth in the sale of its products like cable, pumps and fans. Operating Profit Margin was subdued at 9.6% for FY11 mainly on the back of higher raw material costs and advertising expenses. PAT increased from ₹ 25.5 cr to ₹ 42.6 cr in FY11 backed by lower tax rate owing to increased contribution from its new Kachipuram plant, which enjoys tax benefits.

	Revenue (₹ in Cr.)			EBIT (₹ in Cr.)		
Segment Performance	FY11	FY10	% Change Y-o-Y	FY11	FY10	% Change Y-o-Y
Electronics	215.6	148.3	45.4	35.3	27.0	30.5
Electrical/Electro-Mechanical	484.3	284.5	70.2	29.6	15.9	86.3
Others	26.4	21.3	24.2	4.8	4.1	17.1
Total	**726.4**	**454.1**	**60.0**	**69.6**	**47.0**	**48.2**

Geographical Expansion to drive growth: V-Guard's southern region contributes around 78% of the total revenues while the rest 22% comes from the non-south market. The company is focusing heavily on penetrating into the non-south region and expects to double its revenue (₹ 160 cr in FY11) from those regions in FY12. The company enjoys a strong brand name in the South and is trying to replicate the same success story in the non-south regions as well.

Exclusive Business Model: V-Guard depicts a unique mix of manufacturing and outsourcing model. Some of the outsourced products include pumps, fans, stabilizer, etc. In FY11, the company earned over 62% of its revenue from its outsourced business, while the remaining 38% was derived from in-house product manufacturing.

Broad Distribution Network: V-Guard has a diversified client base for its each product and includes direct marketing agents, distributors and retailers. It has around 200 distributors, 8,000 retailers and 235 service centres spread across India except North East, servicing the needs of over 50 mln customers.

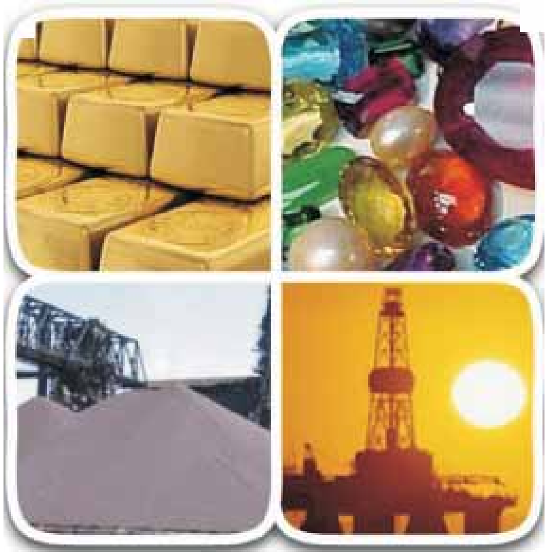
Guidance: In FY12, the management expects the net sales to be around ₹ 1,000 cr. Asides; it also plans to spend about ₹ 20 cr in FY12 largely on green field expansion for future launches of products and on creating go-downs for storage of goods. Keeping in view the rising working capital needs and increasing input cost the EBITDA margin is expected to be ~10%.

Valuation Summary:

PARTICULARS (₹ in cr)	FY 10	FY 11	FY 12E	FY 13E
Revenue	**454.1**	**726.3**	**953.2**	**1,215.0**
Growth (%)	*43.4*	*59.9*	*31.2*	*27.5*
PAT	**25.5**	**42.6**	**52.1**	**69.9**
Growth (%)	*47.2*	*67.4*	*22.3*	*34.0*
EPS	**8.5**	**14.3**	**17.5**	**23.4**
P/E	22.1	15.5	12.7	9.4

With the expansion of power capacity over the next few years, there is definitely going to be a spill over demand for electrical goods. Considering its diversified product portfolio and the company's penetration in northern markets with the virtues of its outsourcing model, we foresee a potential in the stock. The stock is currently trading at 12.65x and 9.44x of its FY12 and FY13 expected earnings and we arrive at a **fair value of ₹243.**

Base metals drifts lower on global cues: Aluminum & Copper weakest



The month of June proves to be a rather interesting one as base metal prices continued to move in divergent directions amid high volatility. Creeping debt troubles in the European Union once again kept the lid on any buying opportunities while dismal signals from China in the form of record high inflation rate (May CPI – 5.5%) and growing evidence of slackening demand added to further woes.

In the beginning of the market, risk aversion gripped the markets strongly as currencies and commodities saw steep falls against the US Dollar following the uncertainty surrounding the **Greek's debt crisis**. Meanwhile, the weaker tone of economic data from United States coupled with lingering concerns of another rise in China's interest rate too dented investors' sentiment. However, towards the month-end, metals gained some momentum over the optimism flowing after **the Greek parliament passed the tough austerity measures** on June 29. Also **Dollar Index**, a gauge of dollar's strength against six major currencies ended 0.73% higher, after kicking off the month at 74.95 (on June 01) to 75.50 on 29 June.

From the base metals pack, **Lead** and **zinc** gained almost 3.01% and 1.70% respectively at MCX so far during the month of June, while **Aluminum** capped the longest slump with a monthly decline of 6.16%. **Copper** too nosedived 2.00% in June as a strengthening dollar and heightened concerns about slowing demand from China triggered a wave of risk aversion across the commodities complex. Adding to woes, the US Federal Reserve on June 22 lowered estimates for US economic growth this year and next. Lastly, **Nickel** too, on the other hand, registered losses of nearly 1.85% at MCX.

METAL WATCH

METAL	29-JUN	% CHANGE
Gold/10 grams	22,005.00	(1.42)
Silver/1 Kg	51,399.00	(9.45)
Platinum/grams	2,450.00	(7.72)
Aluminium / kg	111.95	(6.16)
Copper /Kg	406.40	(2.00)
Nickle / kg	1,028.30	(1.85)
Zinc / Kg	101.60	1.70
Lead / Kg	116.90	3.01

AGRI WATCH

AGRI PRODUCTS	29-JUN	% CHANGE
Sugar S/100 Kgs	2,619.00	1.51
Mustard Oil/10 Kgs	627.80	(1.10)
Wheat/100 Kgs	1,202.90	(1.94)
Refsoyoil/10 Kgs	638.25	(2.38)
Soyabean/100 Kgs	2,262.50	(3.50)
Rubber/100 Kgs	21,043.00	(6.31)

CURRENCY INVESTING

CURRENCY PAIR	29-JUN	% CHANGE
USD/INR	44.94	0.11
Euro/INR	64.60	(0.25)
Euro/USD	1.45	0.82
USD/JPY	80.75	(0.23)

COMMODITIES INDEX

COMMODITIES INDEX	29-JUN	% CHANGE
MCXSCOMDEX	3,333.91	(4.79)
MCXSMETAL	4,371.58	(3.41)
MCXSENERGY	2,966.79	(8.31)
MCXSAGRI	2,732.95	(1.07)

Power Transmission Sector

India is aggressively focusing on infrastructure to sustain the current growth momentum and further accelerate to achieve the double digit growth. The power sector has witnessed a significant demand-supply gap due to the sustained growth of power demand (CAGR-4.8% in FY00-10), historical shortfalls in generation capacity addition (53% and 49% in the IX and X Plans, respectively) and high transmission and distribution losses. The government is planning a massive investment in the power transmission sector in the XI-XII Plans to meet the requirements of the higher power generation capacity and historical neglect of the sector. The Indian power transmission system has grown in leaps and bounds and is expected to cross the level of 3 lakh ckm in the XII Five Year Plan.

As per Central Electricity Authority (CEA), with the GDP expected to grow at 7.1% CAGR in FY12E-22E, power demand is estimated to increase at 7.8% CAGR. This is likely to place a further strain on power infrastructure. The government has aggressive investment plans for the sector, with ~62 GW of generation capacity targeted to be added as per the mid-term appraisal of the XI Plan. The scale of opportunity becomes even larger in the XII Plan (100 GW capacity additions targeted). The aggressive power generation capacity targets will entail massive investment estimated at ₹ 410,900 cr ($91.3 bln) in the XI Plan and ₹ 495,083 cr ($110 bln) in the XII plan as per CEA. Additionally, this will require an equally large investment in transmission and distribution infrastructure.

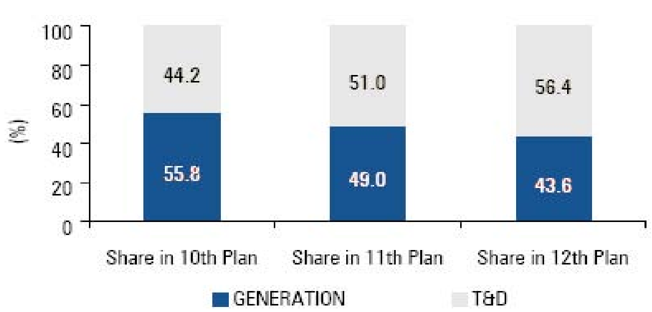
Power Sector Investment targeted in XI,XII Plans (~ US $ 440 billion)

(INR crore)	XI Plan	XII Plan
Generation	410,900	495,083
% of total	49	44
Transmission	140,000	240,000
% of total	17	21
Distribution	287,000	400,000
% of total	34	35
Total	**837,900**	**1,135,083**

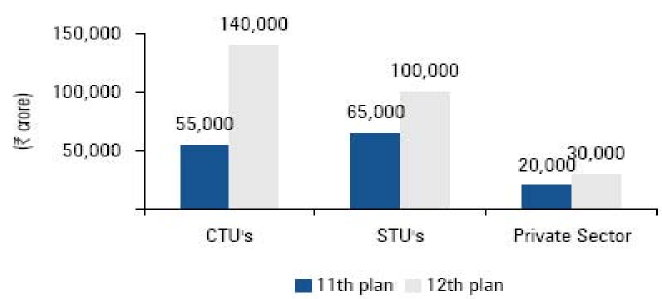
Source: CEA

With the investment worth ₹ 3,80,000 cr (US$84.4 bln) lined up during 2008-17 in the transmission sector. We believe Power Grid Corporation of India Limited (PGCIL) and the state utilities will significantly step up their ordering activity over the next two or three years driven by mega transmission projects like the nine high capacity power transmission corridors and planned expansion of national and state grids. This translates into an ordering opportunity of ~ ₹180,000 cr ($40 bln) during FY11E-13E.

T& D Spend in XI and XII Plan



Total Expenditure Planned

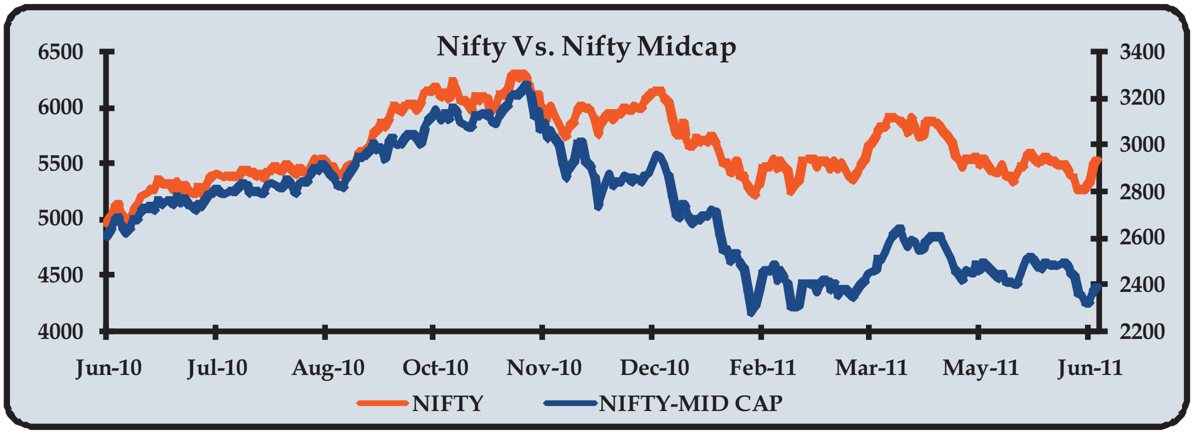


Source: CEA

Transmission sector stocks have underperformed the Nifty in the past year due to the subdued tendering activity by PGCIL and state utilities. With the expected pick-up of tendering activity by PGCIL and state utilities to meet their plan targets and with ordering for mega projects expected to commence, we believe the sector is due for a re-rating.

Market Indicators

Nifty and Nifty Midcap - 52 week Rolling



Sectoral Indices

BSE SECTOR	29 JUNE	% CHANGE 1 MONTH	3 MONTH	YTD
CD	6,575.45	0.98	4.69	1.87
FMCG	3,972.89	2.52	9.98	7.58
HC	6,399.98	0.47	5.64	(5.37)
CG	13,815.45	4.08	3.52	(10.77)
IT	6,058.49	0.20	(7.04)	(11.13)
TECK	3,684.40	0.61	(4.16)	(9.01)
REALTY	1,995.99	(8.09)	(16.76)	(30.47)
OIL & GAS	9,161.09	(4.39)	(10.01)	(13.57)
BANKEX	12,742.28	1.37	(3.39)	(5.29)
METAL	14,987.98	(2.96)	(8.31)	(16.55)
POWER	2,605.66	0.98	(4.81)	(13.28)
PSU	8,542.25	(1.42)	(4.88)	(10.24)
AUTO	8,781.92	(1.77)	(6.13)	(14.06)

Global Indices

GLOBAL INDICES			
WORLD MARKET INDICES	1 JUNE	29 JUNE	% CHANGE
SENSEX	18,608.81	18,693.86	0.46
NIFTY	5,592.00	5,600.45	0.15
DOW JONES*	12,290.14	12,261.42	(0.23)
NASDAQ*	2,769.19	2,740.49	(1.04)
HANG SENG	23,626.43	22,061.18	(6.62)
NIKKEI	9,719.61	9,797.26	0.80
SHANGHAI COMP	2,743.57	2,728.48	(0.55)

* As per previous close

INSTITUTIONAL ACTIVITY (In cr.)			
YTD	BUY	SELL	NET
FII	3,17,909.90	3,19,435.70	(1,525.84)
DII	1,43,539.05	1,27,284.63	16,254.42
Monthly	BUY	SELL	NET
FII	39,330.90	39,599.00	(268.10)
DII	17,704.28	16,215.45	1,489.37

* Data upto 27 June 2011

Nifty Top 5 Movers

COMPANY	% CHANGE 29 JUNE	1 MONTH	3 MONTH
Power Grid Corpn. of India Ltd.	110.10	9.39	5.01
Reliance Capital Ltd.	567.85	8.21	(7.55)
Hindustan Unilever Ltd.	332.80	7.20	17.20
Larsen & Toubro Ltd.	1,800.20	6.84	9.30
Sun Pharmaceuticals Inds. Ltd.	497.45	5.85	11.71

Nifty Top 5 Laggards

COMPANY	% CHANGE 29 JUNE	1 MONTH	3 MONTH
DLF Ltd.	209.10	(11.75)	(23.11)
Jaiprakash Associates Ltd.	77.90	(9.99)	(18.39)
Grasim Industries Ltd.	2099.15	(9.89)	(17.06)
Cairn India Ltd.	305.05	(9.39)	(13.91)
Ambuja Cements Ltd.	131.80	(7.96)	(10.22)

HDFC Mid-Cap Opportunities Fund

The Scheme was launched as a 3-year close-end diversified mid-cap fund as on 25 June 2007. On completion of 3 years, it was made open-end on 25 June 2010. It follows an investment strategy to invest minimum 75% of corpus into mid-cap companies of which minimum 5% into small-cap companies. Currently, its investment in mid-cap companies is 86.45% and in small-cap companies 5.55%.

FUND MANAGER

The Fund is managed by Mr. Chirag Setalvad, aged 37 year with an experience of over 14 years. He has done B.Sc. in Business Administration from University of North Carolina. He started his career with ING Barings N.V. (September 1996 – May 200). Thereafter, he joined HDFC Mutual Fund but left the organization in September 2004 after a stint of 4 years. After working with New Vernon Advisory Services Pvt Ltd till March 2007, he re-joined HDFC Mutual Fund. Since then, he continues to be a Senior Fund Manager managing 7 schemes of which 4 schemes are hybrid funds.

PERFOMANCE RECORD

Schmes/Index	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	Since Inception
HDFC Mid-Cap Opp	1.84	7.41	-0.41	12.92	34.57	24.60	12.65
NSE - C&X MIDCAP	-1.16	-0.75	-8.92	-1.96	21.19	15.02	7.46

The performance has been quite remarkable as it has been resilient during weak market conditions in 2008 and also in the last 6 months in spite of being in high risk midcap category. It has consistently outperformed the benchmark CNX Midcap Index over different periods of time since inception. An investment of Rs.1,00,000 made at inception is now worth ₹1,61,380 after 4 difficult years. SIP of ₹.5,000 per month started at inception is now worth ₹3,78,614 against a total investment of ₹2,40,000.

SIP Returns - Investment Amount ₹ 5000 per month

Period	1 Year		2 Years		3 Years		4 Years	
HDFC Mid-cap Opportunities Fund	Market Value	% Return	Market Value	% Return	Market Value	% Return	Market Value	% Return
	Rs.63,109	9.73	Rs.1,47,540	21.25	Rs.2,88,054	33.07	Rs.3,78,614	23.27
Total Investment	Rs.60,000		Rs.1,20,000		Rs.1,80,000		Rs.2,40,000	

RATING

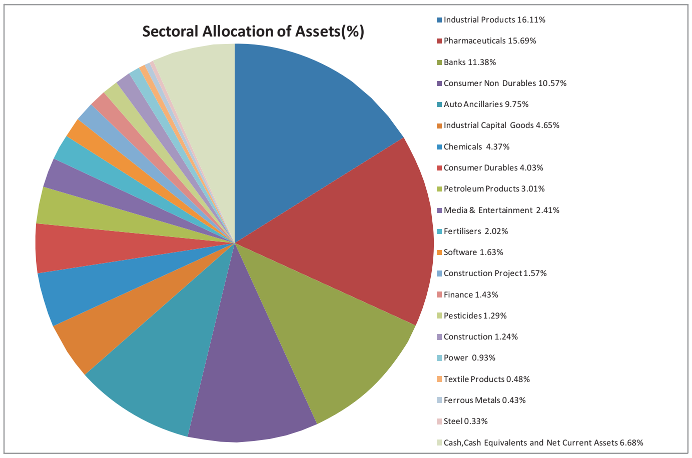
The Scheme enjoys highest 5-star rating from most of the rating agencies. CRISIL has assigned Rank # 1 out of 31 schemes in its category.

PORTFOLIO

The Scheme holds 57 stocks in its portfolio spread over 20 sectors. None of the stocks exceeds 5% of total holding while top 10 stocks comprise of only 31.49% of total holding. The scheme has consistently grown its AUM which presently stands at ₹1320.71 Crores. The expense ratio stands at 2.01%. The portfolio P/E is 17.87 while portfolio turnover ratio is 32.65%. During last month, the Scheme has added 2 new stocks viz. Oracle Financial and Supreme Industries. The Scheme is maintaining low cash level of 6.68%.

Top 10 Holdings	% to Net Assets
Ipca Laboratories	5.08
Carborundum Universal	4.10
Lupin	3.35
Exide Inds.	2.91
Bata India	2.78
Solar Industries	2.76
Federal Bank	2.69
Vesuvius India	2.68
Union Bank of India	2.65
Indian Bank	2.49

Note: - All figures under portfolio are as of May 31, 2011



SECTOR ALLOCATION

The Industrial Products and Industrial Capital Goods Sector comprise of 20.76% of the total holding. Pharma, Banks, Consumer non-durables and Autor Anciliaries are the other predominant sectors where fund is invested.

NDA Securities Ltd

Stocks to Watch

SCRIP	CMP (₹)	RECOMMENDATION
CHORDS CABLE	35.45	BUY
CUMMINS INDIA	683.20	BUY
GVK POWER	19.55	BUY
ITC	199.55	BUY
NESTLE INDIA	3998.5	BUY
SOUTH INDIAN BANK	23.9	BUY
UNITED BREWERIES	533.10	SELL
WHIRLPOOL	254	BUY
YES BANK	312.75	BUY

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Branches & Associates

Delhi		Haryana	Uttar Pradesh
Barakhamba Road	Paschim Vihar	Hissar	Agra
East Patel Nagar	Pitam Pura - I	Mahender Garh	Aligarh - Marriss Rd
Hauz Kazi	Pitam Pura - II	Rohtak	Aligarh - Massodabad
Inder Puri - I	Pushp Vihar	Sonepat	Meerut
Inder Puri - II	Rohini		Varanasi
Janak Puri	Shahdara	**Punjab**	
Kalkaji	Shatri Nagar	Amritsar	**Uttaranchal**
karol Bagh	Sheikh Sarai	Barnala	Dehradun
Najafgarh	Sidharth Extension		Kotdwar
Naya Bazar	Vikas Puri	**Mumbai**	
		Borivali	