



## Economy News

- ▶ Reversing a declining trend during the past few months, India's exports registered a 10.1 per cent growth in January at \$25.34 billion with the demand from the Western markets remaining weak.(BL).
- ▶ The cabinet has allowed cash-rich state-run companies to buy back their shares and bid for shares of other public sector companies auctioned by the government, opening multiple windows for government to revive its tottering disinvestment programme. (ET)
- ▶ The government has decided to bring down the quantum of subsidy on decontrolled fertilisers phosphatic (P) and potassic (K) for the 2012-13 fiscal (ET).
- ▶ The government has approved three highway projects in Rajasthan,Tamil Nadu and Orissa that entail an investment of Rs.34.12 bn, under its flagship road building programme NHDP (ET).

## Corporate News

- ▶ GOI has raised Rs 126 bn (which comes to 98.3% subscription) from auction of its 5 per cent stake in **ONGC**. The final demand was for 420.4 mn shares against an offer of 427.7 mn shares. The proceeds from the ONGC may come as relief to the government which is exploring different options to meet its Rs 400 bn disinvestment target for the fiscal (BL).
- ▶ **Allcargo Global** will demerge two of its business divisions as part of a corporate restructuring plan and will acquire two new vessels for its coastal shipping division as the company looks to tap potential in fast growing Indian logistics sector (ET).
- ▶ The Aadhaar number repository and its IT infrastructure will be run by **HCL Infosystems**. It has won a Rs 22 bn contract from the Unique ID Authority of India (ET)
- ▶ **Suzlon Energy** has said that its wholly-owned subsidiary REpower Systems SE has arranged syndicated loan worth euro 750 million from a consortium of European banks (BS).
- ▶ **Sterlite Industries** has offered Rs160 bn to buy out government's stake in Hindustan Zinc and Balco. (ET)
- ▶ **Development Credit Bank (DCB)** plans to raise more than Rs1.5 bn in a twin sale of shares to select institutions through the qualified institutional placement route and via a preferential share sale to select funds (BL).
- ▶ The aviation ministry has recommended a higher return on equity (RoE) than the sector regulator for the **GMR Infrastructure** led consortium that runs Delhi's international airport. This could help the loss-making private developer shore up revenues faster. The ministry has recommended 18-20 % return on equity (ET).
- ▶ **Tata Communications Ltd.** became the second company to express interest in buying Cable & Wireless Worldwide PLC, saying it is evaluating a possible cash offer for the British fiber-optic network operator (Wall street Journal).

### Equity

		% Chg			
	1 Mar 12	1 Day	1 Mth	3 Mths	
<b>Indian Indices</b>					
SENSEX Index	17,584	(1.0)	1.6	6.7	
NIFTY Index	5,340	(0.8)	2.0	8.2	
BANKEX Index	11,831	(1.2)	3.5	15.8	
BSET Index	6,117	(0.7)	6.0	9.3	
BSETCG INDEX	10,258	(1.6)	1.6	5.1	
BSEOIL INDEX	8,629	(0.9)	0.8	4.2	
CNXMcap Index	7,664	(0.5)	6.6	14.3	
BSESMCAP INDEX	6,834	(0.4)	4.0	11.6	
<b>World Indices</b>					
Dow Jones	12,980	0.2	2.1	8.0	
Nasdaq	2,989	0.7	4.9	13.8	
FTSE	5,931	1.0	2.4	8.1	
NIKKEI	9,707	(0.2)	9.8	12.8	
HANGSENG	21,388	(1.3)	4.2	13.5	

### Value traded (Rs cr)

	1 Mar 12	% Chg - Day
Cash BSE	2,761	(19.7)
Cash NSE	13,240	(15.9)
Derivatives	97,423	(2.6)

### Net inflows (Rs cr)

	29 Feb 12	% Chg	MTD	YTD
FII	651	(24.1)	25,218	36,307
Mutual Fund	(66)	(161.1)	(2,171)	(4,018)

### FII open interest (Rs cr)

	29 Feb 12	% Chg
FII Index Futures	12,972	(3.7)
FII Index Options	41,824	1.5
FII Stock Futures	28,570	1.2
FII Stock Options	1,327	7.2

### Advances / Declines (BSE)

	1 Mar 12	A	B	T	Total	% total
Advances		71	861	331	1,263	43
Declines		131	1,118	329	1,578	53
Unchanged		1	84	26	111	4

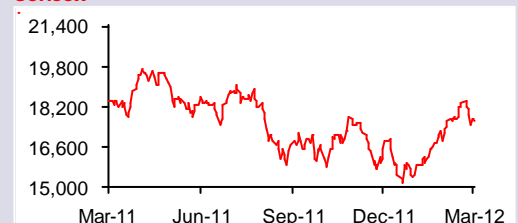
### Commodity

		1 Mar 12	1 Day	1 Mth	3 Mths
Crude (NYMEX)	(US\$/BBL)	108.9	0.0	13.0	7.9
Gold	(US\$/OZ)	1,717.7	(0.2)	(1.8)	(1.3)
Silver	(US\$/OZ)	35.3	0.7	4.4	8.5

### Debt / forex market

	1 Mar 12	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	8.24	8.20	8.14	8.70
Re/US\$	49.2	49.0	49.3	51.5

### Sensex



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**MARKET STRATEGY**

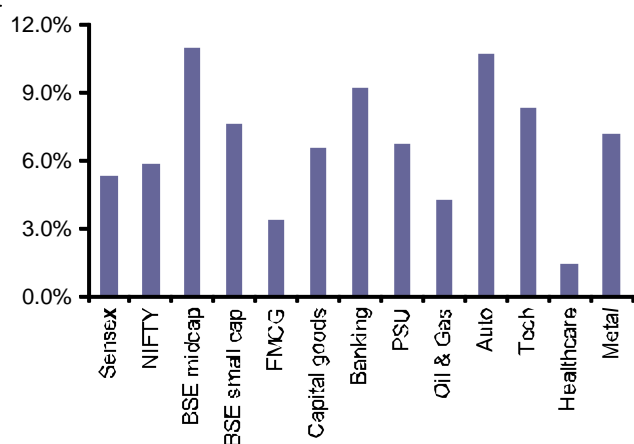
Indian markets sustained the momentum gathered in the previous month, for most part of February 2012. The positive global cues and anticipation of further liquidity flows due to easing in Europe, kept sentiments positive. Expectations of a softer interest rate regime going ahead in India also helped sustain the momentum. However, the rally was snapped by rising oil prices, a lower-than-expected 3Q GDP number and likely risk aversion at higher levels.

US and European markets traded firm, led by optimism related to the Greece bailout, 2nd tranche of LTRO and encouraging economic news from US. ECB's second offering in the form of long term refinancing operation (LTRO II) of 530bn euros in 3-year auction came in line with expectations.

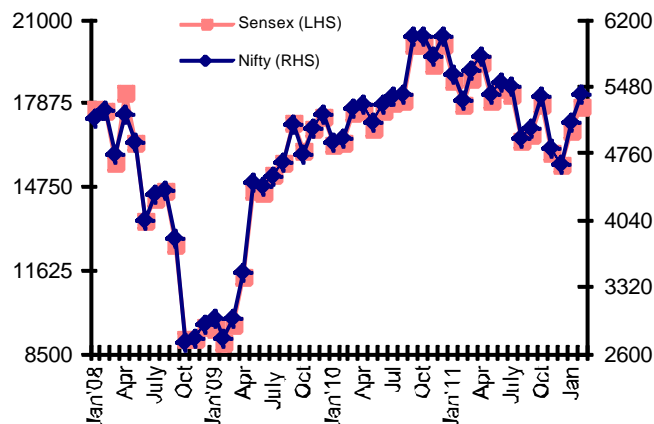
On the policy side, government is addressing issues related to power sector and has formed a separate committee headed by Prime Minister's Principal Secretary. Reforms which had taken a backseat due to lack of political consensus and election schedule in various states are likely to be taken up after state election results. The auction of Government's part stake in ONGC will release some funds for the Government and ease the fiscal deficit.

Going ahead, we remain positive on the medium-to-long term prospects of the market. We expect the Government to re-initiate the reforms process with urgency. We also believe that, interest rates will moderate in FY13. However, in the intermediate term, the markets may have to negotiate roadblocks. The optimism on reforms initiatives in the budget and post that, may be tempered temporarily, if there is an unfavourable outcome of the state elections. Moreover, the high crude prices may not result in an immediate rate cut. These factors may lead to a pullback for the markets. Developments in US and Eurozone also need to be watched closely as they can drive FII flows.

Valuations have moved up from the lower end of the long-term range for the benchmark indices. We continue to recommend a bottoms-up approach with a medium to long term view. One should use dips to accumulate stocks of companies having ethical managements and strong balance sheets across sectors like IT, Banking, Media, Logistics, Capital Goods and Infrastructure sectors.

**Market performance - sector wise (Feb 2012)**

Source: Bloomberg

**Benchmark indices - India**

Source: Bloomberg

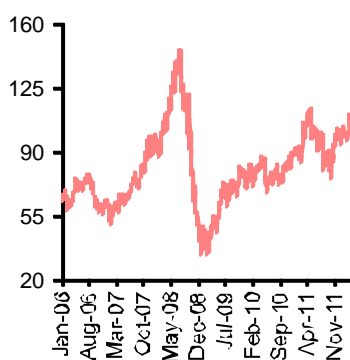
## Global markets continued their uptrend

US markets continued their gains during February also led by optimism related to second bailout program for Greece and better than expected economic news from US. US economy added better than estimated new non-farm positions and unemployment rate declined to 8.3%. Pace of growth in services sector and factory orders also witnessed healthy improvement. Several states in US have also signed draft settlement with the nation's largest banks to ease pressure on home-owner. However, Ben Bernanke in his speech on economy mentioned that unemployment rate is still higher than Fed's target of between 5.2% and 6%, access to credit also remains tight for many people and rising gasoline prices can also likely push up inflation temporarily. He also dashed hopes for further monetary stimulus.

European markets also continued their uptrend in anticipation of Greece bailout. Euro zone finance ministers agreed a 130bn euro rescue plan for Greece that would lead to significant debt reduction to 121% of GDP for Greece. Private sector holders of Greek debt are expected to take losses of up to 70% on the nominal value of their bonds as part of a debt exchange. This was followed by strict austerity measures on Athens which caused a lot of political unrest. Concerns related to implementation of austerity measures by Greece remain. ECB's second offering in the form of long term refinancing operation (LTRO II) of 530 bn euros in 3-year auction was largely in line with expectations and allowed banks to borrow three year loans at low interest rates. The first auction was done in December and banks borrowed 489 bn Euros.

China's annual inflation rate broke the five-month trend of easing price pressures and moved up to 4.5% for January. This was mainly on the Chinese Lunar New Year holiday season. However, inflation is expected to come down going forward. China's imports were also down by 15.3% YoY and exports also witnessed a decline of 0.5% YoY, an indication of weakening global and domestic demand. China cut the bank reserve requirement ratio (RRR) by 50 basis points for the second time, injecting nearly \$63.5 bn into the system which can be used for lending. We believe that it will continue to cut RRR to shore up the slowing economy.

Brent Crude (US\$/bl)



Source: Bloomberg

## Oil prices spiraled up

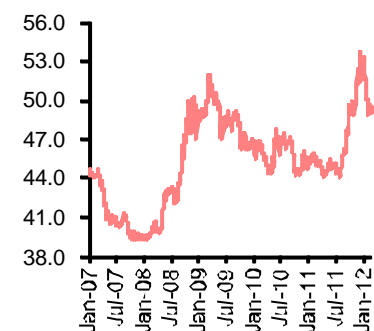
Oil prices jumped up sharply during last one month after US tightened sanctions on Iran. Iran has threatened to close the Straits of Hormuz, which is a key waterway for transporting nearly 20% of the world's oil supply. Sharp escalations of Iran issues may lead to further spike in the oil prices. Along with this, financial bailout of Greece also led to spike in the oil prices. During the month, spot Brent crude was up by 12.3% and spot WTI (West Texas Intermediate) was up by 9.7%.

Further spike in the oil and gas prices can result in consumers cutting back on spending and hence can derail the economic recovery in US and Europe. India imports about 80% of its total oil consumption and the rise in prices can worsen a widening trade deficit. Higher oil prices also have implications on the RBI's monetary policy stance.

## Indian markets ended with some profit booking

Indian markets sustained the momentum gathered in the previous month, for most part of February 2012. The positive global cues and anticipation of further liquidity flows due to easing in Europe, kept sentiments positive. Expectations of a softer interest rate regime going ahead in India also helped sustain the momentum. However, the rally was snapped by rising oil prices, a lower-than-expected 3Q GDP number and likely risk aversion at higher levels.

Rupee/US\$



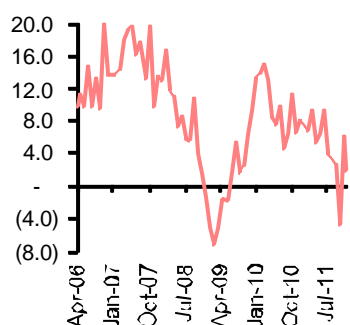
Source: Bloomberg

Government is also addressing issues for power sector and has constituted a committee of secretaries under Principal Secretary, Pulok Chatterjee. Various private power company executives discussed issues related to gas allocation for power projects, high coal prices, land acquisition, environmental clearance and implementation of coal supply agreements by Coal India with the high-level panel headed by Prime Minister's Principal Secretary Pulok Chatterji. Committee has also asked Coal India Ltd (CIL) to sign 20-year fuel supply agreements (FSAs) with power plants ensuring it meets 80% of their requirements.

Though government has not been able to meet its target of Rs 400 bn through disinvestment, the auction of 5% stake in ONGC, should fetch around Rs120bn for the exchequer. In another important event, Supreme Court cancelled all 122 telecom licenses allotted under the 2G spectrum on or after January 10, 2008. All additional spectrum given to incumbents on or after January 10, 2008 have also been cancelled. TRAI is expected to make fresh recommendations for grant of license and allocation of spectrum in 2G by auction during FY13. Auction of 2G licenses is also likely to lower fiscal deficit for the economy in the future.

Assembly elections in five states were held in February with last phase on 3rd March. As a result of this, budget has been postponed to March. We believe that FM's priority in the 2012-13 Budget will be fiscal rectitude. Though fiscal deficit for FY12 is expected to be higher than government's initial target, but target for fiscal deficit for FY12-13 is expected to be set at 5.02% on a nominal GDP growth of 13%. We expect increase in indirect tax rates (excise, service tax). We believe that, service tax revenues will also receive a boost through increase in scope of coverage. We also expect higher allocations in the budget towards infrastructure, social initiatives and agriculture. Issues related to supply side bottlenecks and speedier implementation of allocated budget is also likely to be addressed in the budget. There are several reform initiatives which the Government has initiated outside the budget. The budget may take some of them ahead - FDI in multi-brand retail, Companies Bill, Competition Bill, Mining Bill, Banking Regulation Act, Power sector reforms, etc.

IIP growth (%)



Source: Bloomberg; Note: IIP growth since April 2009 has been recomputed using new series of WPI

## IIP moderated in December, 3Q GDP was also lower than estimates

IIP growth in December came in lower than estimates at 1.8% against higher base of 8.1% in Dec-10, after sharp recovery recorded in November at 5.9%. Cumulative growth during Apr-Dec FY12 has slowed to 3.6% vs. 8.3% last year, while the advance GDP estimates indicate the industrial sector growth for the entire FY12 at 3.9%. Despite strong 9.1% growth in Electricity, slowdown in manufacturing sector at 1.8% and contraction in mining sector at -3.7% brought down the industrial growth in Apr-Dec. 3MMA of IIP remained low at 1% vs. 8.63% 3MMA in December 2010.

From a use-based perspective, capitals goods production was a major disappointment at (-)16.5% - the fourth consecutive month of contraction. This indicates that investment demand has slowed down significantly due to high interest rates. We believe that key to revival in IIP hinges largely on improvement in domestic demand and investment climate.

GDP growth for Q3FY12 also came at 6.1% slowing from 7.7% in Q1 and 6.9% in Q2; slightly disappointing, in our view. GDP growth has come just a tad higher than the lows of Lehman crisis in FY09. During first nine months of the fiscal, economy grew by 6.9% as against 8.1% in same period last year. However, persistently high

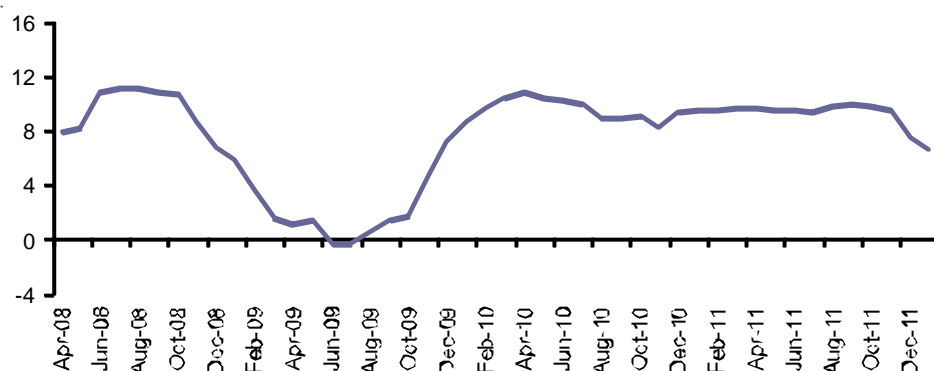
inflation and tight monetary policy weighed more negatively than earlier envisaged on GDP growth. We expect Q4 to be slightly better and pencil in moderate recovery in Q4FY12. Accordingly, we are staying with our earlier GDP growth expectation for current fiscal of around 7%. We also retain our positive stance on FY13 GDP growth, penciling growth of about 7.5%, based on our expectation of lower inflation as well as lower interest rates in next fiscal. We are hopeful that the budget may provide impetus for growth acceleration to print 8% plus GDP growth in FY13.

### High oil prices pose a threat to inflation

WPI inflation declined to 6.6% in January 2012 from 7.5% in the previous month. Core inflation (non-food manufacturing) has now declined for the second consecutive month. Food inflation has come down to -0.2 per cent due to decline in the prices of fruit and vegetables. This is also on account of high base and seasonal factors. Fuel inflation continues to stay at higher levels of 14.2%.

Though food and non-food inflation have started coming down but oil prices continue to remain a key cause of concern. Spiraling oil prices may pose to a threat to inflation and may refrain RBI from cutting interest rates aggressively.

### Inflation (%)

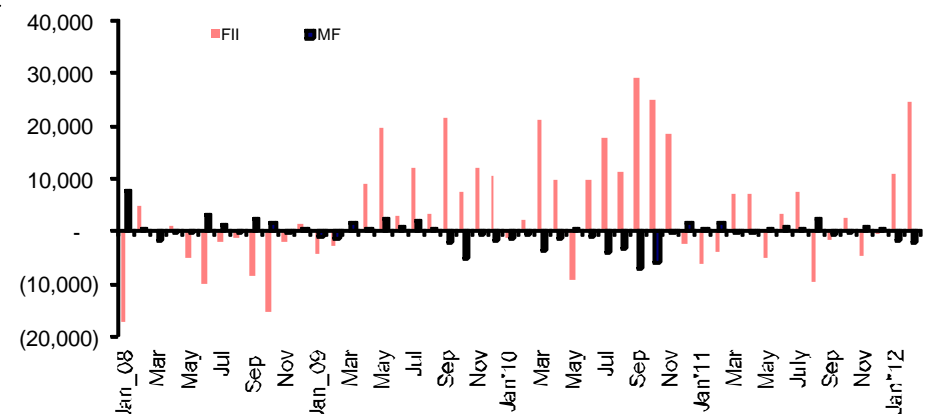


Source: Bloomberg

### FII remained net buyers for the month

For the month, FIIs remained buyers in the cash segment to the tune of Rs 252.2 bn. We note that FII flows remain one of the key factors for the market to sustain gains. Domestic institutions continued to remain net sellers in this month also to the tune of Rs 21.7 bn. During Jan, 2012, mutual funds were net sellers to the tune of Rs 18.5 bn.

### FII & Mutual Fund investment (Rs Cr)



Source: Bloomberg

## Recommendation

Markets have been witnessing a rally since January led by revival in FII inflows, decline in inflation and expectations of interest rate cut from RBI. However, spiraling oil prices, slowdown in GDP growth and likely risk aversion at relatively higher valuations snapped the gains.

Going ahead, we remain positive on the medium-to-long term prospects of the market. We expect the Government to re-initiate the reforms process with urgency. We also believe that, interest rates will moderate in FY13. However, in the intermediate term, the markets may have to negotiate roadblocks. The optimism on reforms initiatives in the budget and post that, may be tempered temporarily, if there is an unfavourable outcome of the state elections. Moreover, the high crude prices may not result in an immediate rate cut. These factors may lead to a pullback for the markets. Developments in US and Eurozone also need to be watched closely as they can drive FII flows.

Valuations have moved up from the lower end of the long-term range for the benchmark indices. We continue to recommend a bottoms-up approach with a medium to long term view. One should use dips to accumulate stocks of companies having ethical managements and strong balance sheets across sectors like IT, Banking, Media, Logistics, Capital Goods and Infrastructure sectors.

## Preferred picks

Sector	Stocks
<b>Automobiles</b>	Bajaj Auto, TVS Motors
<b>Banking</b>	HDFC Bank, ICICI Bank, Bank of Baroda
<b>Construction</b>	IRB Infra, Unity Infra
<b>Engineering</b>	L&T, Cummins, BEL, Bajaj Electricals
<b>Information Technology</b>	Infosys, TCS, KPIT, NIIT Tech
<b>Logistics &amp; Transportation</b>	Gateway Distriparks, Mundra Port, Arshiya International
<b>Media</b>	HT Media
<b>NBFC</b>	IDFC, M&M Financial Services
<b>Oil &amp; Gas</b>	Cairn India, IGL
<b>Real Estate</b>	Phoenix Mills

Source: Kotak Securities - Private Client Research



## AUTO INDUSTRY UPDATE

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## AUTO INDUSTRY VOLUME UPDATE - FEBRUARY 2012

Auto volumes for the month of February 2012 came largely on expected lines. Trend displayed by most of the OEM's remained largely similar to that reported in January 2012. Strong demand for diesel cars pushed the overall sales in the car segment. LCV continues to grow at a robust pace, unabated by the slowdown. M&HCV volumes grew at a modest pace despite various macro headwinds. Demand continued to remain weak in the 2W space. Lower farm income and rising input cost has pushed the demand for tractors in the negative growth territory. Going ahead, we believe factors such as excise duty related announcement (in the budget) and government's decision related to increase in petrol/diesel prices will determine the demand scenario in the near to medium term.

## Summary - February 2012 volumes (Nos)

	Feb 2011	Jan 2011	Feb 2012	YoY gth (%)	MoM gth (%)	YTD FY11	YTD FY12	Growth (%)
<b>Hero MotoCorp</b>								
2W	472,055	520,272	523,465	11	1	4,886,592	5,706,915	17
<b>TVS Motor</b>								
Scooters	40,335	41,469	36,693	(9)	(12)	423,609	489,700	16
Motorcycles	71,462	65,608	63,019	(12)	(4)	757,179	773,368	2
Mopeds	61,403	63,945	69,284	13	8	639,239	712,967	12
<b>Total sales</b>	<b>173,200</b>	<b>171,022</b>	<b>168,996</b>	<b>(2)</b>	<b>(1)</b>	<b>1,820,027</b>	<b>1,976,035</b>	<b>9</b>
Exports	21,674	18,008	16,200	(25)	(10)	205,070	243,337	19
<b>Maruti Suzuki</b>								
A1&A2 (M-800, Alto, Wagon-R, Estilo, Ritz, Swift, A-Star)	74,802	77,792	77,003	3	(1)	753,662	646,404	(14)
A3 (SX4, D'zire)	13,024	10,576	17,101	31	62	117,372	110,158	(6)
A4 (Kizashi)	25	9	14	(44)	56	35	410	1,071
MUV (Grand Vitara, Gypsy)	156	231	230	47	(0)	5,046	4,995	(1)
C (OMNI, Eeco)	13,536	12,439	13,305	(2)	7	146,210	131,625	(10)
Total Domestic	101,543	101,047	107,653	6	7	1,022,325	893,592	(13)
Export	10,102	14,386	11,296	12	(21)	126,738	114,151	(10)
<b>Total Sales</b>	<b>111,645</b>	<b>115,433</b>	<b>118,949</b>	<b>7</b>	<b>3</b>	<b>1,149,063</b>	<b>1,007,743</b>	<b>(12)</b>
<b>M&amp;M</b>								
Passenger Vehicles (incl. Verito)	15,439	19,975	20,573	33	3	161,894	197,095	22
4W Commercial	9,903	13,725	13,522	37	(1)	94,068	137,977	47
3W	5,725	6,126	5,111	(11)	(17)	56,373	62,351	11
MNAL	900	1,543	1,255	39	(19)	10,198	12,304	21
Total Domestic	31,967	41,369	40,461	27	(2)	322,533	409,727	27
Export	1,411	3,349	2,626	86	(22)	17,008	26,518	56
<b>Total Sales</b>	<b>33,378</b>	<b>44,718</b>	<b>43,087</b>	<b>29</b>	<b>(4)</b>	<b>339,541</b>	<b>436,245</b>	<b>28</b>
Tractors	19,041	19,354	15,316	(20)	(21)	193,805	218,047	13
<b>Tata Motors</b>								
M&HCV	17,632	18,338	19,332	10	5	168,729	185,040	10
LCV	23,498	27,375	32,540	38	19	228,240	287,203	26
Utility	4,637	6,140	6,596	42	7	37,460	48,624	30
Cars	27,272	28,529	28,236	4	(1)	233,361	227,775	(2)
Total Domestic	73,039	80,382	86,704	19	8	667,790	748,642	12
Export	4,504	7,083	5,415	20	(24)	52,112	57,523	10
<b>Total Sales</b>	<b>77,543</b>	<b>87,465</b>	<b>92,119</b>	<b>19</b>	<b>5</b>	<b>719,902</b>	<b>806,165</b>	<b>12</b>

Source: Companies

## HERO MotoCorp (HMC)

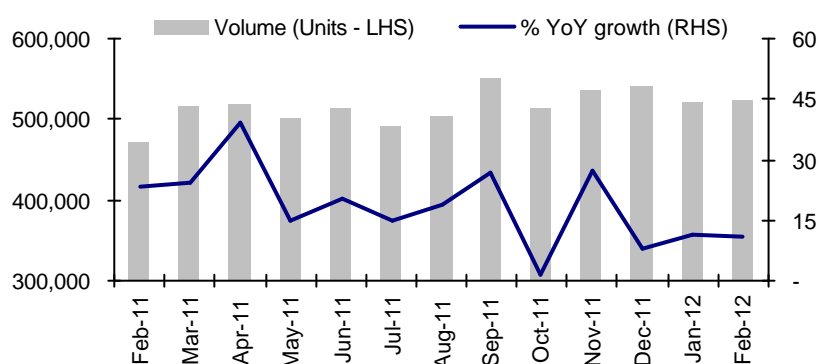
### Hero MotoCorp - sales volume (Nos)

	Feb 2011	Jan 2011	Feb 2012	YoY gth (%)	MoM gth (%)	YTD FY11	YTD FY12	Growth (%)
2W	472,055	520,272	523,465	10.9	0.6	4,886,592	5,706,915	16.8

Source: Company

- HMC sales in February 2012 came in line with our expectation. The company sold 523,465 units as against 472,055 units sold a year ago, representing 11% jump in volumes.
- Company's retail sales too remained above 500,000 units in January 2012 and February 2012, thereby erasing concerns related to increasing inventory at the dealers end.
- As expected the company's sales in 2HFY12 has slowed down over 1HFY12, but is still impressive given the slowdown faced by the 2W sector.
- We expect the slowdown in the 2W segment to persist over the near to medium term leading to our expectation of 12% growth in HMC's volumes in FY13.

### HHML - 2W sales volume



Source: Company



# TVS MOTORS (TVSM)

## TVS Motors - sales volume (Nos)

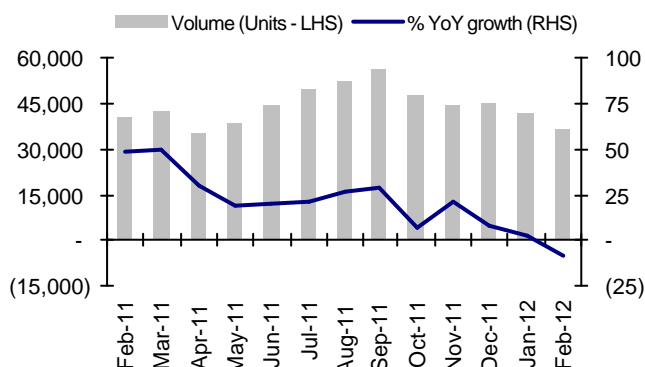
	Feb 2011	Jan 2011	Feb 2012	YoY gth (%)	MoM gth (%)	YTD FY11	YTD FY12	Growth (%)
Scooters	40,335	41,469	36,693	(9.0)	(11.5)	423,609	489,700	15.6
Motorcycles	71,462	65,608	63,019	(11.8)	(3.9)	757,179	773,368	2.1
Mopeds	61,403	63,945	69,284	12.8	8.3	639,239	712,967	11.5
<b>Total sales</b>	<b>173,200</b>	<b>171,022</b>	<b>168,996</b>	<b>(2.4)</b>	<b>(1.2)</b>	<b>1,820,027</b>	<b>1,976,035</b>	<b>8.6</b>
Exports	21,674	18,008	16,200	(25.3)	(10.0)	205,070	243,337	18.7

Source: Company

- TVSM's February 2012 wholesale volumes came slightly below expectations. The company dispatched 172,061 units during the month, a decline of 3% over February 2011 volumes of 177,412 units.
- Most of segments reported YoY decline for TVSM. While domestic 2W volume increased marginally, exports were down sharply by 25%.
- Scooter sales reported a 9% decline after continuously reporting growth for more than 2 years. We believe that overall segment slowdown and enhanced capacity by the market leader has led to weakening of sales in this segment.

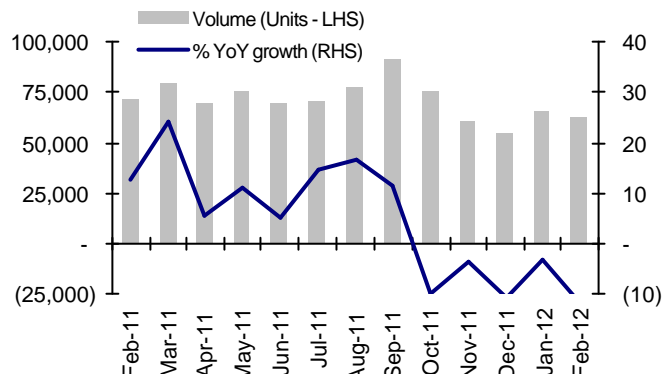
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### Scooters sales volume trend



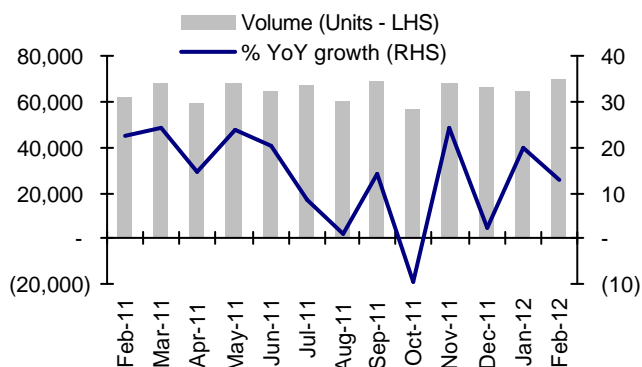
Source: Company

### Motorcycles sales volume trend



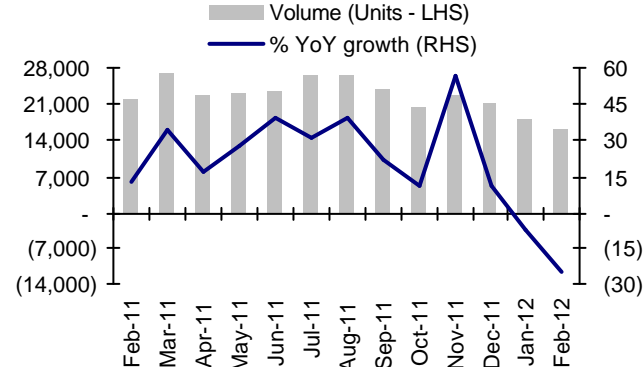
Source: Company

### Mopeds sales volume trend



Source: Company

### Exports sales volume trend



Source: Company

- Motorcycle sales came in 12% lower YoY at 63,019 units. Industry wide slowdown have led to poor show in this segment.
- Moped sales grew by 13% YoY and provided the support to the otherwise weak performance in other segments. In the past 6 years, monthly moped sales for TVSM have consistently grown YoY (except on couple of occasions).
- 3W volumes came in 27% lower YoY at 3,065 units. However, sequentially the volume improved for the company.
- TVSM's performance in 2HFY12 has been hit on account of slowdown in the 2W sector. Given relatively weaker brand franchise (as compared to Hero MotoCorp and Bajaj Auto), we believe that TVSM volumes are more vulnerable in difficult times. We expect the company's volumes to remain under pressure in the near to medium term.

# MARUTI SUZUKI INDIA LIMITED (MSIL)

## MSIL - sales volume (Nos)

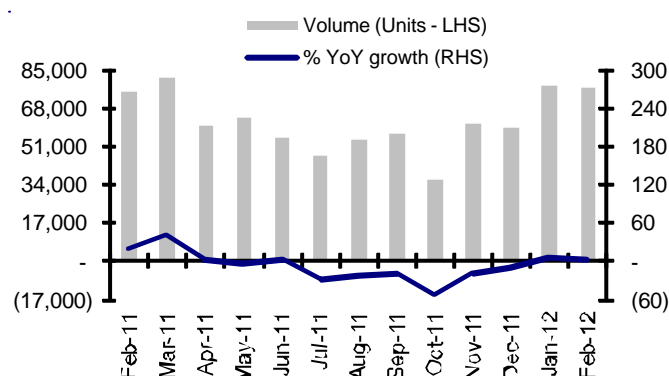
	Feb 2011	Jan 2011	Feb 2012	YoY gth (%)	MoM gth (%)	YTD FY11	YTD FY12	Growth (%)
A1&A2 (M-800, Alto, Wagon-R, Estilo, Ritz, Swift, A-Star)	74,802	77,792	77,003	2.9	(1.0)	753,662	646,404	(14.2)
A3 (SX4, D'zire)	13,024	10,576	17,101	31.3	61.7	117,372	110,158	(6.1)
A4 (Kizashi)	25	9	14	(44.0)	55.6	35	410	1,071.4
MUV (Grand Vitara, Gypsy)	156	231	230	47.4	(0.4)	5,046	4,995	(1.0)
C (OMNI, Eeco)	13,536	12,439	13,305	(1.7)	7.0	146,210	131,625	(10.0)
Total Domestic	101,543	101,047	107,653	6.0	6.5	1,022,325	893,592	(12.6)
Export	10,102	14,386	11,296	11.8	(21.5)	126,738	114,151	(9.9)
<b>Total Sales</b>	<b>111,645</b>	<b>115,433</b>	<b>118,949</b>	<b>6.5</b>	<b>3.0</b>	<b>1,149,063</b>	<b>1,007,743</b>	<b>(12.3)</b>

Source: Company

- MSIL reported healthy dispatches in February 2012 primarily aided by higher availability of diesel engines and launch of new D'zire. Increase in capacity and tie-up with Fiat has led to increased supply of diesel engines for the company.
- Wholesale volumes in February grew by 6.5% from 111,645 units in February 2011 to 118,949 units in February 2012. Over January, the volumes improved by 3%.

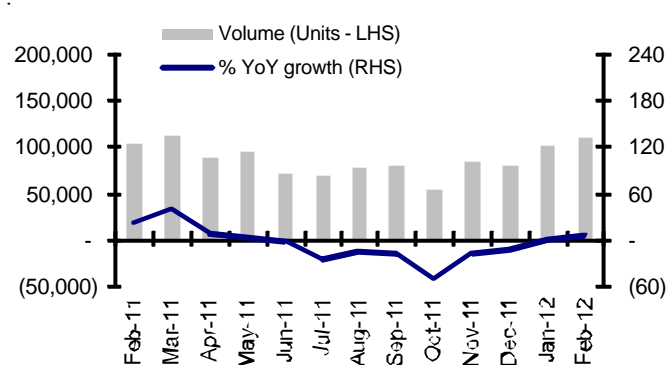
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## A1 & A2 segment domestic volume trend



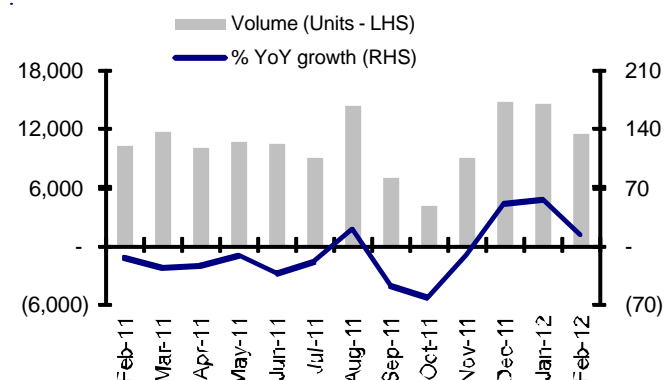
Source: Company

## Domestic sales volume trend



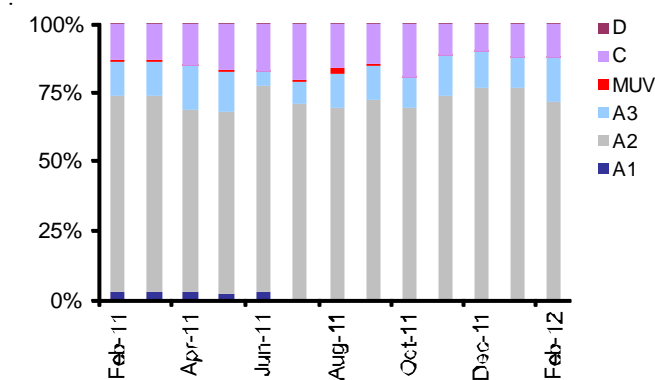
Source: Company

## Export volume trend



Source: Company

## Business Mix (Domestic)



Source: Company

- Volumes in the compact car segment grew by a modest 3% to 77,003 units. Sales in this segment is tilted more towards the petrol car, demand of which is sluggish.
- Major growth driver for sales in the month was the A3 segment. D'zire sales in the month shot up by 59% to 15,098 units. Dispatches would have increased with the launch of new Dzire. Further, increased availability of diesel engines would also have aided dispatches, we believe.
- Sales in the C segment de-grew by 1.7% to 13,305 again pointing towards weak demand for petrol cars.
- Exports stood at 11,296 units, 12% higher over corresponding period last year. However, on a sequential basis it is down by 12%. We believe that weak rupee lead to higher export volumes in December 2011 and January 2012. With rupee appreciating from the recent lows, exports too have retreated on sequential basis.
- Recently the company launched the new D'zire and is expected to launch its new MPV soon. Given escalated oil prices, near term outlook for petrol cars remain weak. For diesel cars, there is expectation of additional excise duty in the upcoming budget, and any such move will be negative for diesel car demand.
- Company YTD volumes have de-grown by 12.3% because of issues, both at macro and company level. However, in FY13 we expect volumes to grow by ~20% on back of new launches, poor base and increased diesel engine availability.

# MAHINDRA AND MAHINDRA (M&M)

## M&M - sales volume (Nos)

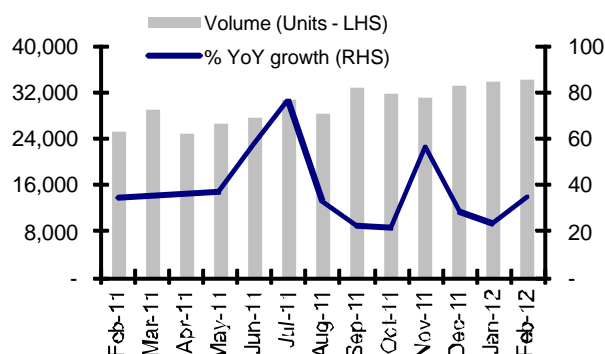
	Feb 2011	Jan 2011	Feb 2012	YoY gth (%)	MoM gth (%)	YTD FY11	YTD FY12	Growth (%)
Passenger Vehicles (incl. Verito)	15,439	19,975	20,573	33.3	3.0	161,894	197,095	21.7
4W Commercial	9,903	13,725	13,522	36.5	(1.5)	94,068	137,977	46.7
3W	5,725	6,126	5,111	(10.7)	(16.6)	56,373	62,351	10.6
MNAL	900	1,543	1,255	39.4	(18.7)	10,198	12,304	20.7
Total Domestic	31,967	41,369	40,461	26.6	(2.2)	322,533	409,727	27.0
Export	1,411	3,349	2,626	86.1	(21.6)	17,008	26,518	55.9
<b>Total Sales</b>	<b>33,378</b>	<b>44,718</b>	<b>43,087</b>	<b>29.1</b>	<b>(3.6)</b>	<b>339,541</b>	<b>436,245</b>	<b>28.5</b>
Tractors	19,041	19,354	15,316	(19.6)	(20.9)	193,805	218,047	12.5

Source: Company

- M&M repeated its strong volume growth performance in the automotive space. However sharp decline in tractor volumes overshadowed the healthy performance in the auto segment.
- Company's domestic auto volumes grew by 26.6% led by robust growth in the passenger vehicle and the 4W commercial pick-up segment.

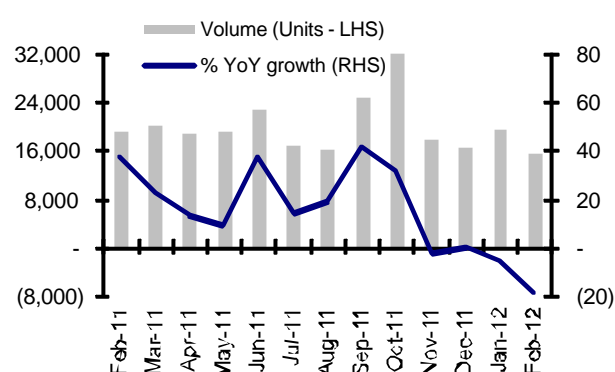
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## PV - domestic volume trend



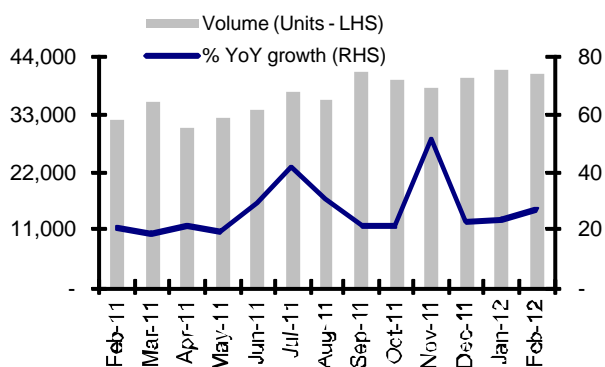
Source: Company

## Tractor - volume trend



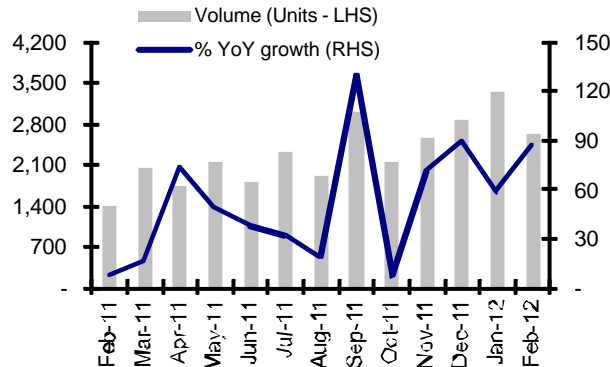
Source: Company

## Domestic volume trend (Automotive)



Source: Company

## Export volume trend (Automotive)



Source: Company

- Dispatches in the passenger vehicle segment grew by 33% helped by strong demand for XUV 500 and the launch of new Xylo. Overall demand for most of the company's product in this segment has been robust.
- 4W commercial volumes grew by 36.5% to 13,522 units. However, the growth in February 2012 has been lower than the YTD growth rate of 47%.
- MNAL sales too increased at strong pace of 39% YoY. Export grew by 86% to 3,349 units.
- M&M's February 2012 tractor division performance was a major disappointment. Domestic tractor sales dropped by 21% to 14,341 units. Overall tractor sales declined from 19,041 units in February 2011 to 15,316 units in February 2012.
- Going ahead, UV volumes could get impacted in an event of imposition of additional excise duty on diesel vehicles. 4W commercial vehicle is expected to continue the good run.
- In the tractor segment, demand has taken a hit on account of weak farm income, rise in input cost and growing NPA's. We expect the tractor demand to remain weak in the near term.

## TATA MOTORS (TAMO)

### Tata Motors - sales volume (Nos)

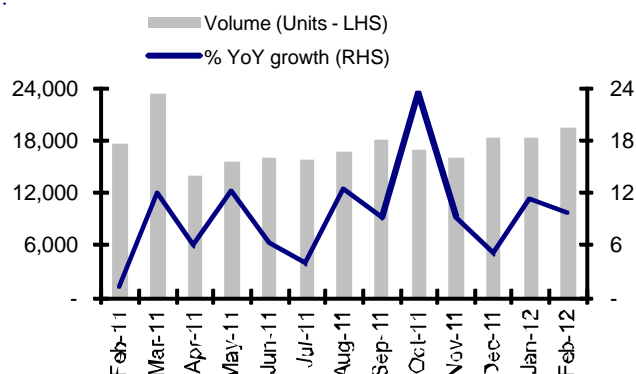
	Feb 2011	Jan 2011	Feb 2012	YoY gth (%)	MoM gth (%)	YTD FY11	YTD FY12	Growth (%)
M&HCV	17,632	18,338	19,332	9.6	5.4	168,729	185,040	9.7
LCV	23,498	27,375	32,540	38.5	18.9	228,240	287,203	25.8
Utility	4,637	6,140	6,596	42.2	7.4	37,460	48,624	29.8
Cars	27,272	28,529	28,236	3.5	(1.0)	233,361	227,775	(2.4)
Total Domestic	73,039	80,382	86,704	18.7	7.9	667,790	748,642	12.1
Export	4,504	7,083	5,415	20.2	(23.5)	52,112	57,523	10.4
<b>Total Sales</b>	<b>77,543</b>	<b>87,465</b>	<b>92,119</b>	<b>18.8</b>	<b>5.3</b>	<b>719,902</b>	<b>806,165</b>	<b>12.0</b>

Source: Company

- TAMO reported its highest ever monthly sales for second consecutive month. Wholesale volumes in February 2012 stood at 92,119 units, surpassing its earlier high of 87,465 units achieved in January 2012. Volumes grew by 19% YoY and 5% MoM.
- While domestic volumes grew by 18.7%, exports registered 20.2% YoY growth.

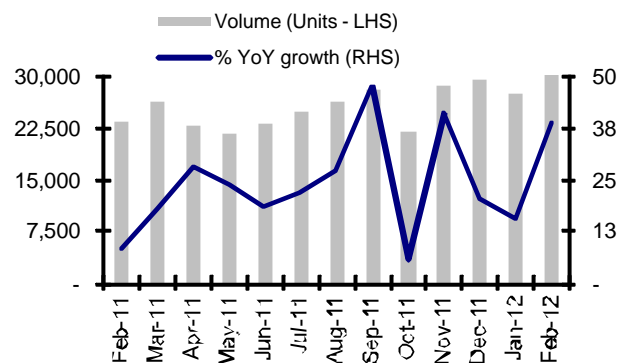
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### M&HCV - domestic volume trend



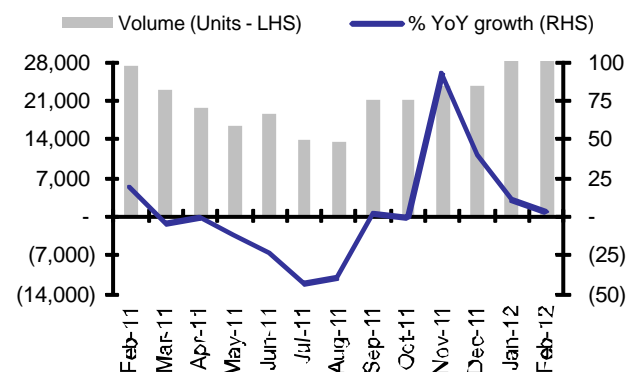
Source: Company

### LCV - domestic volume trend



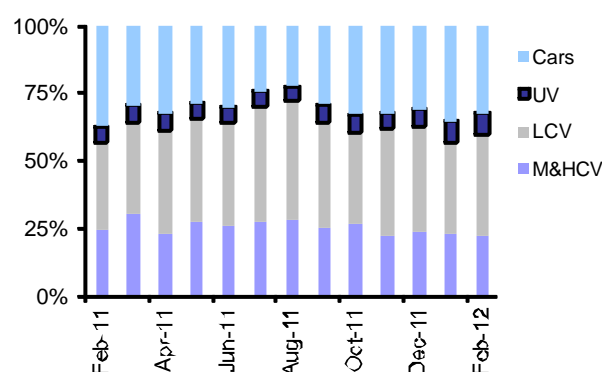
Source: Company

### Cars - domestic volume trend



Source: Company

### Business Mix ( Domestic)



Source: Company



- In the passenger car segment, volumes were up 3.5% YoY to 28,236 units. Nano sales at 9,217 were 12% higher YoY. Indica sales grew by 4% YoY, whereas Indigo sales registered 4% YoY drop. Any announcement related to levy of additional excise duty on diesel vehicles will put some pressure on Indica and Indigo sales, going ahead.
- UV sales reported a phenomenal growth of 42% YoY with dispatches at 6,596 units. Sales in this segment were the highest ever, surpassing the earlier high reported in March 2009.
- LCV sales at 32,540 units (its highest ever) were a positive surprise. Despite heightened competition, the company's performance has been commendable. LCV segment has been the only segment in the auto sector that has grown at a healthy pace, undeterred by slowdown.
- M&HCV volumes increased from 17,632 units in February 2011 to 19,332 units, a growth of 10%.
- Overall volumes came in ahead of expectations aided by strong LCV sales. Going ahead, car sales will largely be driven by gap in petrol and diesel prices. As interest rates start coming down, we expect M&HCV sales to start picking up in FY13. We expect the company volumes to grow at a reasonable pace in FY13.

## Bulk deals

## Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
1-Mar	Banas Finance	Shree Bahubali International Ltd	B	600,000	32.9
1-Mar	BNR Udyog	Mayura Rathi	B	20,000	11.8
1-Mar	BNR Udyog	BNR Capital Services Pvt Ltd	S	20,000	11.8
1-Mar	Claris Lifesciences	Citigroup Global Markets India	S	319,430	150.2
1-Mar	Danlaw Tech-\$	Tidel Silk Technologies Ltd	B	22,121	8.4
1-Mar	Fact Enterprise	Sanjaykumar Champaklal Shah	B	90,000	21.3
1-Mar	Fact Enterprise	Sukusama Trading & Investments	S	77,916	21.3
1-Mar	Gujarat Medi	Vijay Rajendrapratap Singh	B	57,147	19.2
1-Mar	Gujarat Medi	Usha Devi Agarwal	S	57,000	19.2
1-Mar	Hittco Tools	Moizbhai Hakimuddin Boriawala	B	65,500	9.0
1-Mar	Infodrive	India Max Investment Fund Ltd	S	355,069	15.7
1-Mar	Jaihind Syn	Suresh Jayantilal Shah	B	38,000	7.9
1-Mar	Jaihind Syn	Shital Arvind Shah	S	26,000	7.9
1-Mar	Kanchan Intl	Slp Traders (Satish Vasant Ghone)	B	35,000	90.6
1-Mar	Kanchan Intl	Kalgikunjanvora	S	25,000	90.5
1-Mar	Krishna Deep	Graceunited Developers Pvt Ltd	B	95,000	45.0
1-Mar	Krishna Deep	Kanta Mehta	S	74,000	45.0
1-Mar	Krishna Deep	Rita Mehta	S	26,000	45.0
1-Mar	Krishna Deep	Asha Rajgarhia	S	25,000	45.0
1-Mar	Le Waterina	Geeta Dilip Vyas	B	1,198,988	9.6
1-Mar	Le Waterina	Sangam Agro Agencies Pvt Ltd	S	1,198,988	9.6
1-Mar	MSR India	Subash Munkuntla	S	1,850	104.0
1-Mar	MSR India	Khadeavalli Khan	S	1,470	102.9
1-Mar	Nimbus Inds	Rajesh Mohanbhai Patel	B	51,600	25.5
1-Mar	Poddardev	Rohitashwa Dipak Kumar Poddar	B	46,670	108.0
1-Mar	Poddardev	Rajesh Mangilal Shah	S	34,599	108.0
1-Mar	Ranklin Sol-\$	Karra Mohana Rao	B	25,500	10.2
1-Mar	Ratnabali Cap	Ratnabali Exports Private Ltd	B	649,500	110.0
1-Mar	Ratnabali Cap	Vikash Somani	S	649,500	110.0
1-Mar	Ravinay Trad	Clan Laboratories Pvt Ltd	B	25,000	171.8
1-Mar	Ravinay Trad	Diamond Touch Trading Co Pvt Ltd	S	28,400	171.8
1-Mar	Sancia Glob	Shashikant Ramgopal Rathi	B	250,000	8.9
1-Mar	Sawaca Bsns	Innovate Derivatives Pvt Ltd	B	200,000	47.3
1-Mar	Shalibhadra Fin	Jigneshkumar Harshvadan Gandhi	S	27,082	64.7
1-Mar	Sunlake Resorts	Priti Manoj Ruparel	S	80,000	15.0
1-Mar	Syncom Form-\$	Strand Developers Pvt. Ltd.	B	525,000	60.2
1-Mar	Syncom Form-\$	Vijay Shankarlal Bankda	S	525,000	60.2
1-Mar	VMS Inds	G Prashanth Narayan	B	100,000	46.5
1-Mar	VMS Inds	Kaushik Shah Shares & Sec. Ltd	S	100,000	46.5

Source: BSE

## Gainers & Losers

### Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
<b>Gainers</b>				
HDFC	669	0.9	2.7	3.3
Maruti Suzuki	1,315	4.8	2.6	1.5
Dr Reddy's	1,668	1.5	1.0	0.3
<b>Losers</b>				
ICICI Bank	884	(2.5)	(8.6)	4.2
Reliance Ind	811	(1.2)	(5.4)	3.0
L&T	1,278	(2.3)	(5.3)	3.2

Source: Bloomberg

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