

**In volatile markets, investors should have an active attitude towards investing and should be ready to try out new stocks and strategies. Keep a look out for longer-term trends specific to India and be ready to change your mind and switch stocks when necessary. To help you do that, we at Religare give you a quick rundown of the stock popular in the week just ended. Use the information to make your trading and investment decision and rebalance your portfolio if necessary.**

For Technical Analysis of stock, we have used 3 terms i.e. RSI which stands for Relative Strength Index, MACD which stands for Moving Average Convergence Divergence, DMA which stands for Daily Moving Average. (We have considered these 3 terms as they are used by most of the people who have even some basic understanding of technical analysis.)

**Note:** ## If RSI is above 50, the stock is considered in a short term buy and if RSI is below 50 the stock is in a short term sell.

If MACD is above zero the stock is considered in strong hands and if it is below zero the stock is considered in weak hands.

If stock is above its 200 DMA it means that the stock is in an intermediate uptrend else in an intermediate downtrend.

\*All prices have been adjusted for bonus & split if any.

\*All data is of closing of Friday the 24<sup>th</sup> Dec, 2010

## 1. RELIANCE POWER

CMP (Rs.): 155.50	EPS (Rs.): 1.14	52 Week High : 192.80
Mcap (Rs. Cr.): 41627	Book Value(Rs.):51.60	52 Week Low : 133.00

### **Fundamental View :**

- Plant load factor (PLF) during Q2FY11 continued to remain dismal for 600MW Rosa unit due to shortfall in coal supply from coal linkage. The company has announced its plan to blend domestic coal with imported coal; this move should help the company in sustaining healthy PLFs.
- The \$5 billion EXIM Bank deal taken with loans for \$12 billion tied up with Chinese banks take care of a huge chunk of the debt funding for the company's upcoming power projects. While the company intends to execute 8,000 MW of gas-based and 900 MW alternative energy projects with funding from EXIM bank, funding from Chinese banks take care of \$10 billion equipment order for 30,000 MW.

**Outlook:** The new agreement with the banks could lower interest costs (by 300-350bps) for the company in future.

### **Technical View:**

In the daily charts the stock is below its 25 DMA which is at 156.42. The 14 day RSI is 46.44, MACD on daily charts is -3.75. The stock is below its 200 DMA which is at 159.08.

### **Recommendations:**

The stock is trading near its short term moving average (25 DMA) which is at 156.45. It took support from 147.50 levels and gained 5% on this Friday. The stock can touch 171 in the near term if 159 is breached on a closing basis.



## 2. RELIANCE INDUSTRIES

CMP (Rs.): 1059.70	EPS (Rs.): 48.59	52 Week High : 1149.90
MCap (Rs. Cr.): 346291	Book Value(Rs.):392.25	52 Week Low : 915.00

### **Fundamental View :**

- In NELP-IX blocks, Reliance has shown interest in The Kerala-Konkan basin off the western coast. The natural gas production from Reliance Industries Ltd's East Coast block has dropped by about 15 per cent to about 45-46 mscmd from 53-54 mscmd.
- However, its core petroleum refining and petrochemicals businesses have come under pressure due to cyclical downturn and little help came from its diversification efforts.
- The company has now decided to invest in shale gas in the US, broadband wireless and power industries domestically while recently picking up a stake in East India Hotels.

**Outlook:** While the new businesses won't contribute much in the short run, the company may appear inexpensive at these levels.

### **Technical View:**

In the daily charts the stock is above its 25 DMA which is at 1040.34. The 14 day RSI is 56.92, MACD on daily charts is 8.12. The stock is above its 200 DMA which is at 1030.45.

### **Recommendations:**

The stock is trading above its important moving averages. The technical indicators are also showing positive signs. The stock should be touching 1094-1124 in the near term and 1035 becomes important short-term support.

## 3. SUZLON ENERGY LTD.

CMP (Rs.): 51.35	EPS (Rs.): 0.00	52 Week High : 95.40
MCap (Rs. Cr.): 8771	Book Value(Rs.):39.21	52 Week Low : 43.00

### **Fundamental View :**

- The company is increasing its focus on emerging markets like India, Brazil and China, where demand is projected to improve. Despite the decline in order backlog from the US and Europe, the company's order backlog improved to 1,459 Mw in the quarter ended June, compared to 1,126 Mw in the March quarter.
- REpower Systems AG (WKN 617703) in which Suzlon Energy is a majority shareholder with over 90% holding has concluded a contract for the delivery of 25 wind turbines with EverPower Wind Holdings, Inc with an option to purchase an additional 85 units.

**Outlook:** Although the demand from the Indian and other emerging markets is growing, the subdued outlook for large markets like the US and Europe will remain an overhang on the company's consolidated performance in the next few quarters. Growth in emerging markets will be insufficient to propel the overall dwindling growth, led by subdued developed markets.

**Technical View:**

In the daily charts the stock is above its 25 DMA which is at 50.84. The 14 day RSI is 50.70, MACD on daily charts is -0.69. The stock is below its 200 DMA which is at 59.71.

**Recommendations:**

The stock trades in a symmetrical triangle on daily graphs and a breakout is expected in near future. A sharp up move can be seen in the stock when it closes above 54.50 levels; once breakout happens 58.70 - 61 can be seen.

**4. SATYAM COMPUTERS**

CMP (Rs.): 66.55	EPS (Rs.): 0.00	52 Week High : 120.90
MCap (Rs. Cr.): 7859	Book Value(Rs.): 19.52	52 Week Low : 59.00

**Fundamental View :**

- Satyam posted bleak results in September 2010. EBIT margins came in just 2.5% in Q2FY11 & have significantly deteriorated over FY10 margin of 4.4%.
- The company reported Q2 ending headcount of 28,068 of which about 2500 are in BPO. Utilization stood at 71% while attrition for quarter stood at 25%. The company has 217 active customers as per new classification earnings.
- The company has a current debt of Rs342mn & a cash balance of Rs 25.3bn against Rs21.8bn at the end of Q2FY10, implying a cash generation of Rs3.5bn.

**Outlook:** The company is in process of reversing its initial losses after January 2009 hit.

**Technical View:**

In the daily charts the stock is below its 25 DMA which is at 67.23. The 14 day RSI is 47.79, MACD on daily charts is -1.92. The stock is below its 200 DMA which is at 85.59.

**Recommendations:**

The stock saw a range breakout above 67.50 levels making high of 70.80 this week. Rally should continue towards 71-72 till the stock is trading above 63 levels.

**5. UNITECH**

CMP (Rs.):63.05	EPS (Rs.):2.20	52 Week High : 101.00
MCap (Rs. Cr.): 15837	Book Value(Rs.): 32.98	52 Week Low : 46.15

**Fundamental View :**

- The company had a huge debt of Rs 10,900 crore in December 2008, has reduced liabilities to about Rs 6000 crore. Net debt levels have declined to about Rs 5200 crore.
- Unitech expects high-end residential properties to account for a quarter of sales in the next couple of years.

**Outlook:** The company is able to reduce its debt and its financial performance is improving.

**Technical View:**

In the daily charts the stock is below its 25 DMA which is at 66.41. The 14 day RSI is 39.35, MACD on daily charts is -3.28. The stock is below its 200 DMA which is at 78.96.

**Recommendations:**

The stock is trading in a range of 67 – 59 since the beginning of this month and range break is necessary to see any trend in the stock. Once breakout happens 5-7% move is possible in the same direction.

**6. RELIANCE COMMUNICATION**

CMP (Rs.): 141.95	EPS (Rs.): 2.18	52 Week High : 207.80
MCap (Rs. Cr.): 26502	Book Value(Rs.): 244.66	52 Week Low : 119.50

**Fundamental View :**

- RCom is sitting on a debt pile (net) of Rs.33, 500 crore, five times its June quarter annualized EBIDTA. Of this, a big part is repayable in next one year. As of June, of the Rs.38, 200 crore of gross debt, 44% (Rs.16, 600 crore) is due within the next year.
- An estimated operating cash flow for the next two financial years in the region of Rs.11,000 crore is comforting, 3G-related capital expenditure (among others) would mean that raising additional capital to fund expansion would become necessary. The company, however, says its capex on the rollout of 3G services will be minimal.
- Its Indian wireless business continues to report declining average revenue per minute (ARPU) and minutes of usage (MoU) despite growing customer base. Also, a high-debt burden restricts its ability to seek more financing to grow inorganically.

**Outlook:** RCom has not been able to give a convincing future growth path to investors. However, it will benefit from implementation of the mobile number portability regime. It is also one of only three companies to get licences in 13 of the 3G circles. While these are positives, the major upside for the stock will happen once the deleveraging plan goes through.

**Technical View:**

In the daily charts the stock is above its 25 DMA which is at 137.65. The 14 day RSI is 54.80, MACD on daily charts is -6.23. The stock is below its 200 DMA which is at 169.52.

**Recommendations:**

The stock gained more than 10% to close at 141.95 on Friday. The stock is having a minor resistance at 146 and if this level is crossed the stock may touch 153-155 in the near term.

**7. NHPC**

CMP (Rs.): 28.10	EPS (Rs.): 1.61	52 Week High : 36.60
MCap (Rs. Cr.): 34503	Book Value(Rs.): 18.92	52 Week Low : 26.55

**Fundamental View :**

- The company commissioned one of its projects recently, which would further add to the



bottomline in the coming quarters.

- It has 10 projects with 4,500 mw of capacity under various stages of construction to be completed by the end of the financial year 2013. About 1,200 mw of this is expected to go on steam in the next four quarters. These projects would double the power generation capacity of the company.
- The increase in revenue and profit would be even higher since the new regulation provides higher returns on equity and higher efficiency parameters for new plants.

**Outlook:** Even though the stock has failed to attract investors' attention in the past one year, the medium term prospects of the company are good. In the longer run, the company is expected to behave like other global utility companies, offering steady cash flows and attractive dividends. The near-term movement of the stock price may remain subdued.

**Technical View:**

In the daily charts the stock is below its 25 DMA which is at 28.25. The 14 day RSI is 46.79, MACD on daily charts is -0.48. The stock is below its 200 DMA which is at 30.79.

**Recommendations:**

The stock is trading in the oversold zone. Buying can be seen if the stock trades above 28.60 levels and there is a higher possibility that the stock will touch 29.50 – 30 levels in the near term if this level is breached on a closing basis.

## 8. JAIPRAKASH ASSOCIATE

CMP (Rs.): 102.60	EPS (Rs.): 7.89	52 Week High : 167.80
MCap (Rs. Cr.): 21774	Book Value(Rs.):	52 Week Low : 98.25

**Fundamental View :**

- Jaiprakash Associates Ltd is a diversified infrastructural industrial conglomerate in India. The company is the leader in Engineering and Construction of Hydropower projects in India. They are the only integrated solution provider for Hydropower projects in the country with a track record of strong project implementation in different capacities. The company is in the business of heavy civil engineering construction, expressways, cement, and real estate and hospitality.
- JPA's capacity expansion in last 12 months led to 59% YoY rise in cement volumes in Q2FY11.

**Outlook:** The company has huge expansion plans for FY11-12; this will help in improving the financial performance of the company.

**Technical View:**

In the daily charts the stock is below its 25 DMA which is at 109.06. The 14 day RSI is 37, MACD on daily charts is -4.72. The stock is below its 200 DMA which is at 124.42.

**Recommendations:**

The stock has formed base around 98-100 levels and awaits breakout above 108. Once the breakout happens it can reach 113-115. Below 98 it can see further down trend.



## 9. ISPAT INDUSTRIES

CMP (Rs.):23.30	EPS (Rs.): 0.00	52 Week High : 26.20
MCap (Rs. Cr.): 3068	Book Value(Rs.): -2.52	52 Week Low : 15.25

### **Fundamental View :**

- Ispat Industries Ltd proposes to push the projects whose implementation has been delayed by the recent meltdown. The projects include coke oven plant at a cost of Rs 1,100 crore, power plant at Rs 490 crore and mining projects at Rs 120 crore. Except the mining project, the two others will be implemented in partnership with others. The company said that 110 MW (55 MWx2) plant would be commissioned by the middle of next year while the coke oven plant by the middle of 2012.
- Ispat Industries is aiming to raise output to 4.2 million tonnes per annum from 3.3 million tonnes per annum.

**Outlook:** Rising debt is a major concern.

### **Technical View:**

In the daily charts the stock is above its 25 DMA which is at 20.74. The 14 day RSI is 60.03, MACD on daily charts is 1.11. The stock is above its 200 DMA which is at 19.88.

### **Recommendations:**

The stock has faced good resistance at 26.20 this week and it is expected to consolidate more until this level is not crossed.

## 10. POWER GRID CORPORATION

CMP (Rs.): 97.75	EPS (Rs.): 4.60	52 Week High : 121.45
MCap (Rs. Cr.): 45047	Book Value(Rs.): 43.95	52 Week Low : 91.80

### **Fundamental View :**

- The company is investing Rs 5,540 crore on five projects across the country. These include an investment of Rs 2,743 crore to set up a transmission system in the first phase of a generation project in Orissa with a commissioning schedule of 36 months from the date of investment approval. The firm will also invest Rs 1,719 crore for setting up pooling stations for private power generation projects in Chhattisgarh.
- As transmission utility the company charges the customers a transmission charge for recovery of annual fixed cost consisting of components – return on equity, interest on outstanding debt, depreciation, operation and maintenance expenditure and interest on working capital.

**Outlook:** PGCIL is a principal electric power transmission company owning and operating more than 95% of the country's inter-state and inter-regional electric power transmission systems. The company is investing heavily on its projects and looking to the increasing opportunity in the sector we expect that the momentum likely to continue.

**Technical View:**

In the daily charts the stock is below its 25 DMA which is at 98. The 14 day RSI is 48.31, MACD on daily charts is -0.79. The stock is below its 200 DMA which is at 103.18.

**Recommendations:**

The stock is trading in a range of 98.50 – 94.60 levels since the last two weeks. Sharp move in the same direction can be seen after these levels are broken.



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