

DIPAWALI SPECIAL  
SUPPLEMENTARY

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# THE ECONOMIC REVOLUTION

## ધી ઈકોનોમિક રેવલ્યુશન

STOCK MARKET  
AND MODERN  
FINANCIAL WAVES  
FINANCIAL WEEKLY E COPY

Everything that's on Money !

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**BAJAJ AUTO  
LTD  
OVERPRICED**

5

SMART PROFIT

**Q2 RESULTS TO GIVE  
ZIG-ZAG AND STOCK  
SPECIFIC MOVE...**

4

BUY AND SELL

**FROM A TRADING POINT  
OF VIEW I WOULD TRADE  
LONG AS LONG AS 5200  
HOLDS.**

3

PRAKASH GABA

# SAMVAT 2068 - OPENING ROUND TO BULLS



29/10/2011

### TRADING RANGE BREAKOUT FINALLY

Deepawali did not disappoint the bulls as the market finally witnessed a trading range breakout i.e. Nifty 4720-5170. This breakout came after a consolidation period of nearly three months. Eventual target for Trading Range breakout is Nifty 5631 and

Sensex 18692. The market surged on the first trading day of the New Year Samvat 2068 by almost 500 points on the Sensex. The gain can mainly be attributed to extremely strong global markets and which in turn sparked off a short-covering rally in our market.

### 200DMA - KEY LEVEL TO WATCH

The market was trapped in the Nifty

trading range of 4720 to level of 200dma which is



5170 and when the breakout was witnessed during Deepawali, the Nifty flew to reach the

around 5400. Nifty tested the 200dma four times in July 2011, but was not able to surpass it and this was its fifth attempt. 200dma holds the key for the long term outlook for the market. Last Deepawali the

market made a top of Nifty 6338 and fell and this Deepawali the market has given a much wanted trading range bullish breakout.

### TECHNICALLY SPEAKING.

The Sensex opened the week at 17011, made a high of 17908, a low of 16898 and closed the week at 17804. The Sensex gained 1019 points on a weekly basis. Similarly Nifty opened the week at 5114, made a high of 5399, a low of 5084 and closed the week at 5360. The Nifty too closed with a strong

weekly gain of 311 points.

Both Sensex and Nifty have formed a big White body candle on the weekly charts. The big White body candle formed in the direction of the breakout affirms the continuation of the upward price movement. On the daily charts Nifty has formed a small white body with a big upward gap. Interestingly this gap coincides with the bearish breakaway gap formed in August 2011. It falls short of being called an Island Reversal

**Auto is most safe sector to  
trade, since it is getting  
extra ordinary  
astrological support**

Weekly Stock  
Market Prediction  
31st October  
- 04th November

2011  
Weekly planetary  
position: During the  
week, Moon will be

## ASTROLOGY & STOCK MARKET



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transiting in Sagittarius, Capricorn & Aquarius. Saturn in Virgo. Sun in Libra. Rahu, Venus & Mercury in Scorpio. Ketu in Taurus. Mars in Cancer. Jupiter in Aries. Pluto in Sagittarius. Neptune in Aquarius.

Trade cautiously, highly uncomfortable position, Choppy behavior & deceptive Volatility will be there in coming days.

Following sectors  
Continue on .....3



Continue on .....2

## Lion's Roar

because of the presence of so many candles between these

Nifty have continued to remain above the short term average of 20dma

On a longer term timeframe the Bearish Head & Shoulders on the weekly charts still stand,

having highest Put buildup and highest Call writing is seen at 5400 strike price. Thus Nifty

5238-5127-5011 and will find Resistance at 5443-5529-5616.

Both Sensex and Nifty have formed a

Cont. from Pg. 1

should not be much of a concern as the Nifty has taken support at 5011 mark and now

### INDEX LEVELS :

	S3	S2	S1	CLOSE	R1	R2	R3
Nifty	5011	5127	5238	5360	5443	5529	5616
Sensex	16669	17047	17425	17804	18072	18358	18636

two gaps. Ideally Island is usually smaller than the main body and in this case it is a textbook case of Trading

(Sensex - 16754 and Nifty - 5038) and medium term average of 50dma (Sensex - 16658

as long as the Nifty remains below 5740.

MACD and ROC both are in Buy mode and in positive territory. RSI

### LAST WEEK'S RECOMMENDATIONS

All the recommendations reached their targets with ease. But the Star performers of the week were Bajaj Auto and Dr. Reddy which went up by a whopping 11% !!!

STOCK	Reco. Price	Tgt	Reached	Lot Size	Profit
Buy Dr.Reddy	1530	1574	1684	250	Rs.38,500
Buy BajAuto	1641	1678	1823	250	Rs.45,500
Buy AxisBnk	1127	1161	1194	250	Rs.16,750
Buy TVSMot	66	69	70	4000	Rs.16,000
Buy BalChi	53	56	56	4000	Rs.12,000
			Total		Rs.1,28,750

Range breakout.

Both the indices were moving within a well defined trading range i.e. between Sensex 15745 to 17211 and Nifty 4720 to 5170 for a period of more

and Nifty - 5005). As a result the short and medium term trends remain up. This week both the indices went up and are now just below the 200dma (Sensex - 18018 and Nifty - 5408). As a result the long term trend

continues to remain in Buy mode and is at 65 suggesting momentum ahead. Stochastic Oscillator is overbought as %K is at 94. ADX is quite low at 18 suggesting that the index is almost trendless or in sideways

### THIS WEEK'S RECOMMENDATIONS :

STOCK	CMP	SL	Tgt-1	Tgt-2
Buy BFUtility	486	475	506	529
Buy FedBnk	411	405	421	433
Buy REC	184	180	191	199
Buy IVRCL	40	38	43	47
Buy Omaxe	146	142	152	159

than three months. The top and bottom end of the trading range had been tested four times without getting breached. Finally this Trading Range was breached and the target for this Trading Range Breakout falls at Sensex 18692 and Nifty 5631.

Both Sensex and

continues to remain down but will be tested in the coming week.

Since last Deepawali, both the indices have been moving lower in a Falling Channel and the top end of the Falling Channel falls at Sensex 18227 and Nifty 5468. This level should act as good Resistance level.

mode. Directional Indicators continue in Buy mode as +DI is way above -DI. OBV after a long time has signaled a Buy as it has moved above the previous top. Money Flow is overbought at 81, which warns of an impending intermediate top.

Nifty OI PCR is high at 1.51. 5000 strike is



can be expected to move in a range of 5000 to 5400.

Trendline Resistance for the Sensex is at 18227. Trendline Support for the Sensex is at 17333.

Trendline Resistance for the Nifty is at 5468. Trendline Support for the Nifty will be at 5152.

For the week ahead, Sensex will find Support at 17425-17047-16669 and will find Resistance at 18072-18358-18636. For the week ahead, Nifty will find Support at

Black body candle on the daily charts. This is after a small white body (al-

even the medium and short term moving averages are supporting



most a neutral formation) was formed on Thursday. Fridays black body formation on the daily charts

that level. On the weekly charts we have an Opening Black Body



## Astrology and stock market

Cont. from Pg. 1

will be getting Astrological support next week:

Auto sector will continue to receive very strong astrological support. Buy Tata Motor, Tvs Motor, Baja Auto, Heromoto Corp & Mahindra & Mahindra etc on dips. Last week, this sector was also predicted by us & Mahindra & Mahindra, Ashok Leyland, Tata Motor & Bajaj Auto moved up by 7-11%.

Auto is most safe sector to trade, since it is getting extra ordinary astrological support & stocks in this sector keep on outperforming, even when markets are trading in negative territory.

Auto Ancillary sector too will be getting astrological support. Buy Exide, Bosch & Bharat Forge etc on dips.. Watches &

Paints sector will also be receiving strong astro support. Accumulate TITAN & Asian Paints on dips.

Silver will be getting astrological support in coming days. Buy on every decline.

Due to uncomfortable Planetary position of Lord RAHU, in INDIA'S horoscope, disturbing news flow will continue. Now from 6th June 2011, with change in position by Lord Rahu from Sagittarius to Scorpio, the position of the government will be highly uncomfortable for next 4 months.

**Prediction:** All scrupulous deals in land / property would be unearthed & the persons connected with such deals in all spheres shall be exposed, during the period of planet Rahu in Scorpio.

New Samvat 2068 (Hindu New Year) have started from 4th April 2011. Whenever New Samvat starts, based

on planetary position / conjunction & aspect among planets, some new sectors commence out performing & many sectors, which were in momentum during last Samvat start under performing.

It has been observed many times that investors / traders (not knowing this fact) keep investing /trading in such sectors,( whose astrological support is over) - resulting in losses. It is suggested to consult your Financial Astrologer to know about the sectors.

One should trade only in the stocks of that sectors which are getting very strong astrologically support, since the chances of losing money in such stocks are very less.

Sectors which get strong ASTRO support are not normally affected by downfall in the market

## Weekly Review for the Week October 31st to November 4th 2011

Nifty: (5361)  
Sensex: (17805)  
28.10.11

We said 'Technically

corner and I would not be surprised if the market slides down to the around 4944

traded long until Diwali Mahurat trading and trading with a breakout GAP on last day of the week and closing in the green.

Technically the market should be seen as up until 5485 which is a logical target in the current campaign and if the market still continues up then the next logical target in the days to come could be 5695...strong supports exists at 5200 zones...

From a trading point of view I would trade long as long as 5200 holds...

### WEEKLY REVIEW

## PRAKASH GABA

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the market is not up unless 5050 gets taken out with force and we now head into a trunked week with holidays around the

zones' The market crossed the 5050 mark on Monday itself indicating strength and

## WEEKLY SUPPORT AND RESISTANCE LEVELS

FROM 31 October TO 04 November 2011



Email : [anuraghsr@yahoo.com](mailto:anuraghsr@yahoo.com)

**ANURAG GUPTA MOBILE : 9255191643**

SYMBOL	CLOSE	TREND	RES2	RES1	TREND LEVEL	SUPP1	SUPP2
ABB OCT	716.80	BULLISH	760.93	738.87	706.93	684.87	652.93
ACC OCT	1231.20	BULLISH	1313.47	1272.33	1198.77	1157.63	1084.07
ABAN OCT	426.80	BULLISH	457.77	442.28	415.67	400.18	373.57
ADANIENCT OCT	484.30	BULLISH	513.30	498.80	475.45	460.95	437.60
APIL OCT	537.80	BULLISH	583.13	560.47	534.33	511.67	485.53
ARVIND OCT	108.25	BULLISH	113.62	110.93	107.67	104.98	101.72
AUROPHARMA OCT	129.55	BULLISH	137.65	133.60	126.90	122.85	116.15
AXISBANK OCT	1157.55	BULLISH	1235.68	1196.62	1153.58	1114.52	1071.48
BAJAJAUTO OCT	1771.00	BULLISH	1930.73	1850.87	1754.43	1674.57	1578.13
BANKNIFTY OCT	9959.90	BULLISH	10432.60	10196.25	9760.65	9524.30	9088.70
BHEL OCT	329.90	BULLISH	343.23	336.57	325.18	318.52	307.13
BOMBADYEING OCT	439.20	BULLISH	469.73	454.47	427.73	412.47	385.73
CENTURYTEX OCT	326.35	BULLISH	349.65	338.00	319.00	307.35	288.35
COALINDIA OCT	339.50	BULLISH	359.23	349.37	335.13	325.27	311.03
EDUCOMP OCT	268.80	BULLISH	291.63	280.22	263.13	251.72	234.63
GAIL OCT	432.15	BULLISH	468.52	450.33	435.02	416.83	401.52
GRASIM OCT	2563.65	BULLISH	2801.18	2682.42	2504.68	2385.92	2208.18
HDFC OCT	692.50	BULLISH	736.20	714.35	674.00	652.15	611.80
HDFCBANK OCT	486.45	BEARISH	526.08	506.27	477.73	457.92	429.38
ICICIBANK OCT	937.60	BULLISH	996.87	967.23	910.37	880.73	823.87
INFOSYS OCT	2882.05	BULLISH	3105.82	2993.93	2867.27	2755.38	2628.72
JINDALSTEEL OCT	582.95	BULLISH	652.65	617.80	570.45	535.60	488.25
JSWSTEEL OCT	668.65	BULLISH	736.65	702.65	640.00	606.00	543.35
KOTAKBANK OCT	512.20	BULLISH	576.27	544.23	504.77	472.73	433.27
MARUTI OCT	1118.45	BULLISH	1202.88	1160.67	1132.33	1090.12	1061.78
NIFTY OCT	5385.50	BULLISH	5607.73	5496.62	5291.63	5180.52	4975.53
ONGC OCT	285.85	BULLISH	305.22	295.53	281.92	272.23	258.62
RANBAXY OCT	519.35	BULLISH	546.28	532.82	514.33	500.87	482.38
RELCAPITAL OCT	374.70	BULLISH	409.40	392.05	361.20	343.85	313.00
RELIANCE OCT	905.45	BULLISH	949.88	927.67	885.18	862.97	820.48
SBIN OCT	1918.95	BEARISH	2072.02	1995.48	1911.47	1834.93	1750.92
VIPIND OCT	852.70	BEARISH	1020.83	936.77	869.38	785.32	717.93
WIPRO OCT	375.30	BULLISH	415.57	395.43	374.87	354.73	334.17

### TRADING GUIDELINES (or how to trade using this sheet):

#### PLEASE UNDERSTAND BEFORE YOU TRADE

1. This model is based on the premise that the **TREND LEVEL** is the most important price level that decides the intraday trend. Much like how the door or a window hangs by a hinge and sways in the wind, the intraday trend also hangs by this **TREND LEVEL** and swings because of the demand-supply, volatility and market sentiments prevailing in the market. Hence its importance in intraday trading.
2. Opening Price is considered around close of previous day. Avoid BUYING if Prices open abnormally High and Avoid SELLING if prices open too low.
3. **If the market price is stable above the TREND LEVEL, then GO LONG. and book profit near the resistant level (res1 and res2)**
4. **If the market price is stable below the TREND LEVEL, then GO SHORT. and book profit near the support level (sup1 and sup2)**
5. **STOP LOSS:** Since you are aware of the 'potential returns' at the time of initiating an intraday trade (difference between the entry price and profit targets), you should set up an appropriate STOP LOSS around 1% above below of the trade price to protect yourself if the market turns and goes against you.
6. **ALTERNATE STRATEGY:** If you have already initiated a trade with clear-cut profit targets and a stop loss level, and find during the course of the trading day that the market turns and goes the other way and crosses the TREND LEVEL, then trade again:  
 .For instance, if your first trade was a LONG trade and the market price drops through the TREND LEVEL to lower price levels, then GO SHORT.  
 . And, if your first trade was a SHORT trade, and the market price rises through the TREND LEVEL to higher price levels, then GO LONG.

**Anurag Gupta** is a professional analyst and investment consultant having a rich experience of around 13 years successfully predicting the movement of Indian Stock Market. With an enviable track record of more than 90 % accuracy consistently, we firmly believe that the Key to success for Indian stock market is a rare combination of **Money + Method + Time + Target**. It would be a very difficult task to achieve perfection in all above, but we have been able to go very much close to the same by continuously practicing the guru mantras for stock market over the past 2 decades Self confidence, Hard Work. My email id and chat id [anuraghsr@yahoo.com](mailto:anuraghsr@yahoo.com). Mobile no 9255191643. You can watch his daily news letter on [http://www.ways2gain.com/anuraggupta\\_daily.html](http://www.ways2gain.com/anuraggupta_daily.html). We provide paid service also for intraday trading Nifty Future Call + intraday call in fno and in capital market + daily news letter + BTST/STBT+ delivery base call for swing traders and short term investors. Based on news and technical by sms.

# Q2 results to give ZIG-ZAG and stock specific move...

**Fireworks for the week 31<sup>st</sup> OCT 2011 – 04<sup>th</sup> NOV 2011**

We seen turn around in markets by RBI hinted that a possible pause in interest rate hike further, also it

up open because of the Long awaited approval by Euro Unions bailout fund about Euro 1 trillion to manage the current debt crisis over the zone... Here too a mix up there – For giving a solution

the above factors, it seems to be a sentimental rally than a systematic rally... We don't believe this could give a long run... Normally Higher PE ratio of a market will not attract investors, Our Sensex PE stands at 18.96... Its better sell on rally to buy on dips...

17748, 17663, 17555 & 17436...

RESISTANCES: 17886, 17960, 18019 & 18095...

NIFTY 5360  
TECHNICAL VIEW (Week 31.10.11 – 04.11.11):

This week 5423 & 5343 will act as "KEY LEVELS" – if it maintains above 5423

or maintains below 5343 levels will decide the trend of market in this week...

SUPPORTS: 5343, 5284, 5226 & 5163...

RESISTANCES: 5423, 5482, 5517 & 5558...

NIFTY FOR THE DAY 31.10.11: Today, if

NIFTY maintains above 5343 levels – then it will give upside target of 5423-5448 levels... Otherwise it may slide up to 5284-5252 levels...

SUPPORTS: 5343, 5315, 5284 & 5252...

RESISTANCES: 5385, 5406, 5423 & 5448...

## BUY & SELL

**Ramesh Chandra**

Mo. 098940 43090

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de-regulated savings banks deposit rates, are the key triggers for a good recovery followed by heavy short covering on Oct-2011 contract expiry date...

Here comes a doubt? When RBI hinted a possible pause in interest rate hike, they stated still inflation expectation remains high... Then why they said a pause will be there? Is there any reason? If yes what is that? No Answer...

On Friday witnessed huge gap

for Greece alone given much headache to EU leaders, then what they will do for others such as Italy, Portugal, Spain where the debt crisis entering into danger zone...

In coming week, we may see stock specific move by results of industry majors such as ACC, BOB, BPCL, CENTURY, HUL, ICICI, LIC, MARUTI, OBC, SAIL, and WIPRO... FII's flow and Global cues to be monitored closely, which could give substantial impact...

Considering all

Technically This rally may continue, only if Nifty Spot holds above 5343-5423 levels...

SENSEX 17804

TECHNICAL VIEW (Week 31.10.11 – 04.11.11):

This week 18019 & 17748 will act as "KEY LEVELS" – if it maintains above 18019 or maintains below 17748 levels will decide the trend of market in next week...

SUPPORTS: 17748, 17555, 17361 & 17178...

RESISTANCES: 18019, 18208, 18321 & 18474...

SENSEX FOR THE DAY 31.10.11:

Today, if SENSEX maintains above 17748 will give upside target of 18019-18095 levels... Or else it may slide up to 17555-17436 levels...

SUPPORTS:

## WEEKLY TRADING PICKS (31st OCT - 04th NOV 2011)

SCRIP	CLOSE	SUPPORTS	RESISTANCES
ABAN	430	416,405	447,464
ADANIENT	480	471,454	508,525 ABV 486
BHARTI	391	382,375	409,424
CIPLA	298	293,288	312,317 ABV 302
DIVIS	755	740,725	793,810
DLF	249	243,234	266,275 ABV 252
HDFC	688	672,659	707,732
HINDALCO	142	139,134	154,163 ABV 144
HPCL	338	330,323	351,366
ICICIBANK	932	907,886	972,1015 ABV 936
INFY	2857	2820,2773	2921,2970
ITC	216	211,206	224,233
JSWSTEEL	663	648,625	705,734 ABV 670
LIC	229	225,218	240,253
MARUTI	1130	1104,1089	1179,1206
ONGC	284	281,276	294,303
RELCAPITAL	370	356,333	405,426
RELIANCE	900	885,870	918,941 ABV 906
RELINFRA	458	450,433	483,516
SBIN	1913	1887,1852	1990,2025
SESAGOA	204	200,197	213,220
SUNPHARMA	507	497,484	522,539
TATAMOTORS	206	202,197	217,222
TATASTEEL	481	465,450	492,507
TCS	1120	1092,1071	1155,1184
TECHM	587	576,567	612,623
YESBANK	315	312,307	325,334

**In coming week, we may see stock specific move by results of industry majors such as ACC, BOB, BPCL, CENTURY, HUL, ICICI, LIC, MARUTI, OBC, SAIL, and WIPRO... FII's flow and Global cues to be monitored closely, which could give substantial impact**

# BAJAJ AUTO LTD OVERPRICED

Bajaj Auto Ltd, the 2<sup>nd</sup> largest manufac-

- 39%, in Indian market,

Honda, who has

front. It is also bullish on

ment with its strong rural hold (it enjoys a good brand image because of its tractors) and marketing strategies. They are coming up with capacity of 70000 units per month soon.

Suzuki is all set to rage on the Indian market by increasing its production capacity to 5.4 lacs units / annum from the current 2.5 lacs units / annum by

Baramati near Pune where the inputs will be 80% imported. They have already appointed 70 dealers throughout India. They are coming up with attractive variations of bikes in January 2012.

Bajaj is not in any process of increasing its capacity. They are facing constraints to sell off



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SUMAN JAIN

turer of two-wheelers in India, reported less growth compared to its peers and its production constrains, decreasing brand image, market acceptance deteriorating quality & inability to achieve target sale.

for the period of April to September 2011 as compared to same period in 2010.. In future there will be intense competition between Honda, Hero MotoCorp, Suzuki and Yamaha. Looking at the overall scenario in the two wheeler sector in

newly emerged in the Indian market, its second plant built in Tapukara industrial area of Rajasthan in Alwar has producing capacity of 6 lacs units / annum. The company is now looking to double the production capacity in that plant to 12 lacs

## April to September Two Wheelers Sales Reports in India

Company	H1 2011	H1 2010	% Growth	Avg % compared to the Industrial growth of 20%
Hero Moto Corp	3073852	2519973	21.98%	+ 1.98%
Bajaj Auto	1138910	1080632	5.39%	- 14.61%
TVS Motors	971824	854536	13.73%	- 6.27 %
Honda Motors	922979	815310	13.21%	- 6.79 %
Yamaha	231032	172289	37.73%	+ 17.73 %
Suzuki	172631	125355	39.12%	+ 19.12 %

It's not far that within 6 months Bajaj will downgrade to 4<sup>th</sup> position from its 2<sup>nd</sup> position in two wheeler giving its way to Honda & TVS in Indian market.

## April to September Two Wheelers Sales Reports in India

Bajaj Auto sales has been increased by 5.39% as compared to Hero Moto Corp sales - 22%, Honda sales - 13.21%, Yamaha sales - 37.73%, Suzuki sales

H1,2011 Bajaj Auto has reported only 5.39 % growth compared to average growth of 20% in this segment.

### FIERCE COMPETITION:

Hero MotoCorp total capacity in its three plants - Dharuhera and Gurgaon in Haryana and at Haridwar in Uttarakhand - is about 61.5 lakh units. The company will be increasing its production capacity to 1 cr units pa by an addition of two new plants one in Sanand, (Gujarat project near Ahmadabad) 100% export oriented and another in Karnataka.

units / annum by March 2012.

Also, Honda (HMSI) company has started building its third plant in Narsapur Industrial area, 52 Km away from Bangalore Karnatak to expand it's capacity to 40 lakh units by mid 2013, which will help to reduce the delivery waiting period from 6 to 8 months.

Therefore by the end of the first half of 2013, Honda's total production capacity will be 40 lacs units / annum.

The TVS Motors is pushing well on moped

export front and exploring new opportunities to expand its export market. Presently producing 25 lacs units / annum and further increasing its production capacity to 35 lacs units / annum.

Mahindra, an established auto player has

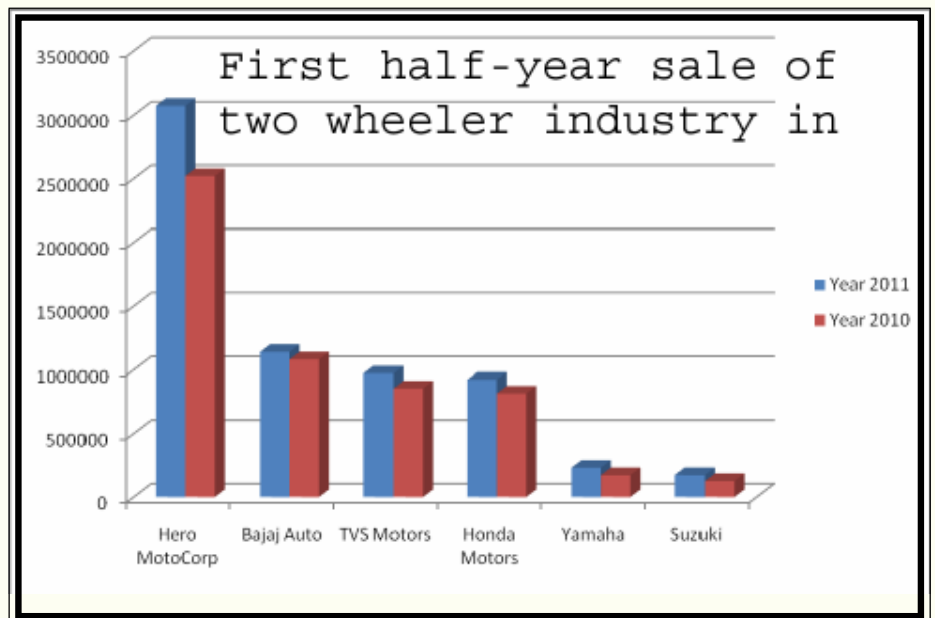
the year 2012.

While Yamaha currently produces 6 lacs units / annum, it is looking to raise this production capacity to 10 lacs units / annum by 2013 and also aims to sell out up to 8,00,000 units in domestic markets together with 2,00,000 exports.

Piaggio is penetrating

their current capacity to the fullest and there is no news of any other new plant as the competitors.

In three wheeler, Mahindra & Mahindra, Piaggio, TVS are capturing market firmly. TVS is tripling its capacity to 8000 units / month for three wheelers. Italian based Piaggio is increasing its capacity to 40000



newly entered two and three wheeler market. It is vigorously making a mark in this new seg-

in the two wheeler industry in India in an ambitious way by setting up an assembly plant in

units / month.

With this we see Bajaj auto's Indian market share to go down less

## Bajaj auto

Cont. from Pg. 5

Maruti Q2 profit falls  
60%, to open new  
plant in Gujarat

than 10%. Bajaj Auto monthly sales will be less than 1.5 lac due to Honda which is increasing its production capacity to 40 lac units pa.

This fierce competition in two and three wheeler sector is affecting Bajaj's survival in industry.

### MARKET RESEARCH ON TWO WHEELER SECTOR IN INDIA:-

According to market research performed on consumers,

2011 is 12 lakh units in which Bajaj has only contributed around 2 lakh units (Hero MotoCorp - 5,03,654, Bajaj - 1,63,705, Honda - 1,60,666, Suzuki - 26,897, Yamaha - 39,490, Mahindra - 15,120, Others like LML, Kinetic, Yo bikes- 90000). This signifies the market share of Bajaj to be 16.5% in domestic market. Bajaj's market share has been decreasing tremendously over the years and picturing the current scenario, it is further expected to fall to 15% in next 6

dissatisfaction for Bajaj. They say Bajaj have been compromising on quality to reduce cost in order to face competition as they can't further increase their price. They have reduced their marketing promotion to this level that dealers are not provided with sufficient marketing accessories like brochures and pamphlets.

### OPM & POLICY PRESURES TO INCREASE SEQUENTIALLY:-

Input costs have increased recently following

the spurt in steel, rubber and aluminum prices. Thus, Margins of Auto universe is expected to contract sequentially to reflect higher input costs. This will result in

very high operating margin pressure.

With Government withdrawing DEPB (Duty Entitlement Passbook Scheme) benefit scheme for exporters, Bajaj auto will face severe problems in terms of their fall in export profit margin by 8%. Rajiv Bajaj, MD, Bajaj Auto stated his concern regarding the fall in export to take place due to withdrawing of DEPB scheme and increasing competition from China market in exports. He also shared his worry about further slowdown expected in two wheelers in India.

### VALUATION:-

The leader in this segment Hero MotoCorp is a better performer with increasing market share in last 1 year. Its share

price rose by 15 % whereas Bajaj's share price rose by 300% in last one year i.e. Bajaj Auto is only operated base not fundamental.

2 years back Bajaj was trading at below 300 share price. On October 26 2011 the stock touched 1758 after 1:1 bonus i.e.3500 which is more than 1200% increase in price. This is not fundamentally or technically justified. Fundamentally, Bajaj is losing its ground by decreasing market share and expecting it to fall further.

With increase in competition, fall in demand, pressure rising due to high input cost, tightening of export policies, Bajaj Auto is losing grounds from domestic as well as export market. We are reducing our estimates for H2, 2011 to 6% to 8% compared to H1,2011 growth of 16% to factor in lower than expected margins.

Bajaj Auto will get a hit at its export front as Hero MotoCorp has set up 1.2 lakhs per month production capacity plant in Sanand (Gujurat project near Ahmadabad) dedicated 100% export and Honda, through its China plant has introduced its new variant (pricing 31,000 INR) in Nigerian and South African market (Nigeria and South Africa contribute 50% export sales of Bajaj Auto). Hero MotoCorp has initiated its distribution network in all the 11 countries where Bajaj is exporting.

Thus studying the fundamental and technical aspect of Bajaj Auto, it is trading at its highest level and we recommend a STRONG SELL on Bajaj Auto at CMP 1758 with target it falling down to 1100 soon.

The country's largest car-maker Maruti Suzuki India today reported 59.81 per cent fall in net profit at Rs 240.44 crore for the quarter ended September 30, mainly due to production loss at Manesar because of labour unrest.



The company's board, meanwhile, has approved to purchase land in Gujarat to set up manufacturing facilities.

The company had posted a net profit of Rs 598.24 crore in the same period last year, Maruti Suzuki India (MSI) said in a statement.

MSI's total income from operations during the second quarter also declined by 14.38 per cent to Rs 7,831.62 crore, from Rs 9,147.27 crore in the year-ago period.

During the quarter, the company's vehicle sales dipped by 19.56 per cent to 2,52,307 units from 3,13,654 units in the same period last year,

MSI said.

"The company lost 28,539 units during the quarter due to instances of industrial unrest at its Manesar facilities," the statement said.

MSI's bottom line was also impacted due to adverse foreign exchange rates, it added.

"During the quarter, the domestic auto industry remained sluggish on account of increase in fuel prices

and hardening interest rates, leading to higher sales promotion expense," the company said.

Meanwhile, the board of directors approved MSI's third manufacturing facility, to come up in Gujarat. It will be the company's first major establishment outside its base Haryana.

The board "granted approval to purchase land in district Mehsana, Gujarat, for future expansion of manufacturing facilities. This purchase would be subject to final negotiations on price and all legal formalities being completed", the statement said.

## ATTENTION

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the most preferred brand of two-wheelers is Honda, followed by Hero MotoCorp, Yamaha, Suzuki, and then followed by Bajaj and TVS.

In Indian two wheeler market, Bajaj Auto's market share has been decreasing from 35% in 2006 to 16.5% in August 2011. The increasing expansion of competitors, fuel price hike, increase in prices of two wheelers, unsatisfactory quality of product and negligible marketing promotion strategy of Bajaj with decreasing market share signifies its downfall in auto industry.

In India the total two wheeler sales in the month of August

months and less than 10% in one year due to doubling production capacity of Honda, Yamaha and Suzuki.

We interacted with Bajaj Auto dealers and as they said, Bajaj is increasing inventory with their dealers and distributors. Thus the sales recorded by Bajaj in last 5 months are not consumer sale but the inventory sale of dealers and distributors. Hero MotoCorp & Honda has waiting period ranging from 4 - 8 months whereas Bajaj's bikes are overstocked with the dealers. A dealer's sale ranges from 150- 500 units per month depending on the area, but the inventory stock is 300-1200. Acceptance of Bajaj in market has gone for a toss. Dealers have reported