Weekly Review

June 19, 2010

Market ends in green

The Indian stock market ended on a positive note during the week. The BSE Sensex and the NSE Nifty ended higher by 3.0% and 2.8%, respectively, backed by positive global cues and higher first quarter advance tax payments. However, both BSE mid-cap index and BSE small-cap index underperformed the broader market, ending the week with gains of 1.3% and 2.4%, respectively. During the week, Fitch Ratings, a global rating agency, raised India's local currency rating outlook to stable from negative as windfall gains from the sale of spectrum raised expectations of a steeper cut in the country's fiscal deficit. On the sectoral front, all sectoral indices ended in green, with the BSE IT index and BSE capital goods index gaining the most by 4.6% and 4.5%, respectively.

BSE IT Index surges by 4.6%

The BSE IT index gained 4.6% during the week, outperforming the Sensex that gained 3.0%. The weekly momentum of the IT index gathered strength with Infosys, Wipro, HCL Tech, TCS, Mphasis and Tech Mahindra gaining by 5.6%, 5.6%, 4.9%, 3.0%, 1.4% and 1.2%, respectively. This was despite the 1.5% appreciation in average Rupee versus US Dollar over a week's time. The surge in the index can be attributed to certain positive events such as Infosys mulling over the long-awaited M&A, TCS's deal with Telenor and HCL Tech's deal with SGX. Further, during the week Tech Mahindra announced to disclose the audited financial statements of Mahindra Satyam by September 2010, which gave clarity on the ambiguity of the issue. **Our top picks in the sector are TCS, Wipro, Tech Mahindra and Mphasis.**

Inside This Weekly

SpiceJet - Event Update: Sun TV promoter Kalanithi Maran has announced to buy 37.75% stake in SpiceJet from the company's promoter Bhupendra Kansagra (Royal Holdings Services) and investor Wilbur Ross at Rs47.3/share, which is at a 16.7% discount to the current market price. **We recommend Buy on the stock with a Target Price of Rs65.**

BWA - Event Update: The Broadband Wireless Access (BWA) auction raised Rs38,543cr for the government, over 3x of the budgeted estimate. Infotel Broadband bagged the pan-India spectrum (22 circles) for Rs12,848cr, backed by Reliance Industries, which acquired 95% stake in Infotel for Rs4,800cr. Aircel won 6 circles, Tikona won 5 circles, Bharti Airtel won 4 circles, Qualcomm won 4 circles and Augere won 1 circle. The operators will have to pay the amount before June 22, which would result in increased capex and incremental strain on their balance sheet position.

Cement Sector - Monthly Update: The growth in cement despatches decelarated during May 2010 due to lower off-take from the real estate and infrastructure segments. Cement despatches grew at a 8.1% yoy in May 2010 as against 10.7% yoy growth in May 2009. Cement prices declined across the country in May 2010, with the Southern region experiencing the highest price correction in the range of Rs20-45 per bag till date.

Note: Stock Prices are as on Report release date; Refer all Detailed Reports on Angel website

FII activity

As on	Cash (Equity)	Futures	(Rs crore) Net Activity
Jun 11	896	1,504	2,400
Jun 14	381	1,297	1,677
Jun 15	693	288	981
Jun 16	858	1,318	2,177
Jun 17	544	479	1,023
Net	**3,372**	**4,887**	**8,259**

Mutual Fund activity (Equity)

As on	Purchases	Sales	(Rs crore) Net Activity
Jun 10	622	504	119
Jun 11	515	402	113
Jun 14	386	595	(209)
Jun 15	668	543	126
Jun 16	365	658	(293)
Net	**2,557**	**2,701**	**(144)**

Global Indices

Indices	June 11, 10	June 18, 10	Weekly (% chg)	YTD
BSE 30	17,065	17,571	3.0	0.6
NSE	5,119	5,263	2.8	1.2
Nasdaq	2,244	2,310	3.0	1.8
DOW	10,211	10,451	2.3	0.2
Nikkei	9,705	9,995	3.0	(5.2)
HangSeng	19,872	20,287	2.1	(7.3)
Straits Times	2,796	2,833	1.3	(2.2)
Shanghai Composite	2,570	2,513	(2.2)	(23.3)
KLSE Composite	1,295	1,318	1.8	3.5
Jakarta Composite	2,802	2,930	4.6	15.6
KOSPI Composite	1,675	1,712	2.2	1.7

Sectoral Watch

Indices	June 11, 10	June 18, 10	Weekly (% chg)	YTD
BANKEX	10,748	10,880	1.2	8.5
BSE AUTO	8,018	8,135	1.5	9.4
BSE IT	5,162	5,401	4.6	4.1
BSE PSU	9,046	9,204	1.7	(3.4)

SpiceJet - Buy

Price - Rs55
Target Price - Rs65

Event Update

SpiceJet to change face

Sun TV promoter Kalanithi Maran has announced to buy 37.75% stake in SpiceJet from the company's promoter Bhupendra Kansagra (Royal Holdings Services) and investor Wilbur Ross at Rs47.3/share, which is at a 16.7% discount to the current market price. Currently, the Kansagra family holds nearly 3.11cr shares or 7.7% stake in the company post 100% conversion of the FCCBs. Wilbur Ross holds close to 12.5cr shares or 31% stake in the company post 100% conversion of the FCCBs. Kalanithi Maran will make an open offer at an expected price of Rs58/share for additional 20% stake in the company. Prior to the stake sale announcement, Goldman Sachs Securities (3.8% stake) converted close to 1.5cr shares held by way of warrants and Istithmar World (5.5% stake) converted 100% of its FCCBs worth US $12mn to 2.2cr shares, respectively.

Exhibit 1: Shareholding Pattern

	Post FCCB and Warrant Conversion		After Stake Sale	
Shareholders	No. of Shares (cr)	% of Holding	No. of Shares (cr)	% of Holding
Ajay Singh	1.0	2.5	1.0	2.5
Avanthi Shah	0.8	1.9	0.8	1.9
Ewart Investments Ltd	1.3	3.3	1.3	3.3
IDFC Premier Equity Fund	0.8	2.0	0.8	2.0
Royal Holdings Services Ltd	3.1	7.7	-	-
Sundaram BNP Paribas Mutual Fund	0.7	1.7	0.7	1.7
Vijendra Singh	0.5	1.3	0.5	1.3
Goldman Sachs	1.5	3.8	1.5	3.8
Istithmar World PJSC	2.2	5.5	2.2	5.5
WL Ross*	12.5	30.9	-	-
Kalanithi Maran			15.2	37.7
Total Equity*			**40.4**	

*Source: Company, Angel Research, Note:** Estimated

Maran on SpiceJet's Board - Positive impact

We believe that Maran's entry into SpiceJet as the single largest shareholder is positive for the company, as earlier its shareholding was very fragmented resulting in little management control. With a strong investor on its Board, the company's credit rating could also improve and enable it to raise money fairly quickly to fund its future expansion plans. Moreover, Maran's presence will help the company explore opportunities in South India where hitherto it has had a limited presence. Spicejet's impending plans to commence international operations particularly at a time when passenger traffic is increasing for low-cost carriers could also become a reality with a stable management and investor at the helm of affairs. Notably, the company expects to strongly focus on its expansion plans post FY2012.

Outlook and Valuation

We believe that the company is well placed to benefit from a reviving economy, which has led to an increase in passenger traffic demand, and which is expected to remain robust over FY2010-12E. Moreover, the company expects to add four aircraft in the current fiscal, which will further bolster Revenues for the year. Going forward, SpiceJet's market share is expected to increase as the company's peers Kingfisher and Jet Airways are unlikely to expand in FY2011-12E due to losses during FY2010. At Rs55, the stock is trading at 10.9x FY2011E and 7.6x FY2012E Earnings. **We recommend a Buy on the stock, with a Target Price of Rs65, valuing the stock at 9x FY2012E Earnings of Rs7.2.**

Exhibit 2: Key Financials

Y/E March (Rs cr)	FY2009	FY2010	FY2011E	FY2012E
Net Sales	**1,689**	**2,181**	**2,718**	**3,287**
% chg	*30.5*	*29.1*	*24.6*	*20.9*
Net Profit	**(353)**	**61**	**205**	**293**
% chg	*164.1*	*(117.4)*	*234.2*	*42.5*
FDEPS (Rs)	**(14.6)**	**1.5**	**5.1**	**7.2**
EBITDA Margin (%)	(24.8)	1.2	7.0	8.5
P/E (x)	(3.8)	21.7	10.9	7.6
RoE (%)	-	-	-	50.0
RoCE (%)	-	23.8	68.4	46.4
P/BV (x)	(3.1)	(3.9)	5.1	3.0
EV/Sales (x)	0.9	0.6	0.6	0.4
EV/EBITDA (x)	(3.6)	50.5	8.8	4.9

Source: Company, Angel Research; Price as on June 14, 2010

Research Analyst - Sharan Lillaney

BWA Auction

Event Update

Government Emerges Winner

The Broadband Wireless Access (BWA) auction concluded on Friday, June 11. The 16-day long auction raised about Rs38,543cr for the government, over 3x of the budgeted estimate. The outcome was surprising with Bharti Airtel and Aircel emerging as successful bidders amongst the seven telecom operators in the fray. Nahata Group-promoted Infotel Broadband stole the show as it bagged the pan-India spectrum (22 circles) for Rs12,848cr, backed by Reliance Industries, which acquired a 95% stake in Infotel for Rs4,800cr. Among the other major bidders, Aircel won 6 circles, Tikona won 5 circles, Bharti Airtel won 4 circles, Qualcomm won 4 circles and Augere won 1 circle. The operators will have to pay the amount before June 22, which would result in increased capex and incremental strain on their balance sheet position.

Bharti bags 4 circles for Rs3,314cr: Bharti Airtel won 4 circles-Maharashtra, Karnataka, Punjab and Kolkata. The company maintains strong market leadership in these areas, which account for 21% of its mobile subscriber base and 23% of its gross revenue. The event will lead to increased amortization cost of about Rs166cr and an expected incremental interest cost of Rs200cr. This will increase the company's earnings by 4%.

WiMax-Long way to go: The current level of total broadband subscriber base in India stood at about 9mn as of March 2010. WiMax technology was developed in 2004 and is still under evolution with just 6.5mn subscribers across the globe. WiMmax technology is likely to be the next big thing in the high-speed internet world, as it has the advantage of lower deployment cost (infrastructure) and can cover an area of 2km to10km in radius. However, the high cost on the user end [cost of customer premise equipment (CPE)] could act as a potential barrier.

Conclusion

BWA auctions concluded in 16 days and 117 rounds, with the Government of India emerging as the ultimate winner as pan-India bidding scaled to Rs12,848cr, about 7.3x over the reserved price of Rs1,750cr. The bidding surpassed all pre-auction estimates and surprised with the announcement of the provisional winners. Infotel Broadband Services promoted by Nahata Group emerged as a successful bidder in all the 22 telecom circles in the country. Infotel has now emerged as the only pan-India WiMax license holder in the country and, thus, presents an opportunity to emerge as the leader in the next generation broadband services in India. The company would leverage its early mover and large presence advantage to maintain its leadership in the huge untapped market.

Bharti Airtel with its four-circle win would focus on the lucrative corporate bandwidth market, further strengthening its enterprises services portfolio. RCom., Idea and Tata Comm., which failed to win BWA spectrum, would focus on the data segment on phones through the recently acquired 3G spectrum. We believe major investments made in an evolutionary technology with low penetration appear to be a risky strategy considering the lack of supportive eco-system for WiMax services. Thus, the low participation of the listed telecom operators has turned out to be a blessing in disguise as, in the short term, it would have resulted in higher debt burden for cash-crunched telecom operators.

BWA Auction - Provisional Results

Players	No. of circles	Circles won	Amount payable (Rs cr)
Infotel Broadband	22	Pan-India (all 22 circles)	12,847.8
BSNL/MTNL	22	Pan-India (all 22 circles)	12,847.8
Aircel	8	Andhra Pradesh, Tamil Nadu, Bihar, W.Bengal, Orissa, Assam, North East and J&K	3,438.0
Tikona	5	Gujarat, UP (East & West), Rajasthan and HP	1,058.2
Bharti Airtel	4	Maharashtra, Karnataka, Kolkata and Punjab	3,314.4
Qualcomm	4	Delhi, Mumbai, Haryana and Kerala	4,912.5
Augere	1	Madhya Pradesh	124.7
Total Amount Raised by the Government from the BWA Auction			**38,543.3**

Source: DOT, Angel Research

Research Analyst - Rahul Jain/Vibha Salvi

Cement Sector

Monthly Update - May 2010

Tepid show

All-India Cement Despatches up 8.1% yoy: The growth in cement despatches decelarated during May 2010 due to lower off-take from the real estate and infrastructure segments. Cement despatches grew at a lower 8.1% yoy in May 2010 as against 10.7% yoy growth in May 2009. While the Northern region clocked an impressive 14.4% yoy growth in despatches, the Southern region impacted by poor demand reported a moderate 8.2% yoy growth. The Eastern and Central regions clocked marginal yoy growth of 5.5% and 2.1%, respectively.

All-India Capacity Utilisation at 82%: All-India capacity utilisation plunged by 750bp yoy to 82% in May2010, primarily on account of low utilisation levels reported in the Southern region. Utilisation levels in the region nose-dived by 900bp yoy to 70% due to the slowdown in demand and increase in capacity. The Northern region registered healthy capacity utilisation at 87% (flat on yoy basis).

Prices drop, to continue to remain under pressure: Cement prices declined across the country in May 2010, with the Southern region experiencing the highest price correction in the range of Rs20-45 till date. The fall was steep in Andhra Pradesh, where the prices have collapsed by Rs30-45 per bag and are currently selling at Rs160 per bag. The Western region too witnessed decline in prices by around Rs10-20 per bag as there was inter-region stock movement from the Southern region. However, prices remained stable in the Northern region in May though on a decline since the beginning of June 2010. Going ahead, we expect prices to remain under pressure due to the monsoons, commissioning of new capacities and stabilisation of new plants, which have already been commissioned.

Outlook and Valuation

India's cement consumption grew at an impressive CAGR of 9.3% over FY2004-10 driven by the robust demand from the housing and infrastructure sectors. The cement prices too showed a continuous upward trend during the period thereby encouraging the cement makers to set up new capacities. During FY2011-12E, we estimate total capacity addition of 38mn tonnes. Further, the new plants commissioned over the past few months are expected to stabilise and increase supply. We believe that the new capacity additions would result in an oversupply situation with the growth in demand not sufficient to absorb the increased supply. Overall, we expect all-India demand to post 10.2% CAGR of over FY2010-12E. Excess supply is expected to result in prices softening and capacity utilisation levels declining. We expect capacity utilisation to remain at low 84% levels in FY2011E and to bottom out at these levels.

During the next few quarters, we expect cement demand to be hit by monsoons and see low growth in volumes. We expect total capacity addition of 10.5mn tonnes during 2QFY2011E and 3QFY2011E by players such as ACC, Ambuja and JP Associates. Capacity utilisation is expected to remain the lowest in the Southern region as bulk of the capacity addition in FY2010 was carried out in this region. Prices are also expected to remain under pressure due to excess supply and poor demand. We expect the South-based players to turn in a poor performance in terms of profitability, while the Northern players would perform relatively better than players in the other regions due to better demand-supply dynamics.

We remain positive on India Cements, Madras Cements and JK Lakshmi Cement owing to their attractive valuations (based on the EV/tonne and EV/EBITDA multiples). On an EV/tonne basis, India Cements and Madras Cements are trading at US $66/tonne and US $64/tonne respectively, which are at significant discount to their replacement value. We maintain a Buy on these stocks. We maintain a Buy and Accumulate on Grasim and Ultratech, respectively. We maintain our Neutral view on ACC and Ambuja.

All-India Performance - Highlights

(mmt)	May-10	May-09	*yoy (%)*	2MFY11	2MFY10	*yoy (%)*
Prodn.	18.2	16.7	*9.1*	36.6	33.5	*9.2*
Desp.	17.8	16.5	*8.1*	35.9	33.1	*8.4*

Source: CMA, Angel Research

Research Analyst - Rupesh Sankhe/V Srinivasan

Bulls expected to consolidate gains - Outlook still positive

Sensex (17571) / Nifty (5263)

In our previous Weekly report, we had mentioned that the coming week would trade with positive bias and any close above 17150 / 5150 levels, could see an "Inverse Head and Shoulder" pattern breakout and indices could test 17500 - 17670 / 5250 - 5300 levels. As expected and mentioned earlier the week began on a positive note and witnessed an "Inverse Head and Shoulder" pattern breakout, which led the indices to test the highs of 17722 / 5302, thereby achieving our expected levels, based on the "Inverse Head and Shoulder" pattern.

The Sensex ended with net gains of 2.96%, whereas the Nifty gained 2.80% vis-à-vis the previous week.

Pattern Formation

- On the Daily chart, we are witnessing a "Spinning Top" candlestick pattern, which indicates that the preceding up move is losing steam and a minor correction up to 17278 - 17143 / 5177 - 5137 levels cannot be ruled out (refer Exhibit 1).
- On the Weekly chart, we reiterate our view that prices are still trading in an upward sloping channel and are headed towards the upper trendline of the channel (refer Exhibit 2).

Future Outlook

With the F&O derivative expiry in the coming week , we are likely to witness volatile sessions. A "Spinning Top" candlestick pattern on the Daily chart and short-term momentum oscillators in an overbought zone suggests a minor pull back of the preceding up move, which started from 16560 to 17722 / 4967 to 5302 levels. On the downside, the indices may test 17278 - 17141 / 5174 - 5135 levels. The intermediate trend remains up and we are seeing continuation of higher top higher bottom formation on the Daily chart. On the upside, if the indices manage to trade and close above 17722/ 5302 levels then they are likely to test 17872 / 5350 levels or even the recent 7th April 2010 highs of 18047 / 5400 levels.

Traders holding long positions can trail the stop loss to 5050 levels and trade with positive bias as long as the markets hold 5050 levels.

Exhibit 1: Sensex Daily chart

Source: Falcon

Exhibit 2: Sensex Weekly chart

Source: Falcon

Weekly Pivot Levels For Nifty 50 Stocks

SCRIPS	R2	R1	PIVOT	S1	S2
SENSEX	18074	17822	17471	17219	16867
NIFTY	5411	5337	5228	5154	5046
BANK NIFTY	9759	9668	9545	9454	9331
A.C.C.	898	880	867	849	836
ABB LTD.	878	870	862	854	846
AMBUJACEM	121	120	117	115	112
AXISBANK	1292	1252	1222	1182	1152
BHARAT PETRO	585	554	535	503	484
BHARTIARTL	283	274	269	260	254
BHEL	2468	2442	2402	2377	2336
CAIRN	320	313	306	299	292
CIPLA	353	346	337	330	322
DLF	301	292	276	267	250
GAIL	491	481	469	460	448
HCL TECHNOLO	414	402	386	373	358
HDFC BANK	2032	2012	1979	1959	1926
HERO HONDA	2081	2051	2011	1980	1940
HINDALCO	152	149	144	141	137
HINDUNILVR	269	263	256	250	243
HOUS DEV FIN	3046	2988	2899	2842	2753
ICICI BANK	919	894	867	842	814
IDEA	57	55	54	52	51
IDFC	176	173	166	163	156
INFOSYS TECH	2915	2851	2750	2686	2586
ITC	310	302	292	285	274
JINDL STL&PO	731	702	652	622	572
JPASSOCIAT	138	133	127	123	116
KOTAK BANK	796	784	769	757	742
LT	1904	1851	1765	1712	1626
MAH & MAH	662	641	621	600	581
MARUTI	1412	1381	1357	1327	1302
NTPC	205	203	201	198	196
ONGC CORP.	1242	1218	1180	1156	1118
PNB	1078	1057	1040	1020	1003
POWERGRID	105	104	103	102	100
RANBAXY LAB.	453	447	438	432	424
RCOM	208	196	185	173	161
REL.CAPITAL	820	777	731	689	643
RELIANCE	1105	1080	1064	1039	1024
RELINFRA	1256	1210	1163	1116	1070
RPOWER	194	182	170	158	146
SIEMENS	750	740	727	716	703
SBI	2467	2420	2370	2323	2273
STEEL AUTHOR	208	202	198	192	188
STER	734	706	673	645	612
SUN PHARMA.	1755	1734	1701	1680	1647
SUZLON	61	59	56	54	51
TATA POWER	1322	1296	1259	1233	1197
TATAMOTORS	850	826	788	763	725
TATASTEEL	508	491	481	464	454
TCS	809	796	776	764	744
UNITECH LTD	74	72	70	68	65
WIPRO	441	425	407	391	373

Technical Research Team

Liquidity is coming back in market; be stock specific

Nifty spot has closed at **5263** this week, against a close of **5119** last week. The Put-Call Ratio has increased from **1.44** to **1.67** levels and the annualized Cost of Carry (CoC) is negative **1.68**%. The Open Interest in Nifty Futures has increased by **5.11**%.

Put-Call Ratio Analysis

The Nifty PCR has increased from 1.44 to 1.67 levels. Over-the-week the 5200 put option added around 1,35,000 contracts, which is very significant and the 5100 and 5300 puts also added substantial open- interest. On the call front, unwinding was visible in 5200 call option. FII's buying was Rs2,964cr in the cash market segment in the week gone by and were net buyers to the tune of Rs3,226cr in the Index futures, which is due to blend of short covering and some long formations.

Open Interest Analysis

The total Open Interest of the market is Rs1,50,226cr, as against Rs1,36,657cr last week, and the Stock Futures' open interest increased from Rs34,723cr to Rs37,554cr. Some liquid stocks where open interest has increased are UNIPHOS, WIPRO, GMRINFRA, GESHIP and IDEA. Stocks where open interest has decreased significantly are HINDUNILVR, HINDALCO, ZEEL, TRIVENI and ONGC.

Futures Annual Volatility Analysis

The Historical Volatility of the Nifty has decreased from 26.33% to 24.38%. IV of at the money options has decreased from 21% to 16%. Some liquid counters where HV has increased significantly are RELMEDIA, MTNL, HINDPETRO, TTML and IOB. Stocks where HV has decreased are ABB, ADANIENT, BAJAJ-AUTO, STERLINBIO and PIRHEALTH.

Cost-of-Carry Analysis

The June Future closed at a discount of 1.45 points as against a discount of 2.50 points last week and July future closed at a premium of 0.95 points. Some liquid counters where CoC turned from negative to positive are JPPOWER, ABIRLANUVO, RECLTD, WIPRO and JSWSTEEL. Stocks where CoC turned from positive to negative are STER, JINDALSTEL, MTNL, HOTELEELA and UNIPHOS.

Derivative Strategy

Scrip : ICICIBANK | **CMP : Rs. 869.30/-** | **Lot Size : 350** | **Expiry Date (F&O) :** 24th June, 2010

View: Mildly Bearish | **Strategy: Long put**

Buy/Sell	Qty	Scrip	Strike Price	Series	Option Type	Buy Rate (Rs.)
Buy	350	ICICIBANK	860	June	Put	8.00

BEP: Rs.852.00/-

Max. Risk: Rs. 2,800.00/-
If ICICIBANK closes at or above Rs.860 on expiry

Max. Profit: Unlimited
If ICICIBANK continues to trade below BEP.

Note: Profit can be booked before expiry, if stock moves in the favorable direction.

Expected Payoff

Closing Price	Expected Profit/Loss
Rs. 830.00	Rs. 22.00
Rs. 840.00	Rs. 12.00
Rs. 850.00	Rs. 2.00
Rs. 860.00	(Rs. 8.00)
Rs. 870.00	(Rs. 8.00)
Rs. 880.00	(Rs.8.00)

Scrip : ASHOKLEY | **CMP : Rs. 62.60/-** | **Lot Size : 9550** | **Expiry Date (F&O) :** 24th June, 2010

View: Mildly Bullish | **Strategy: Long Call**

Buy/Sell	Qty	Scrip	Strike Price	Series	Option Type	Buy Rate (Rs.)
Buy	9550	ASHOKLEY	65	June	Call	0.25

BEP: Rs. 65.25/-

Max. Risk: Rs. 2,387.50/-
If ASHOKLEY closes at or below Rs. 65 on expiry.

Max. Profit: Unlimited
If stock continues to trade above BEP.

Note: Profit can be booked before expiry, if stock moves in the favorable direction.

Expected Payoff

Closing Price	Expected Profit/Loss
Rs. 60.00	(Rs. 0.25)
Rs. 61.50	(Rs. 0.25)
Rs. 63.00	(Rs. 0.25)
Rs. 64.50	(Rs. 0.25)
Rs. 66.00	Rs.0.75
Rs. 67.50	Rs. 2.25

Invest in Index Funds for Diversifying your Portfolio

Index Funds

- An Index fund follows a passive investing strategy called indexing.
- It usually holds stock in the same proportion as that in the represented index.
- It doesn't aim to outperform the index but tries to replicate the performance of the benchmarked index.

Advantages of Index Funds

Low Risk

- Index funds track a broad index, which is less volatile than specific stocks or sectors, thereby lessening the risk for investors.

Low Costs

- Lower transaction costs and fewer expenses make index funds cheaper than the actively managed funds.
- Generally the expense ratio of index funds ranges from 0.5% to 1.5% compared with up to 2.5% in diversified funds.

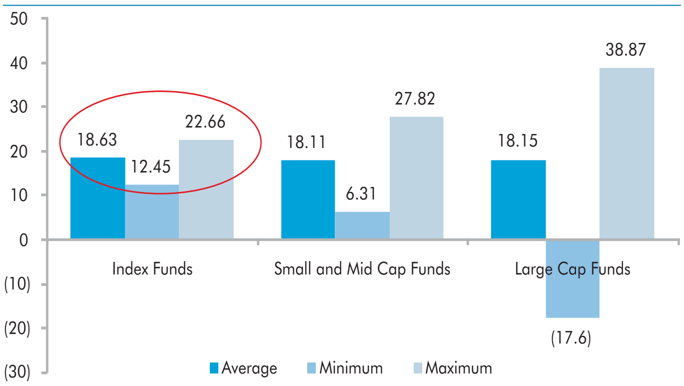
Simplicity

- The investment objectives of index funds are easy to understand.
- Once an investor knows the target index of an index fund, what securities the index fund will hold can be determined directly.

No change in investment style

- Actively managed funds may drift from the style of investing described by them, which may increase the risk.
- With index funds this drift is not possible and accurate diversification of a portfolio is maintained.

Performance comparison of Equity Oriented schemes (5 Year % Returns)



Source: Angel Research; Note: 5 Years Returns (%) considered for analysis are category average, maximum and minimum CAGR basis as on 18th June 2010

Features

Objective	Objective To generate returns that are commensurate with returns of respective indices
Risk	NAV varies with index performance
Investment Portfolio	Portfolio of indices like BSE, NIFTY etc
Investment horizon	Long Term
Tax Implications (With Effect From 1/04/2009)	Dividends are Tax Free. Long Term Capital Gains Tax - Nil. Short Term Capital Gains Tax - 15.45%
Dividend Distribution Tax	Nil

Indexing is considered as Passive investment strategy, as it involves replicating the investment pattern and returns of a broad market index.

Index Funds-Passive Management style

Passive Management

- A fund manager simply invests in the stocks constituted in an index, in the same proportion as they are present in the index.
- His goal is to ensure that the fund mirrors the performance of the index.

Active Management

- A fund manager uses his knowledge and expertise to select a portfolio of stocks in lines with the investment objective of the scheme to get higher returns than the benchmark.
- He then regularly tracks the portfolio and churns stocks, if necessary.

Key Analysis

- An analysis of 5 year returns of various equity oriented schemes shows that, though the returns from actively managed schemes are higher, their downside risk is also high.
- Index funds on the other hand, though has given comparatively lower returns, their returns have been consistent and less volatile.
- Index funds should form a vital part of investor's portfolio.

In India, index funds are generally open ended mutual fund schemes that aim to replicate / track the movement of the target index.

The following indices are generally replicated through index funds:

• BSE Sensex • S&P CNX Nifty • S&P CNX 500

ICICI Mutual Fund has Launched Nifty Junior Index Fund

- An open-ended index fund.
- Seeking to achieve the returns of the CNX Nifty Junior.
- CNX INifty Junior is a higher risk, higher return index compared to S&P CNX Nifty.

ICICI Prudential Nifty Junior Index Fund - NFO Analysis

Fund Features **NFO Date: - 10th June to 21th June 2010**

Scheme Objective	To invest in companies whose securities are included in Nifty Junior Index and to endeavor to achieve the returns of the above index as closely as possible, though subject to tracking error. The fund intends to track only 90-95% of the Index i.e. it will always keep cash balance between 5-10% of the Net Assets to meet the redemptions and other liquidity requirements. However, as and when the liquidity in the Index improves the fund intends to track up to 100% of the Index.		
Type of Fund	Open Ended Index Fund		
Bench Mark Index	CNX Nifty Junior		
Min Investment	Minimum of Rs. 5,000/-		
Entry /Exit Loads	**Entry-Nil and Exit - 0.25% of the applicable NAV, if the amount sought to be redeemed or switched out is invested upto 7 days from the date of allotment, NIL thereafter.**		
Plans/Options	Growth , Dividend Payout and Dividend Re-investment		
Fund Manager	Mr. Kayzad Eghlim		
Asset Allocation	**Instruments**	**Indicative Allocation (% of total assets)**	**Risk Profile**
	Equity & Equity related securities of companies constituting the CNX Nifty Junior and exchange traded derivatives on the 95% 90% CNX Nifty Junior Index*	95 - 90	High
	Debt & Money Market Instruments (Including Securitised debt**)	10 % - 5 %	Low to Medium

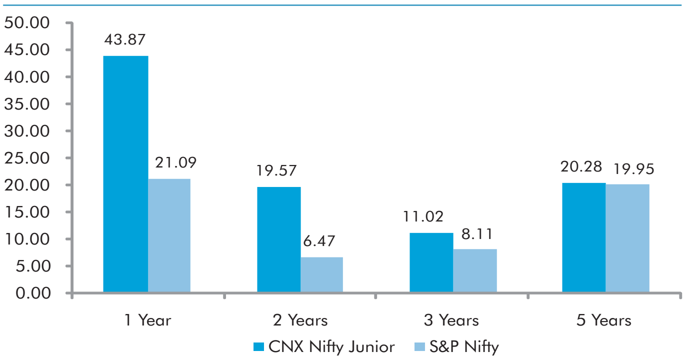
*Including derivatives instruments to the extent of 100% of the Net Assets as permitted by SEBI; **Exposure to Securitised debt will not exceed 50% of the debt portfolio

About CNX Nifty Junior Index

- Scientifically developed index managed by IISL (Joint Venture of NSE & CRISIL)
- The next rung of liquid securities after S&P CNX Nifty is the CNX Nifty Junior, thereby providing access to large and higher mid cap stocks.
- CNX Nifty Junior represents about 12% of the Free Float Market Capitalization* as on Dec 31, 2009.
- The traded value for the last six months of all Junior Nifty stocks is approximately 15% of the traded value* of all stocks on the NSE.
- CNX Nifty Junior was introduced on January 1, 1997, with base date and base value being November 03, 1996 and 1000 respectively and a base capital of Rs. 0.43 trillion*

*Note: *As per data available on www.nseindia.com, May 31, 2010*

Performance comparison with S&P CNX Nifty



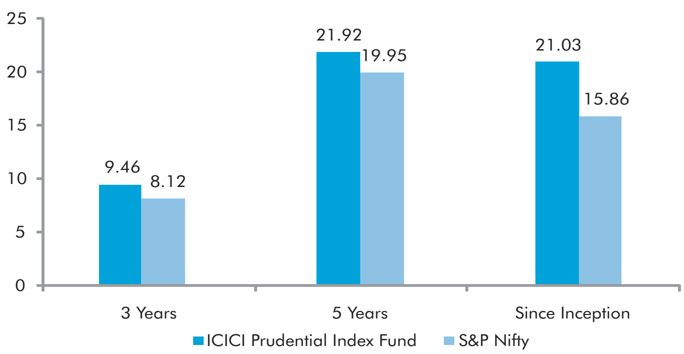
Source: Angel Research; Note: Data as on 18th June, 2010. All returns (%) of both the indices are in CAGR. • CNX Nifty Junior is a higher risk, higher return index. • CNX Nifty Junior has displayed characteristics of having a combination of mid & large caps by being a more volatile index as compared to S&P CNX Nifty.

Why should one invest in this fund?

- India's first* open-ended index fund to track CNX Nifty Junior.
- Due to its unique positioning CNX Nifty Junior Index,
  - Gives investors, the opportunity to participate in the movement of next rung of 50 liquid securities after S&P CNX Nifty.
  - Is considered the nurturing ground for stocks which could enter S&P CNX Nifty.
  - Is likely to capture emerging companies, hence potential to outperform large cap based index like S&P CNX Nifty.
- CNX Nifty Junior is considered to be a higher risk, higher return index when compared to S&P CNX Nifty.
- This Index Fund eliminates all 'unsystematic' risks (risk of individual stocks, sectors, fund manager intervention, etc) while retaining 'systematic' risk.

*Note: *As per list of index funds available on www.nseindia.com as on 2nd June 2010*

Performance of the Index Fund Managed by Fund Manager



Source: Angel Research; Note: Data as on 18th June, 2010. All returns (%) of both the indices are in CAGR.

Ideal for Investors

- Investors looking for diversification
- Investment Horizon: Long Term
- Risk Appetite: Medium to High

Commodities Update

Exhibit 1: Commodities Weekly Performance

	Previous Week's Close	This Week's Close	% Change
Non Agri- Commodities			
Top Gainers			
Natural Gas	223.6	232.1	3.80%
Gold	18735	18853	2.50%
Lead	78.65	79.65	1.30%
Top Losers			
Copper	303.7	293.85	-3.20%
Agri Commodities			
Top Gainers			
Guar Seed	2209	2267	2.63%
Black Pepper	16159	16490	2.05%
Top Losers			
Turmeric	14738	14550	-1.28%

International Perspective

Risk sentiment in the financial markets provided direction to the markets in the last week. Recovery in the Euro indicated easing concern over the debt crisis but at the same time poor economic data from the US raised concern over recovery in the world's largest economy. This led to higher demand for precious metals. Gold and Silver prices gained 2.5% on MCX in last week as demand for precious metals rose amid uncertain financial market conditions. The base metals pack faced downside pressure in the last week as concerns over slowing demand in China put pressure on prices.

Copper, the leader of the base metals pack slumped more than 3% on MCX and touched a low of Rs.291.10. A major factor that led to the downside in copper prices was a series of disappointing US economic data over the past few days. This combined with fears of sovereign debt contagion in the Euro Zone and its long-term impact on demand caused investor confidence in the metals to dwindle during the latter half of the week. Weakness in the US Dollar Index (DX) also supported gains in gold and silver. Even though concerns over the European debt crisis have eased slightly, the long-term impact of this on major economies like the US and China is being feared.

Agri Perspective

Black Pepper in the Spices segment witnessed a major movement in the previous week with prices surging by 2 percent and touched a high of Rs.16,495/qtl due to supportive fundamentals. Lower availability of pepper globally as well as in the domestic market will add to the gains. On the other hand, Turmeric in the previous week shedding the earlier gains of the previous week on concerns of better production in 2010-11. Prices after touching a high of Rs.15,636/qtl are trading in bearish manner due to unfriendly fundamentals for the price trend. Guar seed which witnessed a bearish movement over a couple of weeks strengthened in this week by 2.63 percent due to probable decline in the acreage this season (2010-11). Timely advancement of rains into the interior parts and increase in the Minimum Support Price (MSP) of the pulses has encouraged farmers to sow more of pulses than guar. The other commodities which would gain in acreage are cotton and bajra. The reason attributed for the upside in the Guarseed is demand for the Guar gum from the overseas buyers especially from U.S. and China. Prices are expected to remain firm in the short term.

Exhibit 2: Major Economic Data Releases in this week

Date	Country	Indicator	Forecast	Previous
21st June	EUR	ECB President Trichet Speaks	-	-
22nd June	US	Existing Home Sales	6.23M	5.77M
23rd June	US	FOMC Statement	-	-
23rd June	US	Federal Funds Rate	<0.25%	<0.25%
23rd June	US	New Home Sales	435K	504K
23rd June	EUR	German Manufacturing PMI	58.3	58.4
24th June	US	Core Durable Goods Orders	1.1%	-1.1%
24th June	EUR	Industrial New Orders	1.6%	5.7%
25th June	US	Final GDP q/q	3.0%	3.0%
25th June	US	Consumer Sentiment	75.5	75.5

In this week, we expect Gold prices to continue to trade with a positive bias as the uncertain financial market scenario will lead to higher demand for gold as a safe-haven. Weakness in the DX will additionally support upside in the yellow metal. The base metals pack is expected to remain under pressure on the back of concerns over slowdown in China's economy. China is also a crucial market for crude oil and these worries could also lead to downside in oil prices.

In the agri section Black pepper will continue to remain firm and Turmeric is likely to trade on a bearish note. Further, advancement of monsoon into the interior parts of India and thereby sowing prospects will be crucial for the agri commodities in the coming week.

Research Analyst (Commodity) - Reena Walia Nair/Nalini Rao

Euro

Euro - A dead cat bounce or for real?

The Euro gained a whopping 2.3% in the last week and held near its three-week high on Friday. This is the second successive rise in the currency against the US Dollar Index (DX). The Euro held near $1.24 as investors shed short positions and after high demand for Spanish government bond auction on Thursday which eased concerns about Spain's debt-servicing abilities. Risk appetite re-emerged in the financial markets after the Spanish bond sale and led to demand for higher-yielding and riskier investment assets. Spain sold 3 billion Euros ($3.7 billion) of 10-year debt on 17th June at an average yield of 4.86 percent, less than the 5.04 percent that the bonds traded at before the sale.

Demand for the bonds was 1.89 times the amount on offer. It also sold 479.2 million Euros of 30-year debt at 5.908 percent and the bid-to-cover ratio was 2.45, higher than the 1.38 at the previous sale on 18th March. Positive sentiments also emerged after European leaders agreed to publish details of stress tests which will show the financial health of big banks next month. This helped to restore confidence in the Euro Zone and led to some support to the currency which has declined 13.5% against the DX on a year-to-date basis.

Exhibit 1: Euro Weekly Price Chart

Source: Telequote

Debt concerns in the Euro Zone have eased but have not vanished. Markets are currently taking support from expected hopes of improvement in the Euro Zone scenario. Strength in the currency is mainly backed by these and may not be sustainable in the coming weeks. Greece's credit rating has been downgraded to "junk" status and this in itself indicates that the economic scenario is still bleak. Ongoing austerity measures in the European countries are not likely to reduce budget deficits immediately. Moreover, the impact of the $1 trillion rescue package to the European countries is still to be seen. Long-term negative impact of the European debt crisis is feared in the US, China and other European nations. Hence, the positive trend in the Euro may not continue for long as the fundamentals still remain weak.

Euro Zone economic data in the last week

- Industrial production in the Euro Zone increased by 0.8% in April. Industrial output increased for eleventh consecutive month in April.
- The German ZEW economic sentiment declined much more than expected in June. The economic sentiment index declined to 28.7 as against the previous figures of 45.8 in the earlier month.
- Consumer prices remained unchanged to 1.6% in the last month.
- Spain was successful in selling its 10-year bonds to the tune of 3 billion Euros ($3.71 billion) at a lower yield.
- The European Union has decided to publish results of the stress tests conducted on the region's lenders. This will lead to more transparency.
- Moody's Investors Service lowers Greece's credit rating to "junk" status.
- French government announced yesterday that it would raise the retirement age and increase income taxes on the rich to help rein in its budget deficit.

Fundamental Outlook

The debt crisis in the Euro Zone is not expected to have an immediate solution. But concerns over the debt crisis has eased and led to recovery in demand for the currency which lost sharply since the beginning of 2010. Short-term strength in the Euro is expected to remain on the back of expectations that the situation in the ailing European nations will improve. But, we expect worries on the Euro Zone front to re-emerge sooner rather than later. In the coming week, we expect the Euro to trade with a positive bias in the range of 1.2190 - 1.2600.

Exhibit 2: Important Euro Zone data in this week

Date	Indicator	Forecast	Previous
22nd June	German Ifo Business Climate	101.2	101.5
22nd June	Current Account	1.3B	1.7B
23rd June	German Flash Manufacturing PMI	58.3	58.4
23rd June	German Flash Services PMI	54.5	54.8
23rd June	French Flash Manufacturing PMI	55.3	55.8
23rd June	French Flash Services PMI	61.2	61.4
23rd June	GfK German Consumer Climate	3.3	3.5
24th June	Industrial New Orders	1.6%	5.7%
24th June	French Consumer Spending m/m	0.3%	-1.2%

Sr. Research Analyst (Commodity) - Reena Walia Nair

Bullion

Gold - Up, Up and Away

Gold prices for the MCX August contract touched a high of Rs.18,897/kg as uncertain financial market conditions led to higher demand for gold as a safe-haven. Spot Gold prices in the same period touched a high of $1,262.55/oz and the yellow metal has managed to sustain above $1,240/oz. Negative economic data from the US reiterated concern over slow progress over the economic front. A rise in weekly jobless claims in the US and disappointing manufacturing data boosted demand for gold. The US Department of Labour reported that initial claims for unemployment benefits rose by 12,000 last week and the Federal Reserve Bank of Philadelphia's manufacturing index for June showed a sharp decline.

Even though markets have become optimistic about recovery in Europe, the fact remains that all the debt-laden European nations require a rescue package in order to be pulled out from its huge debt crisis. Even the $1 trillion rescue package formed by the European Union and the IMF may not be the final solution to the debt crisis.

Gold MCX August Daily Price Chart

Source: Telequote

SDPR gold holdings hit record

New York's SPDR Gold Trust is the world's largest gold-backed exchange traded fund. The SPDR Gold Trust hit a record high at 1,307.96 tonnes on Thursday as investors turned to physical bullion as a safe-haven against the current risk prevalent in the financial markets. The gold:silver ratio fell to its lowest since late May on a day-to-day basis, with one ounce of gold now buying 66.4 ounces of silver. If both gold and silver prices continue to rise, then we expect silver prices to rise more than gold leading to a lower gold:silver ratio.

US economic data in the last week

- Economic data from the US indicated that the manufacturing activity in the New York city of US expanded at a faster pace in June. The manufacturing index rose to 19.6 in June from 19.1 in the previous month.
- Housing starts in the US fell by 10 percent to 593,000 in May, from 659,000 in April. Building permits, a sign of future construction, also declined to a one- year low of 570,000 in May. Poor economic data from the world's largest economy is increasing concerns over demand for metals.
- Manufacturing activity in the US slowed down in May. The Philly Fed manufacturing index in the US declined to 8 in June from 21.4 in May.

US Dollar Index (DX) weakens

The DX, which measures the performance of the US Dollar against a basket of six currencies fell more than 2% in the last week. The DX remained shaky after weak economic data releases from the US and as optimism over recovery in the Euro Zone re-emerged. Poor economic data indicates that the US Federal Reserve may not increase interest rates immediately. This weakness in the DX also supported an upside in Spot Gold prices as a weaker DX makes dollar-denominated commodities look attractive for holders of other currencies.

Fundamental Outlook

Uncertainty in the financial markets is expected to continue in the short-term as there is still no clarity over the European debt crisis. Economic data from the US is also mixed and indicates that recovery in the world's largest economy is still in progress. On the back of these concerns we expect demand for gold from a safe-haven perspective to rise. Weakness in the DX on the other hand will also be supportive to gold prices in dollar terms. However, sharp rise in the MCX gold prices may be capped if the Rupee appreciates in the coming week. We expect gold prices on the MCX August contract to trade with a positive bias in the range of Rs.18580 - Rs.19,175. Spot Gold prices are expected to trade in the range of $1,225 - $1,290 with an upside bias.

Important US economic data in this week:

Date	Indicator	Forecast	Previous
22 June	Existing Home Sales	6.23M	5.77M
23 June	FOMC Statement	-	-
23 June	Federal Funds Rate	<0.25%	<0.25%
24 June	Core Durable Goods Orders	1.1%	-1.1%
24 June	Unemployment Claims	461K	472K
25 June	Final GDP q/q	3.0%	3.0%
25 June	Consumer Sentiment	75.5	75.5

Sr. Research Analyst (Commodity) - Reena Walia Nair

Commodity Technical Report

MCX August Gold

Last week, Gold prices opened the week at (Rs.18714 /10 grams), initially moved sharply lower and as expected found strong support at Rs.18460 levels. Later prices rallied sharply higher, made a high of 18897. Gold finally ended the week with gain of Rs.114 to close at Rs.18849 as compared with previous week's close of Rs.18735.

Trend : Up

MCX GOLD Weekly Chart

Source: Telequote

Key Levels For Week :

S1 - 18685 S2 - 18490 R1 - 19050 R2 - 19314

Recommendation: Buy MCX Gold August Between 18710-18670 with strict Stop-loss below 18480 for a Target of 19040 and then 19300

MCX July Silver

Last week, Silver prices opened the week at (Rs.29144/kg), initially moved lower, but found good support at Rs.29075. Later prices moved sharply higher breaking both the resistances, made a high of 30035. Silver finally ended the week with a gain of Rs.728 to close at Rs.29909 as compared with previous week's close of Rs.29181.

Trend : Up

MCX SILVER Weekly Chart

Source: Telequote

Key Levels For Week :

S1 - 29465 S2 - 28857 R1 - 30230 R2 - 30727

MCX June Copper

Last week, Copper prices opened the week at (Rs.304.05/kg), initially moved sharply higher breaking the initial resistance, but found good resistance at 312.10. Later prices fell sharply lower made a low of 291.10. Copper finally ended the week with a loss of Rs 9.40 to close at Rs.294.30 as compared with previous week's close of Rs.303.70.

Trend : Down

MCX COPPER Weekly Chart

Source: Telequote

Key Levels For Week :

S1 - 286 S2 - 278 R1 - 299 R2 - 307

Recommendation: Sell MCX Copper June in the range of 296-298 with strict stop-loss above 307 Targeting 286 then 282.

MCX July Crude

Last week, Crude prices opened the week at (Rs.3563/barrel), initially made a low of 3543 then moved sharply higher breaking the initial resistance but found strong resistance at Rs.3680 level. Later prices corrected almost towards the weeks low at 3562. Crude finally ended the week with a gain of Rs.57 to close at Rs.3615 as compared with previous close of Rs.3558.

Trend : Sideways

MCX CRUDEOIL Weekly Chart

Source: Telequote

Key Levels For Week :

S1 - 3575 S2 - 3475 R1 - 3672 R2 - 3770

Sr. Technical Analyst (Commodities) - Samson P

NOTES

Disclaimer

Ratings (Returns) :	Buy (> 15%)	Accumulate (5% to 15%)	Neutral (-5 to 5%)
	Reduce (-5% to -15%)	Sell (< -15%)	

Address: Acme Plaza, 'A' Wing, 3rd Floor, M.V. Road, Opp. Sangam Cinema, Andheri (E), Mumbai - 400 059.
Tel : (022) 3952 4568 / 4040 3800

Research Team

Fundamental:

Sarabjit Kour Nangra	VP-Research, Pharmaceutical	sarabjit@angeltrade.com
Vaibhav Agrawal	VP-Research, Banking	vaibhav.agrawal@angeltrade.com
Vaishali Jajoo	Automobile	vaishali.jajoo@angeltrade.com
Shailesh Kanani	Infrastructure, Real Estate	shailesh.kanani@angeltrade.com
Anand Shah	FMCG , Media	anand.shah@angeltrade.com
Deepak Pareek	Oil & Gas	deepak.pareek@angeltrade.com
Puneet Bambha	Capital Goods, Engineering	puneet.bambha@angeltrade.com
Sushant Dalmia	Pharmaceutical	sushant.dalmia@angeltrade.com
Rupesh Sankhe	Cement, Power	rupeshd.sankhe@angeltrade.com
Param Desai	Real Estate, Logistics, Shipping	paramv.desai@angeltrade.com
Sageraj Bariya	Fertiliser, Mid-cap	sageraj.bariya@angeltrade.com
Viraj Nadkarni	Retail, Hotels, Mid-cap	virajm.nadkarni@angeltrade.com
Paresh Jain	Metals & Mining	pareshn.jain@angeltrade.com
Amit Rane	Banking	amitn.rane@angeltrade.com
Rahul Jain	IT, Telecom	rahul.j@angeltrade.com
Jai Sharda	Mid-cap	jai.sharda@angeltrade.com
Sharan Lillaney	Mid-cap	sharanb.lillaney@angeltrade.com
Amit Vora	Research Associate (Oil & Gas)	amit.vora@angeltrade.com
V Srinivasan	Research Associate (Cement, Power)	v.srinivasan@angeltrade.com
Aniruddha Mate	Research Associate (Infra, Real Estate)	aniruddha.mate@angeltrade.com
Mihir Salot	Research Associate (Logistics, Shipping)	mihirr.salot@angeltrade.com
Chitrangda Kapur	Research Associate (FMCG, Media)	chitrangdar.kapur@angeltrade.com
Vibha Salvi	Research Associate (IT, Telecom)	vibhas.salvi@angeltrade.com
Pooja Jain	Research Associate (Metals & Mining)	pooja.j@angeltrade.com

Technicals:

Shardul Kulkarni	Sr. Technical Analyst	shardul.kulkarni@angeltrade.com
Mileen Vasudeo	Technical Analyst	vasudeo.kamalakant@angeltrade.com

Derivatives:

Siddarth Bhamre	Head - Derivatives	siddarth.bhamre@angeltrade.com
Jaya Agarwal	Derivative Analyst	jaya.agarwal@angeltrade.com

Institutional Sales Team:

Mayuresh Joshi	VP - Institutional Sales	mayuresh.joshi@angeltrade.com
Abhimanyu Sofat	AVP - Institutional Sales	abhimanyu.sofat@angeltrade.com
Nitesh Jalan	Sr. Manager	niteshk.jalan@angeltrade.com
Pranav Modi	Sr. Manager	pranavs.modi@angeltrade.com
Sandeep Jangir	Sr. Manager	sandeepp.jangir@angeltrade.com
Ganesh Iyer	Sr. Manager	ganeshb.Iyer@angeltrade.com
Jay Harsora	Sr. Dealer	jayr.harsora@angeltrade.com
Meenakshi Chavan	Dealer	meenakshis.chavan@angeltrade.com
Gaurang Tisani	Dealer	gaurangp.tisani@angeltrade.com

Production Team:

Bharathi Shetty	Research Editor	bharathi.shetty@angeltrade.com
Bharat Patil	Production	bharat.patil@angeltrade.com
Dilip Patel	Production	dilipm.patel@angeltrade.com