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— Money through wisdom —

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PRUINTELLIGENCE

Knowledge Through Wisdom

WINNING STOCKS 2011

We had fantastic 2010 on account of good economic growth & massive foreign fund flow. We are entering 2011 with high investor expectation & higher valuation. With good advance tax number, positive corporate earnings and continue inflow of foreign capital towards the Indian economy, we expect run up to continue this year too. So we suggest in year 2011, one should buy on dip and sell higher.

We also expect more stock and sector specific approach. On overall bases, we expect 15% rise from present level.

Key events to watch out for in 2011:

- 1) High Crude oil price. – Any movement above 105 \$/ Barrel can adversely impact the stock price movement.
- 2) High food Inflation & therefore high Interest rate could impact corporate earnings
- 3) Sovereign debt problems of Europe
- 4) Election in key states like Tamil Nadu , West Bengal & Kerala
- 5) Tightening of monetary policy by the Chinese Central Bank

Sectors we remain Positive:

Pharma, Capital Goods, IT, Metals, Sugar, Fertilizers, Infrastructure, Construction

Sectors we remain Negative:

Telecom, Cement

STOCK PICKS FOR THE YEAR – 2011

(NSE Nifty – 5905 & BSE Sensex – 19692)

COMPANY	CMP (Rs) As on 7-1-2011	Target (Rs)	Upside (%)
Coal India	309.00	425.00	37
Hitachi Home	211.00	275.00	30
HDIL	184.00	240.00	30
Tata Steel	661.00	840.00	27
JP Associate	102.00	140.00	37
GSPL	116.00	150.00	29
Renuka Sugar	90.00	120.00	33
Reliance Industries	1066.00	1350.00	27
Eros Media	152.00	200.00	32
IRB Infra	223.00	320.00	43
IDFC	169.00	225.00	33
JBF Industries	185.00	240.00	30
Biocon	400.00	490.00	23

STOCK PICKS FOR THE YEAR – 2011

Stock	Sector	Weight	Category	Price	Expected EPS FY10-11	PE	BV	MK Cap (Rs. In crores)	Promoter Holding (%)	Promoter Pledge Share (% of Promoter holding)	Beta
Coal India	Mining / Minerals	12%	Large	309	13.98	22	41	195144	90	0	0.70
Hitachi Home	FMCG	8%	Mid cap	211	16.73	13	63	484	70	4	0.80
HDIL	Reality	8%	Large	184	21.59	9	203	7622	39	0	1.70
Tata Steel	Metal	8%	Large	661	84.37	8	262	59627	32	0	1.33
JP Associate	Infra	8%	Large	102	5.94	17	38	21615	45	0	1.57
GSPL	Oil & gas	6%	Large	116	6.99	17	28	6503	38	0	0.85
Renuka Sugar *	Sugar	6%	Large	90	6.18	15	35	6055	38	0	1.03
Reliance Industries	Oil & Gas	8%	Large	1066	59.74	18	403	348476	45	0	1.14
Eros Media	Media	8%	Mid cap	152	12.69	12	64	1390	78	0	1.26
IRB Infra	Infra	8%	Large	222	13.03	17	61	7375	75	20	0.65
IDFC	Finance	8%	Large	169	9.23	18	66	24659	0	0	1.31
JBF Industries *	Textiles	6%	Mid cap	185	44.12	4	138	1311	42	3	0.82
BIOCON	Biotech	6%	Large	400	16.60	24	88	8004	60	0	0.59

* - The sector is cyclical in nature

Coal India (CMP: Rs.309)

Stock	Sector	Category	Price	EPS	PE	BV	MK Cap	Promoter Holding	Promoter Pledge (% of Promoter holding)
Coal India	Mining / Minerals	Large	309	13.98	22	41	195144	90	0

- CIL is undergoing a capacity expansion by setting up 111 mn tonnes of new washing capacity for its existing production and ~90% of incremental production will have dedicated washeries.
- We expect the company top line and bottom line CAGR of 25% and 20% respectively.
- With the strong fundamentals of the company and growth prospect for the overall sector we recommend one can buy the stock at the current level with a target price of 425, an upside of ~37%.

Hitachi Home (CMP: Rs.211)

Stock	Sector	Category	Price	EPS	PE	BV	MK Cap	Promoter Holding	Promoter Pledge (% of Promoter holding)
Hitachi Home	FMCG	Mid Cap	211	16.73	13	63	484	70	4

- Hitachi Home (India) is a prominent player in the premium air conditioning segment.
- With the strong brand name and competitive management, we expect the company to show a better growth in the top line and bottom line in the next 2 years.
- Looking at the growth prospects of the Hitachi along with its sound fundamentals, we recommend to buy this scrip at current level with a target of 275, an upside of 30%.

HDIL (CMP: Rs.184)

Stock	Sector	Category	Price	EPS	PE	BV	MK Cap	Promoter Holding	Promoter Pledge (% of Promoter holding)
HDIL	Reality	Large	184	21.59	9	203	7622	39	0

- The Company plan to launch various projects through the conventional route. Some of the company's recent projects have met with success. Management would be adopting the same strategy for its forthcoming launches as well.
- HDIL successfully raised equity of \$ 250 million through its QIP at Rs 268.18 share. The issue proceeds would be utilised to partfinance phase II of the MIAL project and new project acquisitions.
- The stocks look attractive at the CMP with higher cash flow expected from the MIAL project, successful recent launches and QIP issue. One can buy this scrip with a contrarian investment strategy at the current level with a target of 240, an upside of ~30%.

GSPL (CMP: Rs.116)

Stock	Sector	Category	Price	EPS	PE	BV	MK Cap	Promoter Holding	Promoter Pledge (% of Promoter holding)
GSPL	Oil & Gas	Large	116	6.99	17	28	6503	38	0

- The new pipeline at the Mehsana-Bhatinda and Mallavaram-Bhilwara pipelines would enable GSPL to become an inter-regional gas carrier and would add to the top line and bottom line in the coming years
- The Company have a long term contract respect to the gas supply with Torrent Power and Reliance Industries.
- Looking to the future growth of natural gas and the sound financials of the company, one can buy this scrip at current level with a price target of 150, an upside of ~29%.

Jaiprakash Associates (CMP: Rs.102)

Stock	Sector	Category	Price	EPS	PE	BV	MK Cap	Promoter Holding	Promoter Pledge (% of Promoter holding)
JP Associate	Infra	Large	102	5.97	17	38	21615	45	0

- The Company is looking at capacity expansion and going forward over the next two years the 3.5 million plus capacity will really help them to show a strong top line growth.
- Though the Yamuna Expressway project execution has been a bit of a question mark but once that comes on stream over the next year, we see a lot of flows to the bottom line.
- In the power sector, the company have a stake in JP Infrastructure and also in JP Hydro.
- The stock at current level give you a good margin of safety and on the upside it has got strong upsides and one can buy the stock at current level with a price target of 140, an upside of ~ 37%

Shree Renuka Sugar (CMP: Rs.90)

Stock	Sector	Category	Price	EPS	PE	BV	MK Cap	Promoter Holding	Promoter Pledge (% of Promoter holding)
Renuka	Sugar	Large	90	6.18	15	35	6055	38	0

- Shree Renuka Sugar is the only sugar/ethanol producer in the world with almost year-long cane crushing operations as it has operations in Brazil and India, giving it a complimentary cane crushing season.
- The acquisition of the Brazilian Company will help in better realization of the sugar as per international prices adding to its bottom line. With the high consumption story of Indian Economy and resilient of the sector to the cyclical downsides, one can buy the stock with a target price of 120, an upside of ~33%

Tata Steel (CMP: Rs.661)

Stock	Sector	Category	Price	EPS	PE	BV	MK Cap	Promoter Holding	Promoter Pledge (% of Promoter holding)
Tata Steel	Metal	Large	661	84.37	8	262	59627	32	0

- Tata Steel is a unique company where particularly, the Indian operation has a 100% captive iron ore supply and over 50% of the coking coal supply is available to the company.
- The domestic business is doing very well, at the same time it's Jamshedpur plant is undergoing an expansion plan and also a new unit at Orissa. Both of this will add to the top line going forward.
- Tata Steel Indian operations yield one of the highest margins in the steel business globally. We are expecting that steel prices will firm up and realisations would be better.
- Looking at the growth prospect of the Company along with the strong fundamentals, the stock looks attractive at the CMP with a 25-30% upside from the current level. We expect a target price of Rs. 840 on the stock, giving an upside of 27%.

Reliance Industries (CMP: Rs.1066)

Stock	Sector	Category	Price	EPS	PE	BV	MK Cap	Promoter Holding	Promoter Pledge (% of Promoter holding)
RIL	Oil & Gas	Large	1066	59.74	18	403	348476	45	0

- The Oil & Gas sector is expected to show a strong performance in the coming years and we expect the Gross Refining Margins of RIL to show an improvement in the coming years.
- The Petrochemical segment is also expected to show a robust growth in the year ahead with margins expected to increase due to higher product prices and stable feedstock prices.
- The stock has underperformed for the year FY10, we expect in the coming year the stock will perform better and thus one can buy the scrip at the current level with a target of Rs.1 350, an upside of ~27%.

Eros Media (CMP: Rs.152)

Stock	Sector	Category	Price	EPS	PE	BV	MK Cap	Promoter Holding	Promoter Pledge (% of Promoter holding)
Eros Media	Media	Mid Cap	152	12.69	12	64	1390	78	0

- The Company have shown a strong CAGR of 58% and 157% in the top line and bottom line respectively during FY06-10 even during the recessionary conditions.
- Plan to invest close to Rs.1 000crore in production and acquisition of film rights over the next 1-2 years.
- Despite being in the film co-production and distribution business, its unique business model enables the company to recover the bulk of its cost upfront through pre-sales of overseas rights, music rights and broadcasting rights. the stock looks attractive at the current price with a target of 200 an upside of ~32%.

IRB Infrastructure (CMP: Rs.222)

Stock	Sector	Category	Price	EPS	PE	BV	MK Cap	Promoter Holding	Promoter Pledge (% of Promoter holding)
IRB Infra	Infra	Large	222	13.03	17	61	7375	75	20

- The Company has a strong E&C order book at Rs97.6bn including the Tumkur-Chitradurga project order. We expect the bottom line to grow by 22% CAGR during the next 3 years.
- IRB with its experience and expertise is well positioned to benefit from boom in the road infrastructure segment.
- Looking to the strong fundamentals and the growth prospect in the infrastructure segment, we recommend that one can buy this scrip at the current level with a price target of Rs.320, an upside of ~43%.

IDFC (CMP: Rs.169)

Stock	Sector	Category	Price	EPS	PE	BV	MK Cap	Promoter Holding	Promoter Pledge (% of Promoter holding)
IDFC	Finance	Large	169	9.23	18	66	24659	0	0

- IDFC is one of the leading backbone of infrastructure development in the Indian economy by financing the infrastructure space.
- We expect the infrastructure loan growth of 30% for FY11-12 and a growth of bottom line growth of 24% for IDFC.
- Looking to the huge infrastructure opportunity of the Indian economy and the strong fundamentals of the company we recommend one can buy the scrip at current level with a target of 225, an upside of ~33%.

JBF Industries (CMP: Rs.185)

Stock	Sector	Category	Price	EPS	PE	BV	MK Cap	Promoter Holding	Promoter Pledge (% of Promoter holding)
JBF Industries	Textiles	Mid Cap	185	44.12	4	138	1311	42	3

- The Company is looking to expand capacity both in India and its subsidiary, RAK at UAE.
- JBF reported excellent set of number for Q2FY11 due to strong profitability in the polyester films business at its subsidiary RAK.
- The stock looks quite attractive on valuation basis trading at the P/E of 7.5 and one can buy the stock with a price target of 240, an upside of ~ 30%.

Biocon (CMP: Rs.400)

Stock	Sector	Category	Price	EPS	PE	BV	MK Cap	Promoter Holding	Promoter Pledge (% of Promoter holding)
Biocon	Biotech	Large	400	16.60	24	88	8004	60	0

- Biocon has entered into a strategic FDI in Malaysia with the Malaysian Biotechnology Corporation towards establishing a biomanufacturing and R&D facility in Bio- XCell, a custom built Biotechnology Park and ecosystem in Iskandar Malaysia, Johor.
- Also plan to expand the domestic presence in branded formulations, the company is planning to launch two new divisions viz. Dermacare & Immunocare and Comprehensive Care.
- Looking to the expansion plan and the sound financials one can buy the scrip of Biocon at current level with a target of 490, an upside of ~23%.

WISH YOU ALL SUCCESSFUL 2011



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THANK YOU

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