

## Today's Highlights

- Firstsource Q2FY09 results are lower than expectations

## Corporate News

- Axon shareholders** okay HCL Tech offer, 650pence/share deal awaits court nod.
- ONGC:** Strikes oil in KG nomination block.
- Tata Chem:** Ties up funds to retire debt for US buy.
- Sterlite:** May lose 23000 tonnes of copper after shutdown.
- Bhel.** BEL plan integrated photovoltaic facility.
- Titan Inds:** To open 300 outlets in next 3yrs across country.
- Suzlon:** To sell promoter's stake in cos here to PE firms.
- JK Cement:** Its UAE project in limbo

## Other News

- 21st Nov : Cash FII -\$127mn (MTD -\$600mn) Local NA (MTD -\$296mn)
- 24th Nov : FII F&O NIFTY -\$1mn Stk Fut +\$17mn
- \*Provisional #s for Cash on 24th Nov FII -\$112mn MF +\$45mn

## BSE 30 valuations

	Index	MCap	EPS (INR)			P/E (x)		
	Value	(\$bn)	FY07	FY08e	FY09e	FY07	FY08e	FY09e
BSE-30 Index	8,903	269	647	857	923	13.8	10.4	9.6
growth (%)	--	--	--	32.4	7.7	--	--	--
Ex Financials	--	232	670	876	933	13.3	10.2	9.5
growth (%)	--	--	--	30.7	6.6	--	--	--
Ex Oil&Gas	--	204	593	786	867	15.0	11.3	10.3
growth (%)	--	--	--	32.5	10.3	--	--	--

Note: Index valuation not adjusted for free float

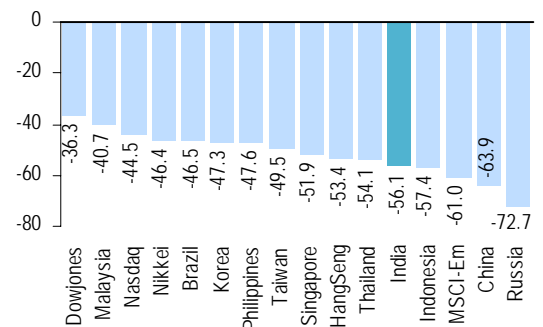
## Indian ADR

	Price US\$	1D Chg %	Volume	Prem/Disc %
Infosys	25	8.71	4,147,447	3.77
Dr Reddy	8	0.84	369,981	-3.10
MTNL	3	7.42	396,532	8.46
Wipro	7	14.97	1,048,653	58.20
HDFC Bank	55	12.96	974,351	9.07
ICICI Bank	14	6.49	4,028,668	7.47
Satyam	13	8.56	2,168,147	38.86
VSNL	19	27.41	754,613	15.83
Sterlite	5	3.86	660,505	5.79

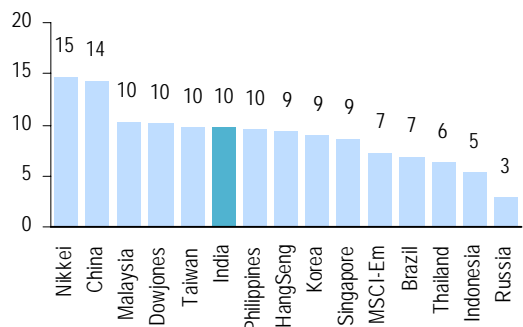
Source: Bloomberg, MF Global India Research

	Latest	1d %	1m %	Ytd %
<b>Indices</b>				
BSE 30	8,903	-0.14	2.3	-56.1
Nifty	2,708	0.55	4.8	-55.9
CNX Midcap	3,286	-0.36	-3.7	-64.3
Nasdaq	1,472	6.33	-5.2	-44.5
Nikkei	8,205	3.72	7.3	-46.4
DJIA	8,443	4.93	0.8	-36.3
<b>Commodities</b>				
Crude (\$/barrel)	54	-1.1	-16.0	-43.8
Gold (\$/troy oz)	814	-0.6	11.7	-2.8
Copper (cents/lb)	167	6.0	-0.5	-45.0
Aluminium (\$/Ton)	1,752	2.9	-8.6	-25.7
Zinc (US\$/metric ton)	1,215	2.7	7.0	-48.4
Rubber (JPY/kg)	564	-4.1	5.2	-57.6
<b>Currencies</b>				
Rs/US\$	49.7	0.7	0.3	-20.8
US\$/EUR	1.3	0.8	-2.8	12.0
US\$/JPY	96.6	0.8	-4.1	-4.1
<b>Bond</b>				
10 year	7.1	-0.8	-9.3	-9.7
<b>Net Institutional Investments (US\$ mn)</b>				
	Latest	1d	Mtd	Cytd
FII	-127	-163	-752	-13,277
MFs	6	-24	-491	3,126

## YTD returns: Global Markets



## Current P/E, x: Global Markets



## India: Cash equities and derivatives — last 10 days flows and volumes

	90d mov										
	median	6-Nov-08	7-Nov-08	10-Nov-08	11-Nov-08	12-Nov-08	14-Nov-08	17-Nov-08	18-Nov-08	19-Nov-08	20-Nov-08
<b>Net Inflows (US\$ mn)</b>											
FII Cash equities	-79.7	-102.6	15.0	33.6	-66.1	-152.5	-139.9	-156.7	-91.5	-51.6	-162.6
MF Cash equities	-8.2	-25.3	-17.1	106.7	-150.6	-12.1	-62.2	-76.4	-9.1	-10.2	-19.8
FII Futures & Option	-4.3	-65.0	-3.9	9.2	-22.5	-18.1	-20.5	-7.8	-34.1	8.8	-55.3
Total (cash+F&O)	-92.2	-192.9	-6.0	149.5	-239.2	-182.7	-222.6	-240.9	-134.6	-52.9	-237.6
<b>Cash Equities Volumes (US\$ mn)</b>											
FII Cash equities	1,153	525	665	625	562	987	776	537	801	531	531
MF Cash Equities	271	189	107	232	271	157	191	190	140	182	130
Others Cash Equities*	2,099	2,411	1,896	1,882	1,776	1,672	1,984	1,739	1,348	1,856	1,479
Total Cash equities	3,522	3,126	2,667	2,740	2,609	2,817	2,951	2,466	2,289	2,568	2,141
FII vol as % of total vol	32.7	16.8	24.9	22.8	21.5	35.0	26.3	21.8	35.0	20.7	24.8
MF vol as % of total vol	7.7	6.1	4.0	8.5	10.4	5.6	6.5	7.7	6.1	7.1	6.1
Others vol as % of total vol*	59.6	77.1	71.1	68.7	68.1	59.4	67.2	70.5	58.9	72.2	69.1
Cash equities % of India Mcap	0.41	0.50	0.41	0.40	0.42	0.46	0.49	0.42	0.41	0.47	0.40
<b>Derivatives Volumes (USDm)</b>											
Total F&O	10,497	9,192	7,755	6,395	8,393	10,060	8,464	8,351	8,716	8,338	7,604
F&O % of India Mcap	1.20	1.46	1.21	0.94	1.34	1.65	1.41	1.43	1.55	1.53	1.43
F&O vol times cash equity vol	3.0	2.9	2.9	2.3	3.2	3.6	2.9	3.4	3.8	3.2	3.6
FII Open Interest	12,239	6,675	7,057	7,613	7,218	6,729	6,667	6,572	6,288	6,130	6,203
Total Open Interest	15,645	8,618	9,459	10,433	9,575	8,951	11,154	9,182	9,102	8,693	8,493
Total OI % of India Mcap	1.62	1.37	1.47	1.54	1.52	1.47	1.86	1.57	1.62	1.60	1.60

\*Others include Retail segment and institutions other than FIIs and Domestic MFs

Source: SEBI, BSE, NSE and MF Global India Research

## Firstsource Q2FY09 results are lower than expectations

- Revenues from BPO services grew by 6.8% qoq to Rs. 4290mn, while Total revenues including other operating income grew by 4.2% to Rs. 4249.8mn.
- \$ term revenues grew by 1.3% qoq, while that excluding cross currency movement, \$term revenues grew by 3%qoq, reflecting sluggish growth in the erstwhile fast growing BFSI vertical.
- Operating margins expanded by 40bps mainly due to reduction in SG&A expenses.
- PAT excluding the impact of the FCCB translation degrew by 13.9% qoq to Rs. 259mn, mainly due to higher interest cost ( Rs. 51.7mn interest on FCCB) and a net loss in other income (Rs. 45.15mn) due to higher forex losses .
- The management has revised its \$ term revenue growth guidance downwards to 21%yoy as against its earlier guidance of 33-38%yoy growth.
- Added 1223 people during the quarter, attrition was at 45% as ramp down continues in 2 of its BFSI clients.
- We believe that BFSI vertical is unlikely to show growth in the second half, while telecom and Health care verticals growing at moderate growth rates, there would be further downgrades to our estimates
- Currently we have a Neutral rating on the stock.

Rs mn	Q2FY09	Q1FY09	QoQ(%)
<b>Net sales</b>	<b>4290</b>	<b>4016</b>	<b>6.8%</b>
Total Income	4250	4079	
Operating expenses	3605	3474	
<b>EBITDA</b>	<b>645</b>	<b>605</b>	<b>6.5%</b>
Margins (%)	15%	15%	
Depreciation	212	223	
<b>EBIT</b>	<b>433</b>	<b>382</b>	<b>13.4%</b>
Margins (%)	10%	9%	
Interest Paid	0	0	
Other income	-45	17	
Pre-tax profit	331	376	
Tax provided	73	74	
Profit after tax	283	-500	
<b>Man Net profit</b>	<b>259</b>	<b>301</b>	<b>-13.9%</b>
EPS, Rs	0.42	0.49	

Source: Company

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