

Bulls on a holiday!

Don't celebrate a holiday before it arrives

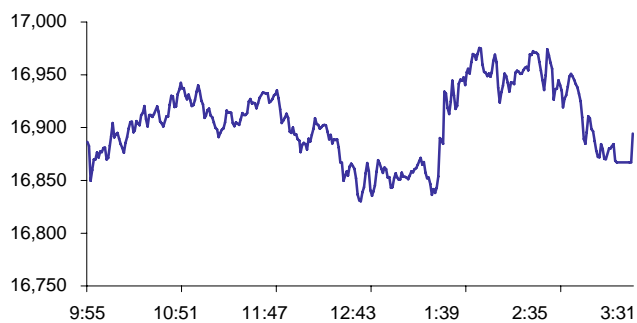
It's raining holidays in the coming weeks and the bourses have decided to wish investors Happy New Year by remaining closed on Jan 1. So far the plan is to usher in 2010 by starting at 9 am on Jan 4. But all this is few days away.

For today, we see the market opening in the red on the back of overnight losses on Wall Street. A disappointing outlook from FedEx added to concerns over unemployment. Asian markets too are all down. Stocks fell in Europe too following Greece's downgrade.

Trading has been anemic over the past 2-3 weeks. Globally too, stocks have struggled as the dollar has been inching up. Sovereign debt concerns have added to the pressure. Economic outlook remains murky though overall the world seems better placed. For India, the immediate worry is the soaring food prices. That rates will rise and 'exit' strategies will gradually be executed is a given. Expect some action from the RBI in the coming days. Given this backdrop, we would urge some caution.

Trading volume could take a hit in the next few weeks due to a few holidays.

Sensex intra-day



ADR/GDR	Latest (US\$)	Price % chg	% Prem/Disc
Dr. Reddys	25.1	0.8	0.3
HDFC Bk	123.2	(4.1)	15.2
ICICI Bk	34.2	(2.6)	(2.9)
ITC	5.3	(0.6)	0.1
Infosys	54.3	(0.3)	(0.6)
Satyam	4.9	(1.2)	15.4
Ranbaxy	11.2	1.5	0.0
Reliance	44.3	(3.2)	0.3
Wipro	22.1	2.9	54.3
SBI	90.5	(2.6)	(2.1)
Tata Motors	15.6	0.3	2.5
Sterlite	17.6	(1.3)	(1.7)
L&T	34.9	(3.6)	(1.6)

Indian market	Last close	1 day	% change 3 mth	YTD
Sensex	16,894	(0.1)	0.9	75.1
Nifty	5,042	0.0	1.3	70.4
BSE 100	2,116	0.0	3.1	83.0
BSE 200	6,633	0.0	3.4	84.4
CNX Midcap	7,239	0.0	10.3	93.8
BSE Smallcap	7,916	0.0	7.4	114.9

Developed market	Last close	1 day	% change 3 mth	YTD
Dow Jones	10,308	(1.3)	5.0	17.5
Nasdaq	2,180	(1.2)	2.2	38.2
S&P 500	1,096	(1.2)	2.6	21.3
FTSE	5,218	(1.9)	0.9	17.7
CAC	3,831	(1.2)	0.1	19.0
DAX	5,844	(1.0)	2.5	21.5
Hang Seng*	21,100	(1.2)	(2.4)	46.7
Nikkei*	10,060	(1.0)	(3.0)	13.5
S&P/ASX200*	4,626	(1.0)	(1.4)	24.3

* Markets are open

Emerging market	Last close	1 day	% change 3 mth	YTD
Shanghai Comp	3,126	(1.7)	5.5	71.7
Brazil Bovespa	67,068	(2.3)	10.5	78.6
Mexico Bolsa	31,948	(0.0)	6.7	42.8
Kospi*	1,640	(0.5)	(3.5)	45.8
Micex	1,360	(2.0)	12.6	119.6
Taiwan*	7,695	(0.6)	2.2	67.6
Straits*	2,792	(0.8)	5.4	58.5

* Markets are open

Institutional activity (Rs cr)	Cash	F&O	MTD	YTD
FII's	(139)	(359)	7,002	81,263
MF's	-	-	(2,695)	(4,792)
FII's Prov.	193			
MF's Prov.	133			

Commodities	Last close	1 day	% change 3 mth	YTD
Crude (US\$/bbl)	72.7	(0.0)	1.5	63.9
Gold (US\$/oz)	1,099	(3.4)	9.9	25.5
Copper (US\$/mt)	6,826	(2.4)	7.3	124.4
Aluminium (US\$/mt)	2,182	(2.6)	12.8	44.7
Zinc (US\$/mt)	2,354	(1.8)	21.7	99.4

Advance/Decline stocks (Nos)	A	B	S	Total
Adv	125	1,081	258	1,628
Dec	78	762	188	1,173
Unch	1	55	13	84
A/D ratio (x)*	1.6	1.4	1.4	1.4

*A/D excluding Unch

Trade value (Rs cr)	% chg
Cash NSE	13,259 (2.9)
Cash BSE	4,380 5.4
Total Cash	17,639 (1.0)
Delivery (%)	34.4 -
Derivatives	73,698 (3.2)

Currency	Last close	1 day	% change 3 mth	YTD
Rs/US\$	46.88	0.5	2.7	4.1
Rs/EUR	67.43	0.3	5.0	0.9
US\$/GBP	1.62	0.3	(0.5)	11.0
US\$/EUR	1.44	0.3	(2.2)	2.9
Yen/US\$	89.74	(0.3)	1.7	1.0

Bond market	Last Close (%)	Bps chg
10yr Gsec	7.55	(0.08)
Call rate	4.50	1.50

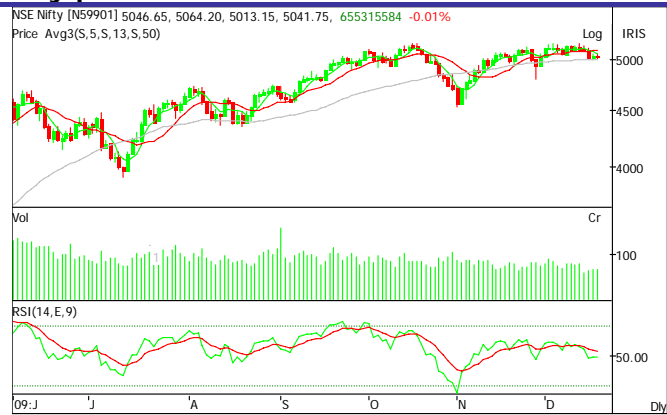
Corporate snippets

- ✦ **Infosys** and **HCL Tech** are in the race for Westpac's US\$500mn outsourcing contract. (ET)
- ✦ **Wipro** has entered into a partnership for an out-tasking of testing services with Telefonica, Germany. (BL)
- ✦ **Tata Motors'** global sales soar 62% in November 2009. (ET)
- ✦ **GAIL** has requested the Government to allow levy of marketing margin on APM gas. (BL)
- ✦ A proposal to divest 20% stake in **SAIL** to be placed before cabinet by middle of January 2010. (BS)
- ✦ **SAIL, JSW, Essar** and **Bhushan Steel** may raise prices in January 2010. (BS)
- ✦ **SBI** ties-up with General Motors for car finance. (BS)
- ✦ **PNB** extends its special home loan scheme. (ET)
- ✦ **Aurobindo Pharma** gets US FDA nod for Cetirzine Hydrochloride syrup. (BL)
- ✦ **BOB** to recruit 3,000 people this year. (BL)
- ✦ **HCC** bags Rs3.1bn contract to construct an elevated road corridor in Kolkata. (BL)
- ✦ **Chettinad Cement** to add 3mtpa capacity by end-2010 at an investment of Rs5bn. (BL)
- ✦ **Shoppers Stop** to invest Rs3.5bn over next five years to set-up 32 new stores. (ET)
- ✦ **Ruchi Soya** to invest Rs1.5bn in palm plantation in India. (ET)
- ✦ **NPCIL** plans to raise Rs850n to fund projects. (ET)

Economy snippets

- ✦ Inflation in food articles climbed to 19.95% for the week-ended December 5. (ET)
- ✦ Government has announced 50paise/unit incentive scheme for grid-connected wind power projects. (BL)
- ✦ Moodys lift foreign currency deposit rating of 14 banks in India. (ET)
- ✦ EGOM has rejected Road Transport and Highway Minister's proposal seeking sovereign guarantee for funds raised by NHAI. (ET)
- ✦ Cabinet panel clears six National Highway projects. (BL)
- ✦ Government has signed an US\$303mn agreement with World Bank for renovation and modernization of 640MW of coal-fired power plants. (ET)

Nifty price/volume



The Nifty moved in a range for the entire trading session and struggled to cross above 5,080 mark. Moving ahead, we expect the Nifty to attempt a pull back and re-test of 5,000. Below that, Nifty has strong support at 4,950 and 4,840. Nifty faces strong resistance at 5,080.

Support/Resistance levels

	Close	Support	Resistance
Nifty	5,041	5,002	5,180
Sensex	16,894	16,743	17,081

Abnormal change in delivery

Stock	NSEdely (%)	Prev NSEdely (%)	Price % chg
Bajajhind	31.4	11.3	0.7
Sci	53.4	20.7	1.1
Unitech	26.3	11.4	(2.1)
Moserbaer	33.3	14.7	1.1
Tv-18	46.9	21.2	2.2

Positive breakout

Company name	CMP	10 Days MVG avg	Price % chg	20 Days MVG avg
Electrosteel Cas	46.9	45.6	2.7	44.0
Arvind Ltd	37.8	36.8	2.6	36.0
Jbf Industries	96.6	94.4	2.3	93.1
Balmer Lawrie	552.9	541.6	2.1	529.4
Phoenix Mills	189.9	186.3	1.9	186.8

Stocks in uptrend

Company	Vol % chg	Delivery %	Price % chg
Ingvysyabk	275.6	94.0	0.5
Crisil	1,288.7	91.4	1.4
Corpbank	322.8	90.0	1.5
Kalpatpowr	475.9	86.2	1.1
Federalbnk	12.5	85.3	0.7

Crompton Greaves (BUY, CMP Rs419, Target Rs432): The stock advanced by over 3% and closed above all its short-term moving average, suggesting continuation of an intermediate uptrend. Moreover, the swift movement in the stock was backed by impressive volumes. The stock has broken out from the overall base-like pattern formed during the past six weeks. In fact, the last trading sessions represents a high level bullish congestion area between Rs416-418. Based on the above-mentioned technical evidences, we recommend traders to buy the stock for target of Rs432 and Rs440. A stop loss of Rs412 is recommended on all long positions.

Polaris Software (BUY, CMP Rs183, Target Rs192):

The stock has been trading within a range of Rs178-192 in the previous three weeks. Yesterday, the stock rallied 1.6% with sharp surge in volumes. The daily RSI has also given a positive divergence, indicating that price would start moving up after facing stiff resistance around the levels of Rs181. The bullish formation is confirmed after the stock gave a close above its short-term moving averages. We recommend buy on the stock from the above mentioned technical observations. Maintain a stop loss of Rs178 and go long for a target of Rs192 in the coming trading sessions.

Negative breakout

Company name	CMP	10 Days MVG avg	Price % chg	20 Days MVG avg
Nagarjuna Fert	32.4	33.0	(2.1)	32.2
India Infoline	131.7	134.4	(2.0)	135.4
Noida Toll Bridg	36.8	37.5	(1.9)	37.1
Century Textile	484.1	493.2	(1.9)	486.5
Gujarat State Pe	96.2	98.0	(1.8)	97.6

Stocks in downtrend

Company	Vol % chg	Delivery %	Price % chg
Gskcons	849.9	99.7	(0.4)
Pghh	2,830.0	99.3	(0.5)
Shreecem	184.1	93.9	(0.1)
Castrol	181.0	92.6	(0.1)
Ntpc	42.4	80.4	(0.1)

Pivot table

Company	CMP (Rs)	Supp 1	Supp 2	Pivot	Res 1	Res 2
ABB	759	753	747	759	765	771
ACC	866	857	849	865	874	884
Ambuja Cem	99	98	97	99	100	101
BHEL	2,332	2,314	2,282	2,346	2,364	2,382
BPCL	599	592	583	602	608	615
Bharti	324	307	295	318	336	353
Cairn	271	269	268	270	272	274
Cipla	355	346	341	351	360	368
DLF	366	357	346	368	377	385
Gail	412	406	401	410	417	423
Grasim	2,431	2,410	2,391	2,430	2,450	2,471
HCL Tech	358	338	313	363	383	404
HDFC Bank	1,672	1,660	1,642	1,679	1,690	1,702
Hero Honda	1,665	1,641	1,619	1,664	1,687	1,711
Hindalco	145	143	141	145	147	149
HUL	269	265	262	267	271	275
HDFC	2,607	2,568	2,537	2,599	2,638	2,677
ICICI Bank	826	815	807	824	834	845
Idea	58	58	57	58	59	60
Infosys	2,559	2,539	2,522	2,555	2,576	2,596
ITC	249	248	246	250	251	253
L&T	1,660	1,643	1,622	1,665	1,681	1,698
M&M	1,057	1,045	1,036	1,053	1,066	1,079
Maruti	1,554	1,545	1,530	1,559	1,569	1,578
Nalco	391	384	379	390	396	403
NTPC	208	207	206	208	209	210
ONGC	1,201	1,182	1,167	1,198	1,216	1,235
Powergrid	105	104	103	105	106	106
PNB	896	883	872	893	906	919
Ranbaxy	525	520	515	526	531	535
Rcom	174	172	170	174	176	177
Reliance	1,035	1,025	1,010	1,040	1,050	1,060
Reliance Infra	1,033	1,000	978	1,022	1,056	1,089
Reiance Power	144	143	142	144	145	146
Satyam	99	98	96	100	101	103
Siemens	560	555	548	562	567	572
SBI	2,166	2,135	2,113	2,157	2,188	2,219
SAIL	213	210	207	212	216	219
Sterlite	837	831	823	840	846	852
Sunpharma	1,489	1,467	1,451	1,482	1,504	1,527
Suzlon	83	81	80	82	84	86
Tata Com.	343	340	336	343	346	349
TCS	723	716	710	722	729	736
Tata Motors	712	705	698	711	719	726
Tata Power	1,318	1,307	1,290	1,325	1,335	1,346
Tata Steel	564	557	551	563	570	577
Unitech	83	81	80	83	84	86
Wipro	672	665	654	675	682	689
Zee	260	251	245	256	266	276

A pivot is a level at which the market direction changes for the day. These points can be critical support and resistance levels for that day. Pivot levels are only broad indicators and not necessarily our view on the stock or index.

Top movers

Company	Price (Rs)	Price % chg	% YTD chg
Wire And Wireles	19.8	9.7	61.6
Rain Commodities	234.9	9.6	160.4
Mrf Ltd	6,363.3	8.9	217.7
Greaves Cotton	267.7	8.3	271.0
Pantaloon Retail	376.6	8.1	72.6

Top losers

Company	Price (Rs)	Price % chg	% YTD chg
Dlf Limited	365.8	(3.6)	29.6
United Spirits	1,262.9	(3.0)	42.7
Berger Paints	62.1	(2.4)	82.1
Jammu & Kashmir	576.4	(2.3)	62.5
Tube Inv India	64.4	(2.3)	80.3

Volume Toppers

Company	Price (Rs)	Price % chg	Vol % chg
Pantaloon Retail	376.6	8.1	1,935.8
Shriram Transprt	440.9	(0.9)	1,810.4
Jagran Prakashan	130.3	6.4	1,672.7
Kei Indus Ltd	31.0	4.4	1,465.2
Kec Intl Ltd	585.7	3.6	1,410.3

Sector watch

BSE Indices	Last close	Price % chg				50 DMA
		1 day	1 week	1 mth		
BSE Bankex	9,661	0.0	(5.8)	3.6	9,355	
BSE Realty	3,787	0.0	(5.4)	(15.3)	4,095	
BSE HC	5,051	0.0	7.9	25.5	4,292	
BSE Metals	16,386	0.0	1.4	12.9	14,271	
BSE Oil & Gas	10,122	0.0	0.0	(0.0)	10,007	
BSE Auto	7,195	0.0	3.3	9.0	6,367	
BSE IT	5,078	0.0	4.5	11.5	4,415	
BSE Power	3,017	0.0	(1.1)	(1.0)	2,999	
BSE FMCG	2,790	0.0	(2.0)	10.0	2,699	
BSE PSU	9,177	0.0	(0.4)	5.0	8,741	
BSE Cap Goods	13,773	0.0	1.6	2.2	13,209	
BSE CD	3,512	0.0	(1.2)	0.9	3,392	
BSE 200	2,116	0.0	(0.1)	3.1	2,018	
BSE 500	6,633	0.0	0.2	3.4	6,306	
BSE Mid Cap	6,513	0.0	0.1	5.5	6,108	
BSE Small Cap	7,916	0.0	4.5	7.4	7,166	
CNX 500	4,189	0.0	0.6	3.6	3,977	

Note:

Ideas given under the 'Technicals' section are for intraday purpose or up to a period of three trading sessions. Stocks recommended under this heading are not necessarily part of our fundamental buy or sell list.

Bulk deals

Date	Scrip name	Client name	B/S	Qty ('000)	Avg price (Rs)	Deal size (Rs m)
17/12/2009	Ganesh Housing Corp	Master Trust Bank Of Japan	S	182	120.4	21.9
17/12/2009	Ganesh Housing Corp	Master Trust Bank Of Japan	S	189	120.6	22.8

Insider trades

Company name	Acquirer	Transaction date	B/S	Qty ('000)	Avg price (Rs)	Deal size ('000)	Shares transactions (%)	Holding after transaction (%)
ACC	Sumit Banerjee	2/12/2009	S	0.5	166	0.1	0.0	0.0
Adani Power	Dr Pravin P Shah	25/11/2009	B	10.5	165	1.7	0.0	0.0
Aia Engineering	Gita B Shah	03/12/2009 - 04/12/2009	S	70.6	20	1.4	0.1	0.0
Ambuja Cements	Rajendra P Anjaria	24/11/2009	S	5.0	-29	(0.1)	0.0	0.0
Ambuja Cements	Rajendra P Anjaria	25/11/2009	S	5.0	-102	(0.5)	0.0	0.0

*Closing price on the transaction day is assumed to be average price of the deal

Nifty Call open interest down by 6lacs shares.

- ✦ Put open interest up by 6lacs shares.
- ✦ Future open interest down by 4lacs shares.
- ✦ Nifty Put Call ratio of open interest now stands at 1.25 vs 1.22
- ✦ Nifty Put Call ratio of volume now stands at 0.92 vs 1.13.
- ✦ Nifty near Future at a discount of Rs5.
- ✦ Major strikes in calls ranging from 4,800 to 5,200 have seen unwinding of open interest.
- ✦ Maximum open interest of Call is at 5,100 strike.
- ✦ Major strikes in puts ranging from 4,500 to 4,800 strike have seen addition of open interest.
- ✦ Maximum open interest of Put is at 5,000 strike.
- ✦ Nifty volatility index stands at 27.

Strategies

- ✦ **Long Lupin Dec Future @ Rs1,457** for the target price of Rs1,500 and stop loss placed at Rs1,430.
Lot size: 350
Remarks: Net maximum profit of Rs15,050 and net maximum loss Rs9,450.
- ✦ **Long HDIL Dec Future @ Rs350** for the target price of Rs370 and stop loss placed at Rs340.
Lot size: 774.
Remarks: Net maximum profit of Rs15,480 and net maximum loss Rs7,740.

Nifty snapshot

	Current	Previous	% Chg
Near month price	5,036	5,041	(0.1)
Near month Pre/Disc	(5.3)	(1.4)	292.6
Mid month price	5,045	5,050	(0.1)
Mid month Pre/Disc	3.1	7.5	(58.0)
OI* ('000)	27,304	27,682	(1.4)
Volume ('000)	27,625	28,636	(3.5)
PCR (OI)	1.2	1.2	(1.5)
PCR (Vol)	0.9	1.1	(18.9)
Roll-over (%)	11.2	8.6	30.9

FII derivative data

(Rs cr)	Buy	Sell	Net	Contracts	OI % chg
Index Futures	897	1,314	(416)	426	0
Index Option	2,740	2,663	77	26,049	2
Stock Futures	1,937	1,948	(11)	9,162	1
Stock Options	-	9	(9)	(266)	(1)

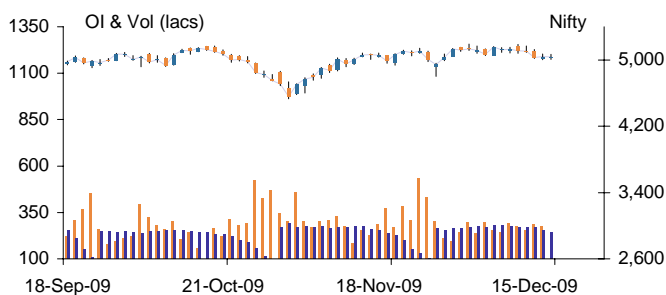
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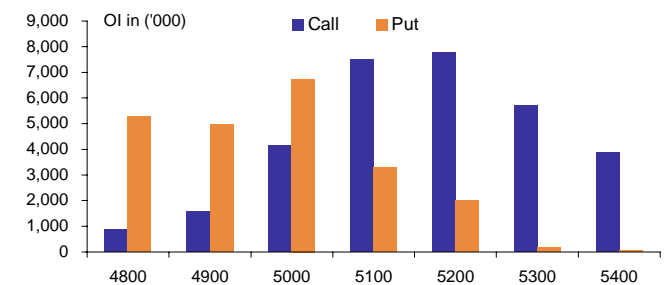
Overall market

	17-Dec-09	16-Dec-09	15-Dec-09	Value % chg
Index Future (Rs cr)	16,561	16,824	15,450	(1.6)
Stock Future (Rs cr)	16,550	17,380	16,638	(4.8)
Index Options (Rs cr)	38,810	39,949	38,812	(2.9)
Stock Options (Rs cr)	1,777	1,978	1,863	(10.2)
Index Future (Cont '000)	672	690	631	(2.6)
Stock Future (Cont '000)	485	495	483	(2.1)
Index Options (Cont '000)	1,599	1,573	1,385	1.7
Stock Options (Cont '000)	58	58	59	(0.1)
PCR (OI)	1.4	1.1	1.1	19.5
PCR (VOI)	0.4	0.3	0.3	3.6

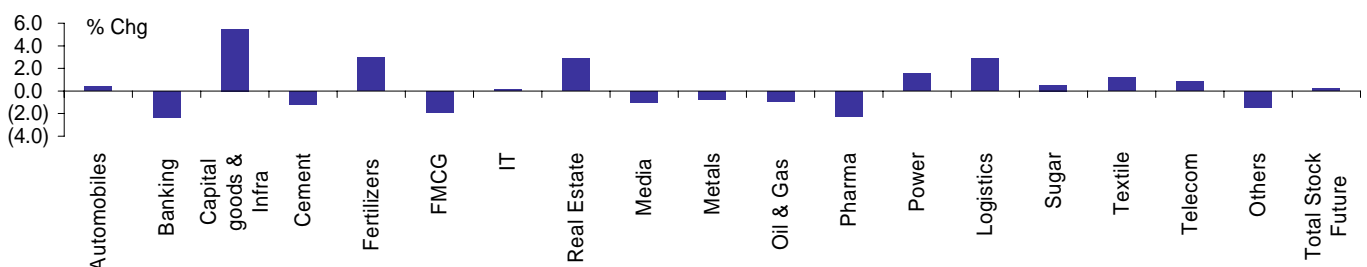
Nifty open interest chart



Nifty strikes open interest



Sector-wise OI



Futures open interest gainers

Scrip	OI ('000)	% change	CMP (Rs)	% change	Volume ('000)	% change	Prem/Disc (Rs)
Crompgreav	431.0	43.7	419.5	3.0	923.0	507.2	0.0
Jpassociat	24,867.6	32.5	149.9	3.2	14,916.9	18.9	(0.3)
Hdil	7,216.8	19.2	350.6	3.9	16,421.2	130.3	(0.9)
Tatachem	2,532.6	18.7	324.0	2.1	1,513.4	214.9	3.4
Andhrabank	3,284.4	12.4	106.1	1.9	2,201.1	(14.2)	(0.4)
Cumminsind	159.6	12.0	410.7	1.3	84.6	423.5	(1.8)
Suzlon	59,556.0	10.3	83.3	2.5	51,477.0	30.9	(0.4)
Pateleng	846.0	9.7	454.2	1.9	462.0	381.3	(1.4)
Denabank	12,290.3	9.1	84.7	1.9	18,747.8	(5.4)	(0.3)
Abirlanuvo	1,848.0	8.7	868.2	(0.4)	672.8	183.6	(4.3)
Kotakbank	3,195.0	8.4	779.6	1.0	1,026.3	(48.4)	4.0

Futures open interest losers

Scrip	OI ('000)	% change	CMP (Rs)	% change	Volume ('000)	% change	Prem/Disc (Rs)
Polaris	2,604.0	(12.8)	182.7	1.4	3,556.0	3.8	0.2
Sunpharma	446.0	(9.9)	1,486.2	1.0	191.5	60.6	2.8
Ifci	90,454.5	(9.6)	51.7	1.0	47,169.7	(40.0)	(0.0)
Moserbaer	4,566.4	(1.9)	83.7	1.0	1,012.3	3.3	(0.1)
Ultracemco	594.0	(7.6)	910.2	0.4	212.8	1.9	3.5
Tcs	4,231.0	(6.8)	722.9	1.2	3,304.0	(4.5)	(0.1)
Zeel	1,365.0	(6.8)	259.7	5.1	1,003.8	90.2	0.7
Itc	8,416.1	(6.2)	249.3	(0.1)	3,231.0	24.3	0.0
Axisbank	2,917.8	(6.0)	942.5	0.2	3,333.6	8.7	(0.7)
Ranbaxy	3,330.4	(5.9)	524.8	(0.7)	1,659.2	(49.5)	0.2
Tv-18	4,148.2	(5.8)	87.2	1.9	1,080.4	75.7	(0.3)

Most active stock calls

Scrip	Strike	OI ('000)	% change	CMP(Rs)	Volume ('000)
Tatasteel	560	628.8	(15.2)	19.4	1,500.0
Tatasteel	580	1,309.5	(2.7)	10.8	1,238.0
Reliance	1050	415.5	13.5	21.5	1,277.0
Unitech	85	2,659.5	25.5	2.6	922.0
Reliance	1080	920.1	1.1	10.7	1,087.0
Suzlon	85	3,855.0	(0.3)	2.7	1,288.0
Unitech	90	4,878.0	10.7	1.2	767.0
Dif	380	422.4	29.7	8.0	896.0
Tatasteel	600	1,010.0	(2.8)	5.4	577.0
Reliance	1110	1,270.5	(0.9)	5.5	769.0

Most active stock puts

Scrip	Strike	OI ('000)	% change	CMP(Rs)	Volume ('000)
Tatasteel	560	482.8	70.4	13.9	821.0
Tatasteel	540	537.1	19.8	8.0	454.0
Unitech	80	2,448.0	(7.3)	2.2	447.0
Icicibank	820	664.3	16.3	21.0	511.0
Reliance	1050	192.3	(13.1)	35.0	451.0
Suzlon	80	1,689.0	35.3	2.2	484.0
Infosystch	2550	22.4	1,020.0	52.1	191.0
Dif	360	283.2	(3.5)	11.2	322.0
Hindalco	140	865.4	28.1	2.4	167.0
Unitech	85	805.5	(17.1)	5.0	205.0

Most active Nifty calls

Strike	OI ('000)	% change	CMP(Rs)	Volume('000)
5100	6,965.8	0.6	58.6	15,165.3
5200	6,826.9	(8.3)	28.5	7,769.4
5000	3,354.9	(11.9)	107.0	7,637.9
5300	4,805.5	(0.4)	11.0	2,903.7
5400	3,412.8	6.3	3.5	1,362.2
4900	1,456.2	(20.6)	174.1	997.6
5500	2,310.0	1.8	2.0	515.4
5500	891.1	10.8	26.0	405.7
5000	801.7	33.5	201.0	354.7
5400	464.7	1.5	42.5	304.5

Most active Nifty puts

Strike	OI ('000)	% change	CMP(Rs)	Volume('000)
5000	5562.2	2.7	80.0	13864.7
5100	2928.0	(4.7)	130.0	5894.9
4900	4407.1	(2.6)	47.0	5655.9
4800	4540.6	0.7	27.0	3129.2
4700	3440.8	4.1	14.7	1609.6
4600	2651.3	(0.3)	8.0	968.8
5200	1905.4	(9.9)	196.2	702.1
5000	1180.2	21.0	162.5	456.7
4500	4087.5	2.7	4.5	478.7
4600	1193.9	19.1	51.4	425.1

Note:

Ideas given under the 'Derivatives' section are positional trades for the stated F&O expiry. Stocks recommended under this heading are not necessarily part of our fundamental buy or sell list.

Trade recommendation

Commodity	Strategy	Levels	Target	Stop-Loss
Gold - Feb	Sell	Around 17025	16960, 16900	17055
Silver - Mar	Sell	Below 27150	27000, 26850	27279
Copper - Feb	Buy	324-324.5	326.8, 328.5	323.2
Zinc - Dec	Sell	Around 112.2	111, 110	112.95
Lead - Dec	Buy	108.5-108.7	109.7, 110.8	108.2
Aluminum - Dec	Sell	Below 102.8	101.6, 100.5	103.6
Nickel - Dec	Sell	Below 800	785, 770	811.6
Crude Oil - Dec	Buy	3360-3365	3390, 3410	3348
Natural Gas - Dec	Buy	Above 275.7	279, 282	273.3

Market commentary

- ✦ Gold futures tumbled 2.5% as the US dollar's rebound eroded demand for the precious metal as an alternative investment.
- ✦ The dollar registered strong gains in yesterday's trading session after the Fed indicated that the economy is getting back on track.
- ✦ The Federal Reserve said the US economy is strengthening, a signal that policy makers may begin to raise interest rates next year from a record low.
- ✦ The dollar index rose above its 100 day moving average, which led to some further buying.
- ✦ The March US dollar index closed at 78.09, the highest in fourteen weeks after Standard and Poor's downgraded the debt rating for Greece.
- ✦ The Philadelphia Federal Reserve's regional index of factory activity increased from 16.7 to 20.4 in November, stronger than expected and the highest in over four years.
- ✦ US index of leading indicators was up .9% in November, better than expected and the eighth consecutive gain.
- ✦ Base metals too were under pressure from the rising dollar. Most of the base metals ended with losses in the range of 2-4% on Thursday.
- ✦ Crude oil futures witnessed a volatile trading session on Thursday. It initially rose to a high of \$73.13 on some short covering and then slipped to a low of \$71.2, before managing to close flat at \$72.65.

Precious metals

	High	Low	Close	%Chg	OI
MCX					
Gold(Feb) (Rs/10 gm)	17,217	16,885	16,939	(1.4)	17,880
Silver(Mar) (Rs/kg)	27,560	27,154	27,263	(1.3)	11,355
NCDEX					
Gold (Rs/10 gm)	17,088	17,021	17,051	(0.5)	6
Silver (Rs/kg)	27,656	27,656	27,353	(1.1)	510
COMEX (US\$/oz)					
Gold(Feb)	1,143	1,096	1,107	(2.5)	337,506
Silver(Mar)	17.8	17.1	17.2	(2.8)	79,322

Base metals

	High	Low	Close	%Chg	OI
MCX (Rs/kg)					
Alum.(Dec)	105	103	103	(1.2)	1,630
Copper(Feb)	329	324	324	(1.5)	23,790
Lead(Dec)	112	109	109	(1.7)	2,759
Nickel(Dec)	816	800	802	(1.0)	14,697
Zinc(Dec)	113	111	111	(0.7)	4,465
LME(3mths) (US\$/ton)					
Aluminum	2,275	2,215	2,217	(2.6)	4,507
Copper	7,033	6,850	6,870	(2.4)	1,820
Lead	2,415	2,338	2,359	(2.1)	849
Nickel	17,451	17,012	17,075	(2.4)	1,052
Tin	15,820	15,400	15,800	2.1	330
Zinc	2,435	2,385	2,391	(1.8)	1,957

Energy

	High	Low	Close	%Chg	OI
MCX					
Cr. oil(Dec) (Rs/bbl)	3,417	3,352	3,380	(0.6)	15,134
Nat.gas(Dec) (Rs/mmBtu)	276	256	274	6.5	8,903
NCDEX (Rs/bbl)					
Brent Cr.oil	3,373	3,373	3,373	0.0	3
Sweet Cr.oil	3,499	3,450	3,475	1.0	159
NYMEX					
Cr. oil(Jan) (US\$/bbl)	73.1	71.2	72.7	(0.0)	76,914
Nat.gas(Jan) (US\$/mmBtu)	5.9	5.5	5.8	5.6	88,973

Currency

	Close	Prev close	%Chg
INR/US\$	46.89	46.67	0.5
US\$/EUR	1.43	1.45	(1.3)
US\$/GBP	1.62	1.63	(1.1)
JPY/US\$	89.96	89.78	0.2

LME Inventory levels

('000 tons)	Close	Prev close	Chg
Aluminum	4,637	4,625	12.1
Copper	475	473	1.3
Lead	142	142	0.4
Nickel	148	147	0.8
Tin	26	26	0.2
Zinc	457	457	(0.4)

Pivot table

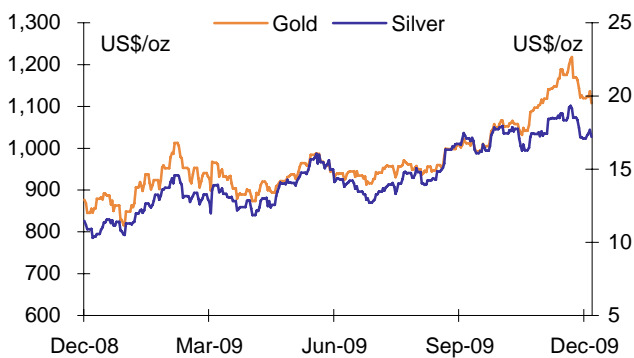
Commodity	MCX Levels					International Levels				
	R2	R1	Pivot	S1	S2	R2	R1	Pivot	S1	S2
Gold	17,271	16,993	16,939	16,661	16,607	1,155	1,119	1,107	1,072	1,060
Silver	27,669	27,372	27,263	26,966	26,857	17.9	17.3	17.2	16.6	16.5
Aluminum	105	104	103	102	102	2,277	2,219	2,217	2,159	2,157
Copper	330	325	324	319	319	7,053	6,890	6,870	6,707	6,687
Lead	112	110	109	107	107	2,437	2,381	2,359	2,303	2,282
Nickel	818	804	802	788	786	17,514	17,138	17,075	16,699	16,636
Zinc	114	112	111	110	109	2,441	2,397	2,391	2,347	2,341
Crude oil	3,445	3,408	3,380	3,343	3,315	74.6	74.1	72.7	72.2	70.7
Nat. Gas	294	292	274	272	254	6.2	6.1	5.8	5.6	5.3

A pivot is a level at which the market direction changes for the day. These points can be critical support and resistance levels for that day. Pivot levels are only broad indicators and not necessarily our view on the commodity.

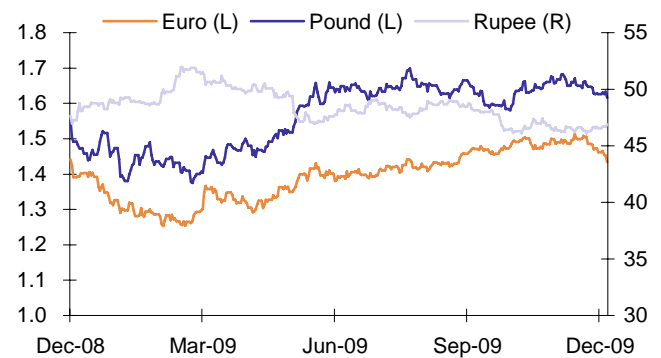
Important data to watch

Date	Country / Currency	Event	IST	Actual	Cons.	Previous
15-Dec	EUR	German ZEW Survey (Econ. Sentiment)	15:30	50.4	50	51.1
	EUR	German ZEW Survey (Current Situation)	15:30	(60.6)	(60.1)	(65.6)
	EUR	Euro-Zone ZEW Survey (Econ. Sentiment)	15:30	48.0	50	51.8
	USD	Producer Price Index (YoY) (NOV)	19:00	2.4%	1.7%	-1.9%
	USD	PPI Ex Food & Energy (YoY) (NOV)	19:00	1.2%	0.9%	0.7%
	USD	Industrial Production (NOV)	19:45	0.8%	0.5%	0.1%
	USD	Capacity Utilization (NOV)	19:45	71.3%	71.1%	70.7%
16-Dec	USD	Consumer Price Index (YoY) (NOV)	19:00	1.8%	1.8%	-0.2%
	USD	Housing Starts (NOV)	19:00	574K	578k	529k
17-Dec	USD	FOMC Rate Decision	0:45	0.3%	0.3%	0.3%

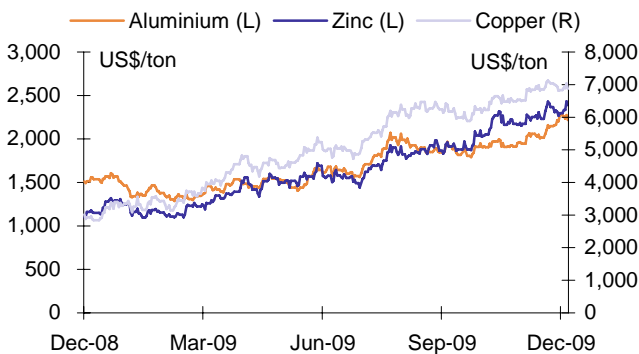
Precious metals



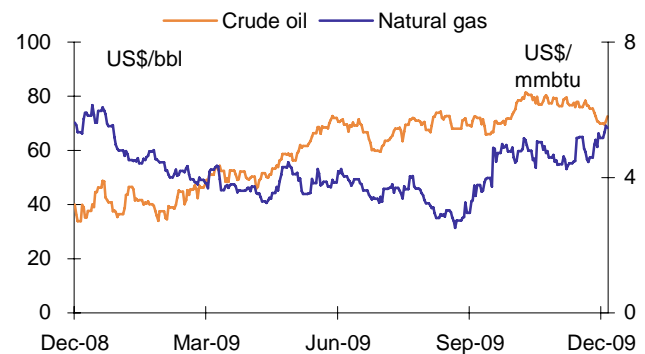
Currency



Base metals



Energy



Trade recommendation

Commodity	Strategy	Levels	Target	Stop-Loss
Pepper - Jan	Sell	Below 14230	14100, 14000	14328
Jeera - Jan	H. Sell*	Below 14300	14150, 14000	14417
Turmeric - Apr	Trade as per calls given during trading session.			
COCUDAKL - Jan	H. Sell*	1245-1250	1230, 1215	1257
Chana - Jan	Sell	2555-2560	2525, 2500	2580
Guar seed - Jan	H. Sell	Below 2750	2720, 2700	2770
Soya bean - Jan	H. Buy	Above 2460	2485, 2505	2440
Soya oil - Jan	Sell	Below 489.5	486, 483	491.8
Mustard seed - Jan	Sell	625-626	620.5, 617	628.8
Mentha oil - Dec	Sell	Below 591	587, 583	594.6

**Strict Stop-Loss *Book Partial Profits

Note: Calls given above are purely technical calls and not based on fundamentals.

Market commentary

- Chilli futures closed in positive for 3rd straight session on improved domestic buying inquires. However, spot rates were steady with daily arrivals seen off-setting demand.
- Pepper exports have been hit hard this year, basically due to higher prices prevailing in the domestic market as compared to producers like Vietnam, Brazil, etc.
- Jeera futures traded in a narrow range through out the trading session as traders await fresh cues from spot, where arrivals & trades of ~2,000 bags were reported.
- Turmeric futures slipped to close in negative on long liquidation ahead of Dec'09 expiry. Trading activity at spot continued to remain poor on lack of buying support.
- Average price of small cardamom increased to Rs853.3 per kg & the total arrivals stood at 44.2 tons at auctions held at Nedumkandam.
- Edible oil maintained its firm trend initially, following cues from overnight gains in the international oil prices.
- Soya bean arrivals stood at ~5,000 bags at Indore, 1-1.2lakh bags at MP market while in total ~3-3.25lakh bags arrived across major locations.
- Spot rates of mustard seed eased across major trading centers on stockist selling, also upcountry buyers too stayed away at current higher prices. Arrivals at Rajasthan stood at 0.3lakh bags.
- Guar complex declined in the last session on speculative selling. However, spot rates traded firmly above Rs27 per kg on higher off-take among millers & lower crop supply.

Spices

Commodity	High	Low	Close	%Chg	OI
Chilli (Rs/qntl)					
NCDEX Dec	5,732	5,520	5,732	4.0	915
NCDEX Feb	5,720	5,673	5,675	0.3	2,090
Jeera (Rs/qntl)					
NCDEX Dec	14,030	13,855	13,950	(0.2)	537
NCDEX Jan	14,410	14,205	14,320	0.2	11,442
Pepper (Rs/qntl)					
NCDEX Dec	14,199	13,999	14,060	0.1	735
NCDEX Jan	14,468	14,232	14,310	(0.1)	10,045
Turmeric (Rs/qntl)					
NCDEX Nov	10,950	10,701	10,790	(0.3)	4,110
NCDEX Apr	7,385	7,016	7,080	(2.7)	11,650
Cardamom (Rs/kg)					
MCX - Dec	1,029	996	1,017	1.0	1,150
MCX - Jan	1,057	1,035	1,039	(0.6)	404

Oil Seeds

Commodity	High	Low	Close	%Chg	OI
Soyabean (Rs/qntl)					
NCDEX Dec	2,398	2,370	2,390	0.7	30,540
NCDEX Jan	2,468	2,447	2,455	0.1	181,970
Soyaoil (Rs/10kg)					
NCDEX Dec	498	494	494	0.1	35,770
NCDEX Jan	497	490	491	(0.8)	102,310

Guar Complex

Commodity	High	Low	Close	%Chg	OI
Guar seed (Rs/qntl)					
NCDEX Dec	2,744	2,713	2,730	0.2	5,200
NCDEX Jan	2,767	2,732	2,741	(0.3)	220,420
Guar Gum (Rs/qntl)					
NCDEX Dec	5,725	5,675	5,698	0.4	1,490
NCDEX Jan	5,824	5,751	5,775	0.0	29,925

Others

Commodity	High	Low	Close	%Chg	OI
Mentha Oil (Rs/Kg)					
MCX - Dec	601	592	592	(0.3)	3,604
MCX - Jan	610	600	601	(0.3)	3,675

Spot prices

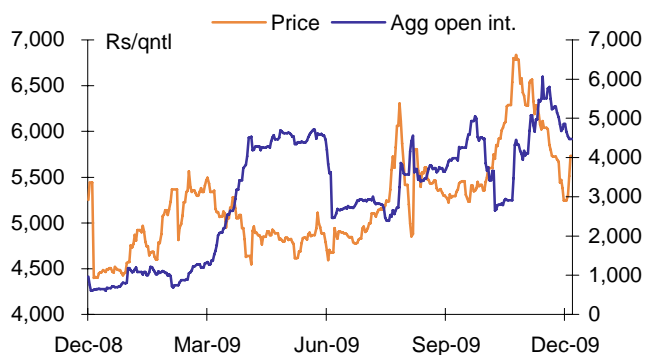
Commodity	Close	Pr. Close	% Chg
Chilli (Rs/qntl)	5,737	5,712	0.4
Jeera (Rs/qntl)	14,336	14,260	0.5
Pepper (Rs/qntl)	14,281	14,155	0.9
Turmeric (Rs/qntl)	10,693	10,678	0.1
Cardamom (Rs/kg)	906	894	1.4
Soyabean (Rs/qntl)	2,387	2,374	0.5
Soyaoil (Rs/kg)	489	485	0.9
CPO (Rs/kg)	355	352	1.1
Guar seed (Rs/qntl)	2,700	2,682	0.7
Guar gum (Rs/qntl)	5,812	5,757	1.0
Mentha oil (Rs/kg)	640	634	0.9

Pivot table

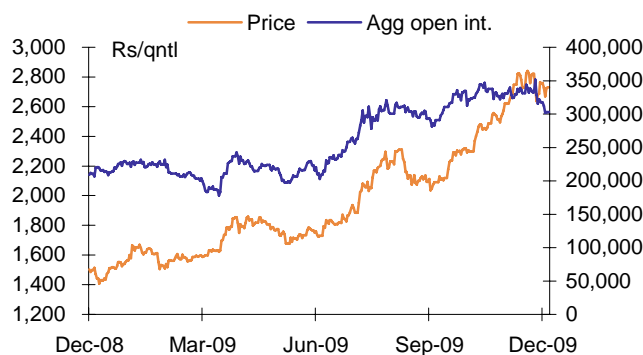
Commodity	R3	R2	R1	Pivot	S1	S2	S3
Chilli - Dec	5,898	5,838	5,782	5,732	5,682	5,626	5,566
Jeera - Dec	14,087	14,038	13,991	13,950	13,909	13,863	13,813
Pepper - Dec	14,217	14,160	14,107	14,060	14,013	13,960	13,903
Turmeric - Dec	10,985	10,915	10,849	10,790	10,731	10,666	10,595
Cardamom - Dec	1,042	1,033	1,024	1,017	1,009	1,000	991
Soya bean - Dec	2,412	2,404	2,397	2,390	2,383	2,376	2,368
Soya oil - Dec	497	496	495	494	493	492	491
CPO - Dec	357	356	356	355	354	354	353
Guar seed - Dec	2,754	2,746	2,737	2,730	2,723	2,715	2,706
Guar gum - Dec	5,737	5,723	5,710	5,698	5,686	5,673	5,659
Mentha Oil - Dec	600	597	594	592	590	587	584
Chana - Dec	2,451	2,443	2,434	2,427	2,420	2,412	2,403

A pivot is a level at which the market direction changes for the day. These points can be critical support and resistance levels for that day. Pivot levels are only broad indicators and not necessarily our view on the commodity.

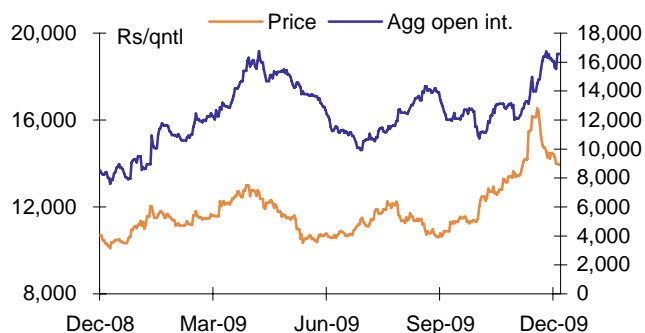
Chilli



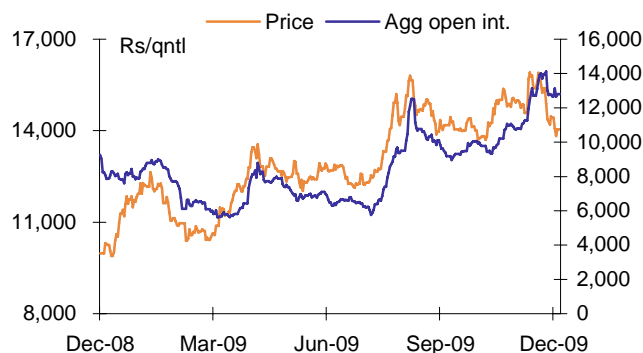
Guar seed



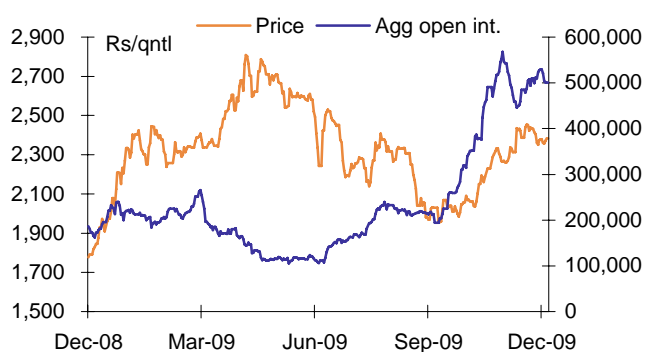
Jeera



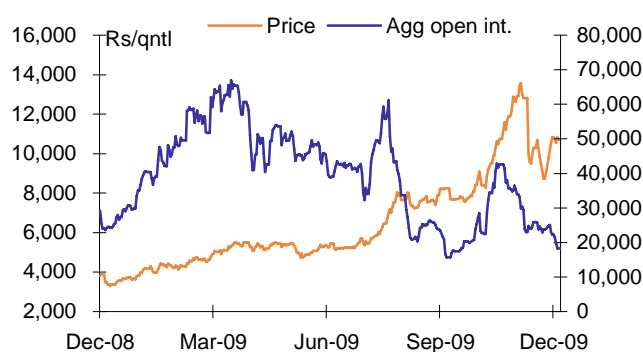
Pepper



Soyabean



Turmeric



Note:

Ideas given under the 'Commodities' section are for intraday purpose or up to a period of three trading sessions. Recommendations under this heading are not necessarily part of our fundamental buy or sell list.

Fund focus**Sundaram BNP Paribas Select Midcap Fund****Invest**

Fund manager	S. Ramanathan	Min investment	Rs5,000
Latest NAV	Rs131.1	Entry load	Nil
NAV 52 high/low	Rs133/49	Exit load	1% <1 year
Latest AUM	Rs1,769cr	Latest dividend (under dividend option)	15% (20-Nov-09)
Type	Open-ended	Benchmark	BSE Midcap
Class	Equity-diversified	Asset allocation	Equity (89%), Debt (0%), Cash (12%)
Options	Growth & dividend	Expense ratio	2%

Top recommended funds*(Absolute returns (in %) are based on previous close)*

Equity – Diversified	Assets (Rs Cr)	NAV (Rs)	1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
Birla SL Frontline Equity Fund (G)	1,444	77.6	(0.9)	0.2	5.8	26.8	80.5	2.1	56.4	235.9
DSP-BR Equity Fund - RP (G)	1,552	14.1	(1.3)	1.5	7.0	31.0	83.5	(1.0)	--	--
Sundaram Select Midcap - (G)	1,769	131.1	(0.7)	3.5	10.8	38.0	111.0	(6.2)	46.7	285.0

Equity – Thematic

Reliance Banking Fund (G)	1,053	73.5	(3.5)	(4.9)	4.5	25.5	78.9	16.6	94.9	224.9
Reliance Diver. Power – RP (G)	5,991	75.9	(0.8)	(1.1)	2.5	25.5	85.3	(0.5)	110.0	528.9
Franklin Pharma Fund (G)	69	47.5	0.9	7.4	27.4	59.5	120.5	58.9	70.5	118.7

Equity – Tax saving

Birla SL Tax Relief (D)	1,096	85.7	(1.2)	1.0	5.8	31.6	95.0	(20.2)	31.7	152.9
ICICI Prudential Tax Plan (G)	972	117.3	(1.0)	4.0	11.1	37.8	109.4	(3.7)	30.4	183.5
Fidelity Tax Advantage (G)	1,117	17.7	(1.4)	(0.1)	6.7	29.0	78.1	(3.4)	45.9	--

Balanced

DSPBR Balanced Fund (G)	624	57.8	(1.0)	1.3	5.6	23.3	60.4	4.8	52.5	167.3
HDFC Prudence Fund (G)	3,314	171.1	(0.2)	0.9	8.9	30.3	81.2	9.6	52.9	205.8
UTI Balanced Fund (G)	1,034	71.1	(0.4)	1.3	3.5	21.3	57.4	(2.2)	27.8	100.6

Debt – Money market

HDFC Cash Mgmt Fund – SP (G)	5,187	19.0	0.1	0.3	1.1	2.3	5.6	15.1	24.5	39.9
LIC MF Income Plus Fund (G)	10,000	12.2	0.1	0.4	1.2	2.6	6.1	16.6	--	--
Reliance Liquid Fund TP (G)	626	21.8	0.1	0.3	1.1	2.3	5.6	14.8	23.5	37.4

Debt – Floating rate

HDFC Float Rate Inc-LTP (G)	766	15.6	0.1	0.3	1.8	3.5	8.5	19.4	28.3	43.3
LIC MF Floating Rate (G)	3,102	14.9	0.1	0.4	1.3	2.7	6.6	17.4	27.5	44.3
UTI Floating Rate –STP-RP (G)	696	1,482.5	0.1	0.3	1.1	2.4	6.1	16.6	23.7	39.4

NFO Update

Fund name	Open date	Close date	Type [#]	Class
DSP BR World Mining Fund	23-Nov	18-Dec	OE	Equity – FOF
Sundaram BNP Paribas PSU Opportunities	25-Nov	23-Dec	OE	Equity – Div

#OE: Open Ended, CE: Close Ended

Recent actions

- ✦ Religare Arbitrage Opportunities Fund declares 1% dividend. Record date has been fixed as December 22, 2009.
- ✦ Kotak Quarterly Interval Plan Series 2 declares dividend. The record date is December 22, 2009.
- ✦ HDFC Quarterly Interval Fund Plan A declares dividend. The record date is December 21, 2009.
- ✦ JM Interval Fund – Quarterly Plan 1 declares dividend. The record date is December 21, 2009.
- ✦ Tata Mutual Fund declares dividend in Tata MIP (Rs0.1512), Tata Income (Rs0.1260), Tata MIP Plus (Rs0.1512), Tata G-Sec Retail (Rs0.1260), Tata G-Sec HI (Rs0.1260) and Tata Gilt Short Maturity (Rs0.1260). The record date is December 18, 2009.
- ✦ ICICI Prudential Mutual Fund declares 15% dividend under its two equity schemes viz. ICICI Pru Discovery Fund and ICICI Pru Growth Plan. Record date has been fixed as December 18, 2009.

Disclaimer: Mutual Fund is subject to market risk, please read the offer document carefully before investing.

Everonn Systems India Ltd – BUY

CMP Rs398, Target Rs558

Sector: Education

Sensex:	16,894
CMP (Rs):	398
Target price (Rs):	558
Upside (%):	40.0
52 Week h/l (Rs):	480 / 79
Market cap (Rscr) :	602
6m Avg vol ('000Nos):	1,221
No of o/s shares (mn):	15
FV (Rs):	10
Bloomberg code:	EEDU IB
Reuters code:	EVSI.BO
BSE code:	532876
NSE code:	EVERONN

Prices as on 17 Dec, 2009

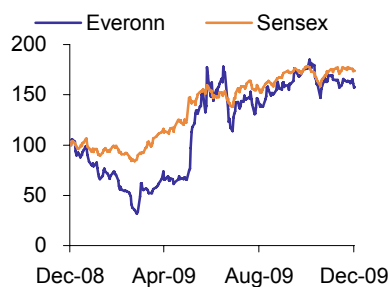
Shareholding pattern

September '09	(%)
Promoters	25.9
Institutions	34.8
Non promoter corp hold	9.8
Public & others	29.6

Performance rel. to sensx

(%)	1m	3m	1yr
Everonn	(5.4)	(1.2)	(18.3)
Educomp	(6.8)	(14.1)	(21.4)
NIIT	7.3	(0.6)	106.5
Core Projects	3.1	(1.2)	202.2

Share price trend



India – one of the largest education markets

A large student base (413mn+), low literacy levels, inadequate public education infrastructure, high drop-out rates, low gross enrollment ratio and increasing per capital income makes India one of the largest markets for educational services and infrastructure. Government spending on education is estimated at US\$30bn+ pa. India's private education market is estimated at US\$40bn by E&Y. Education spend is expected to increase 12x per household between 1995-2025E with rising per capita income.

Everonn's revenue and profit to grow at 60%+pa over FY09-12E

Everonn's presence in the education sector is diversified across various businesses viz ICT for Government schools, virtual classrooms for private schools (iSchool) and colleges, retail learning centers for individuals and corporate training, online learning portal (Classontheweb.com), engineering test preparation (Toppers), educational material supply (Edures) and infrastructure consulting. We expect Everonn's consolidated revenues to witness a robust 63% CAGR over FY09-12E driven by strong growth in college learning centers, iSchools and subsidiary (Edures and Toppers) revenues. Though increasing share of subsidiary revenues and decline in ICT profitability would act as margin headwinds, consolidate OPM is expected to be sustained near 35%, cushioned by material margin expansion in other businesses. With stable margin, company's earnings are estimated to grow in-line with revenues.

OCF to breakeven in FY10; leverage to remain comfortable

We expect Everonn to attain operating cash flow (OCF) breakeven in FY10 and generate significant positive cash flows from FY11. OCF is likely to reach 80% of PAT in FY12. Improvement in cash flow would be aided by substantial increase in cash profits and decline in working capital cycle. We have factored improvement in receivable days over FY09-12 on account of declining share of ICT revenues. Balance sheet leverage would continue to be comfortable with net debt/equity below 0.5x despite majority capex funding via debt in FY10 and FY11. Further, interest cover is expected to remain healthy at 7-8x during FY10-12.

Valuation attractive at 6.4x FY12 P/E; Recommend BUY

We believe that current valuation at 6.4x FY12 P/E is attractive as Everonn, a proxy play on India's fast growing education spending, is expected to deliver robust earnings growth over the next five years. We recommend BUY on Everonn with a 1-year price target of Rs558 (9x FY12E EPS). However, company would continue to trade at significant discount to Educomp which is a more established and diversified player.

Valuation summary

Y/e 31 Mar (Rs m)	FY09	FY10E	FY11E	FY12E
Revenues	1,447	2,730	4,368	6,212
yoy growth (%)	57.9	88.7	60.0	42.2
Operating profit	512	976	1,529	2,208
OPM (%)	35.4	35.7	35.0	35.5
Reported PAT	221	410	632	937
yoy growth (%)	60.0	85.5	54.2	48.4
EPS (Rs)	14.6	27.1	41.8	62.0
P/E (x)	27.3	14.7	9.5	6.4
EV/EBITDA (x)	11.9	6.9	4.9	3.5
Net Debt/Equity (x)	0.0	0.3	0.5	0.4
RoE (%)	13.6	17.0	21.8	25.9
RoCE (%)	18.8	21.9	25.3	29.0

Source: Company, India Infoline Research

India has over 1.29mn schools providing K-12 education to more than 228mn students

The target market is estimated at more than 413mn people, ~40% of the country's population.

Government spending on the education sector is estimated to be US\$30bn+ pa

India's private education market is estimated at US\$40bn by E&Y

In Union Budget 2009-10, government allocated ~Rs445bn towards education, a ~20% yoy increase

Provision for the scheme 'Education through ICT' was substantially increased to Rs9bn ease.

The allocation on higher education has witnessed an almost a nine-fold increase in XI five-year plan

Government has increased participation and outsourcing to the private sector

India – one of the largest education markets

India has over 1.29mn schools providing K-12 (kindergarten – Class 12) education to more than 228mn students. There are over 6.5mn teachers across India who needs training in IT and delivery of education. Of the 1.29mn schools, 1.01mn are government schools (including 0.47mn schools by local bodies) and 0.28mn are private schools (including both, aided and non-aided). About 87.6% of the schools are providing primary and secondary education while the residual 12.4% are providing higher secondary education.

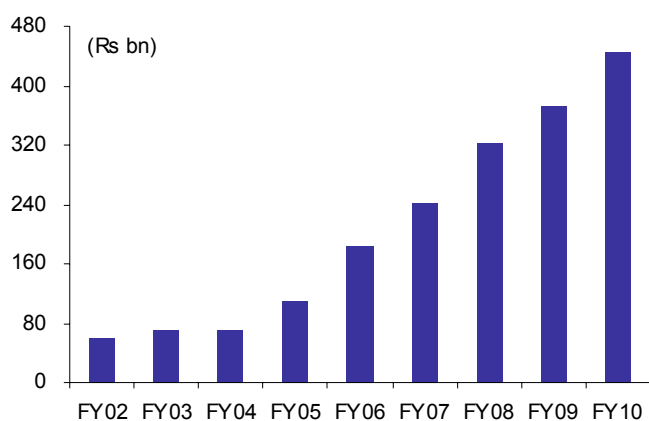
With billion-plus population, low literacy levels, high proportion of young and low gross enrollment ratio (GER), India is one of the largest markets for education globally. The target market (children and youngsters in the age group 6-24 years) is estimated at more than 413mn people, ~40% of the country's population. Government spending on the education sector is estimated to be US\$30bn+ pa. India's private education market is estimated at US\$40bn by E&Y. Education spend is expected to increase 12x per household between FY1995-2025E with rising per capita income.

Government thrust on education has been increasing

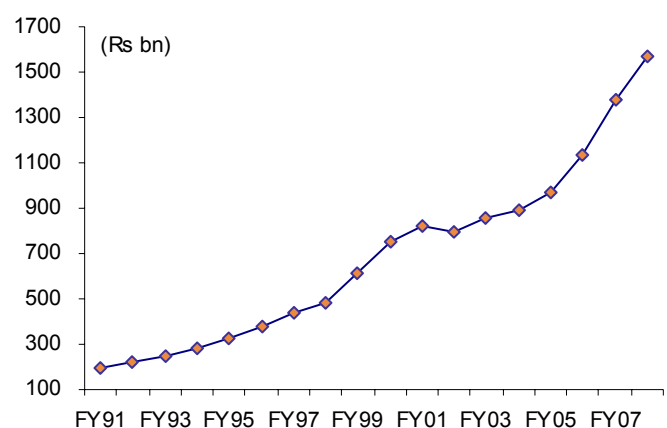
In an effort to convert the demographic advantage into an economic advantage, Government has stepped-up the public spending and budgetary allocation towards education over the past six years. In the Union Budget 2009-10, government allocated ~Rs445bn towards education, a ~20% yoy increase. Of this, ~Rs154bn was allocated for higher education and ~Rs291bn was allocated for school education. Provision for the scheme 'Education through ICT' was substantially increased to Rs9bn in the budget.

In its XI five-year plan (2007-12), government has allocated Rs60bn to set-up ICT labs in Government schools. The allocation on higher education has witnessed an almost a nine-fold increase from ~Rs96bn in the X five-year plan. Government's thrust on education can also be gauged from its plans to establish 8 new IITs, 7 new IIMs, 3 new Indian Institutes of Science Education and Research and 16 Central Universities. Further, government has increased participation and outsourcing to the private sector to increase the efficiency of its spending.

Budgetary allocation towards education



Public expenditure on education



Source: Company, India Infoline Research

Company Information

Everonn – a niche education services player

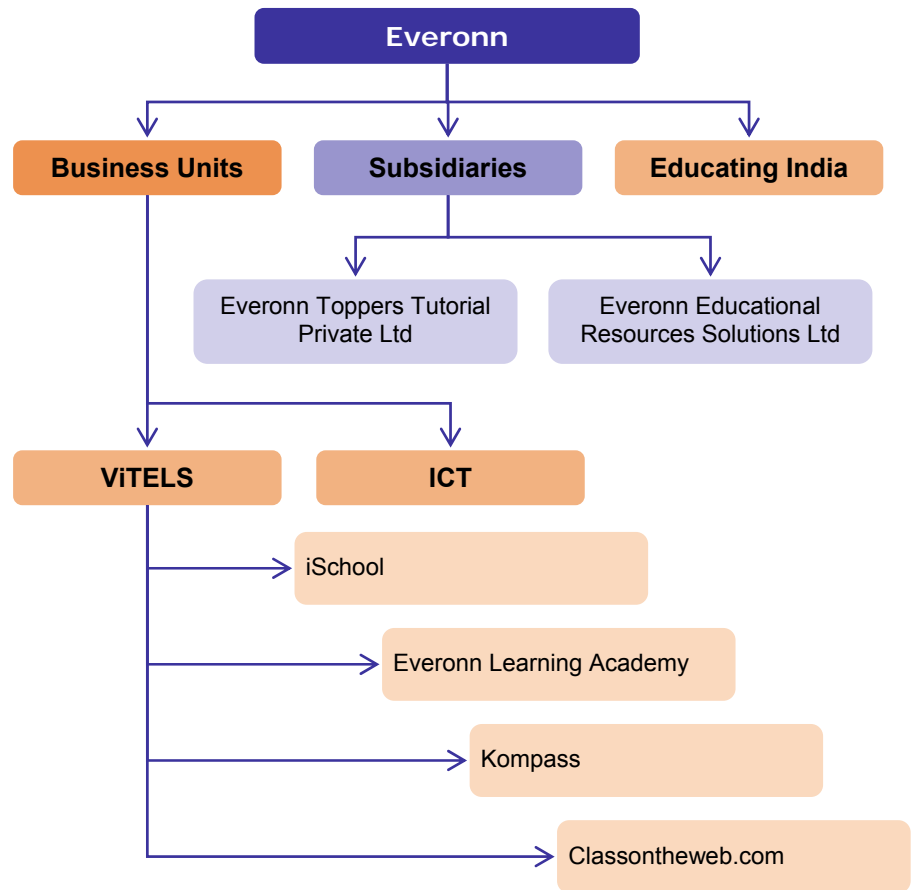
Everonn is a fully integrated knowledge management, education and training company offering a range of services including creating knowledge resources, designing and delivering learning and training programs and setting-up infrastructure and delivery platform. Company functions through its two business segments, Instructional and Communication Technology (ICT) and Virtual and Technology Enabled Learning Solutions (ViTELS) and three wholly-owned subsidiaries.

In July 2007, company raised equity capital of Rs500mn via an IPO of

Everonn is the largest VSAT networked education company globally 3.57mn shares

Incorporated in 2000, Everonn is promoted by Mr P Kishore, who was closely involved in implementing computer literacy projects in the Nilgiri district of Tamil Nadu since 1987. In July 2007, company raised equity capital of Rs500mn via an IPO of 3.57mn shares priced at Rs140/share. The IPO was oversubscribed 145 times. Everonn is the largest VSAT networked education company globally.

Business Structure



Source: Company

Everonn has partnered with various State Governments for computer education projects in public schools

Instructional and Communication Technology (ICT)

Everonn has partnered with various State Governments for computer education, computer aided learning and teachers training projects in Government schools. The project tasks include setting-up of computer labs, providing teaching services, course materials (in English and regional languages) and consumables. Company is given 45-60 days for implementation of the necessary infrastructure in a space allotted by the school. The market opportunity is huge given the large number of public schools in the country and Government's emphasis on computer literacy.

Computer labs set-up by Everonn in Government schools



Source: Company

Typically 5-year BOOT contracts; technical eligibility acts as an entry barrier

The ICT tenders floated by State Governments are generally for a period of five years. The project is to be executed on BOOT (Build-Own-Operate-Transfer) model where at completion the assets are to be transferred to the Government. For securing a tender, vendor has to be technically eligible and be a L1 bidder. Technical criteria include existence/experience in ICT business, minimum revenues from this business, minimum number of teachers trained and schools covered, etc. The technical requirements act as significant entry barriers for new competitors. The contract specifies to the minutest detail (hardware configuration, educational background of the faculties, salary to be paid to teachers, etc) the requirements from the winning bidder.

Generally, contract revenues are 4-7x initial capex and OPM is 40-45%

The upfront capex for creating the computer lab varies between Rs1-3lakhs depending upon individual state government's requirements. The contract revenue to capex ratio generally is in the range of 4-7x. Revenues are evenly recognized on monthly basis with no distinction made between hardware and services revenues. The OPM earned is 40-45% while generated RoI is 14-16%. The main elements of operational expenditure include faculty salaries, training expenses, distribution of text books, electricity charges, etc.

ICT projects are typically 5-year BOOT projects

For securing a tender, vendor has to be technically eligible and be a L1 bidder

There is no ambiguity in contract specifications

Upfront capex for creating the computer lab varies between Rs1-3lakhs

Contract revenues are 4-7x initial capex and OPM is 40-45%

Financial viability analysis of a hypothetical ICT project

Particulars	Amount	Comments
Initial Capex (Rs)	200,000	Initial capex between 1-3 lakhs
Debt (Rs)	200,000	Fully-funded through debt
Upfront Payment (Rs)	-	No upfront payment in this business
Net Investment (Rs)	200,000	-
Avg duration of contract (years)	5.0	-
Billing/Capex ratio (x)	5.5	Contract revenues generally vary between 4.5-6.5x of capex
Payback (years)	2.3	-

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Contract
Revenues (Rs)	220,000	220,000	220,000	220,000	220,000	1,100,000
Operating Profit (Rs)	99,000	99,000	99,000	99,000	99,000	495,000
OPM (%)	45.0	45.0	45.0	45.0	45.0	45.0
Depreciation (Rs)	40,000	40,000	40,000	40,000	40,000	200,000
EBIT (Rs)	59,000	59,000	59,000	59,000	59,000	295,000
Interest @ 12% (Rs)	24,000	24,000	24,000	24,000	24,000	120,000
PBT (Rs)	35,000	35,000	35,000	35,000	35,000	175,000
Tax @ 35% (Rs)	12,250	12,250	12,250	12,250	12,250	61,250
PAT (Rs)	22,750	22,750	22,750	22,750	22,750	113,750
PAT (%)	10.3	10.3	10.3	10.3	10.3	10.3
Rol (%)	11.4	11.4	11.4	11.4	11.4	-
Post-tax cash flow (Rs)	86,750	86,750	86,750	86,750	86,750	433,750
PV of cash flow	80,473	74,650	69,249	64,238	59,590	348,201
Net Investment (Rs)						(200,000)
NPV						148,201

Source: Company, India Infonline Research

Everonn market share at 15-20%; few players but stiff competition

From winning its first ICT contract from Tamil Nadu Government in 2000 for 332 schools, Everonn has evolved as a credible player in this business in the past five years. Company has worked with 16 State Governments and had an implementation base of 5,708 schools at the end of Q2 FY10. Everonn estimates its market share at 15-20% in this segment. The main competitors are Educomp (largest player with implementation base of 14,500+ schools), NIIT, Aptech and regional entities.

Recent trends include increasing project sizes and distribution of projects

Recent years have witnessed State Governments floating larger ICT tenders covering thousands of schools as compared to hundreds of schools earlier. Another notable trend is distribution of tender between minimum two vendors. In such a case, the L2 and L3 bidders are asked to match the quote of the L1 bidder. The main rationale behind this phenomenon is to de-risk execution and expedite implementation especially in case of large contracts.

Till date, company has worked with 16 State Governments with an implementation base of 5,708 schools

Main competitors are Educomp, NIIT, Aptech and regional entities

Tender sizes have increased over the past few years

Some state governments are distributing tenders between minimum two vendors

Everonn has a long receivable cycle of 240+ days in this business thus requiring significant investments in working capital

High working capital intensity due to elongated payment cycles

An elongated debtor cycle has become an inherent feature of ICT business. Everonn has a long receivable cycle of 240+ days in this business thus requiring significant investments in working capital. Net working capital stood at 48% of capital employed at the end of FY09. Though State Governments commit to pay in 6 months, more often than not, it takes 8-9 months to collect payments. There has also been couple of instances where company has received payments after 12 months from the date of billing. However, there have been no bad debts in this business till date.

Everonn exploring post-school business opportunity

In some states, Everonn has been allowed to utilize the infrastructure installed (physical and human) after school hours to generate additional revenues for which it is required to pay a nominal rent. Company provides value-added IT and various non-IT courses to students and general public after the school hours.

Company has recently won Uttar Pradesh Government order worth Rs930mn covering about 1,099 schools

ICT revenues to witness 32% CAGR over FY09-12E

Everonn has recently won Uttar Pradesh Government order worth Rs930mn covering about 1,099 schools which is currently under implementation. At the start Q3 FY10, it also bagged a 110 school project from Andhra Pradesh worth Rs110mn. Company expects to start recognizing revenues on these contracts from Q3 FY10-end. Further, tenders for more than 10,000 schools are expected to be floated in the next five months. This includes tenders from Governments of Maharashtra (2,500 schools), Rajasthan (2,000 schools), Orissa (1,500 schools), Jharkhand (1,074 schools) and Haryana (213 schools).

Tenders for more than 10,000 schools are expected to be floated in the next five months

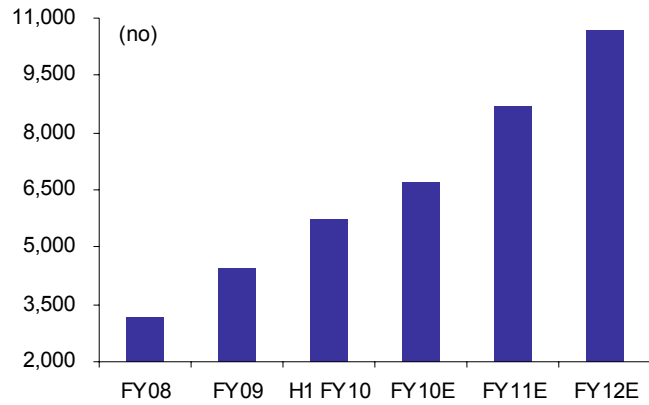
Company to restrict school additions to 2,500 per annum; ICT revenue share to decline

Everonn intends to restrict annual school addition to 2,500 in this business even if there are larger business opportunities. Company does not want to bid too aggressively in this segment going ahead. The high capex intensity, lower profitability and long receivable cycles make this segment less preferred over ViTELS, the largest business segment. ICT segment's share in the stand-alone revenues is expected to decline from 39% in FY09 to 27% in FY12.

Company does not want to bid too aggressively in this segment going ahead

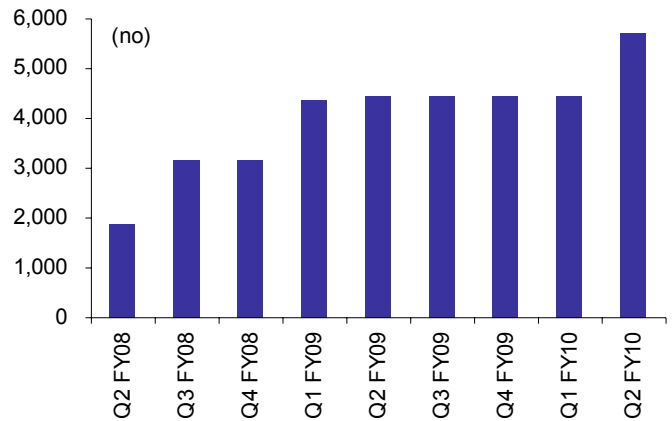
ICT segment's share in the stand-alone revenues is expected to decline from 39% in FY09 to 27% in FY12

Projected increase in ICT school base

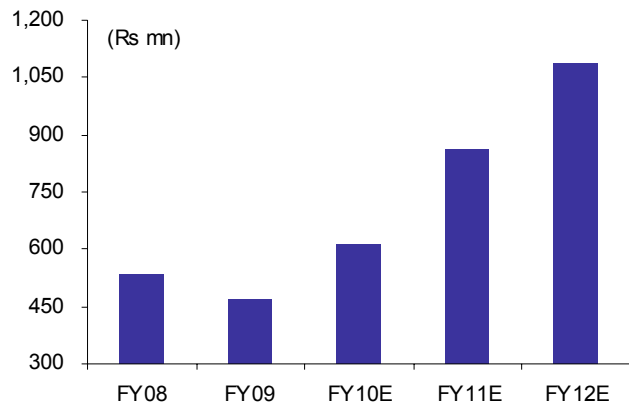


Source: Company, India Infoline Research

School base has increased at a gradual pace in the recent past

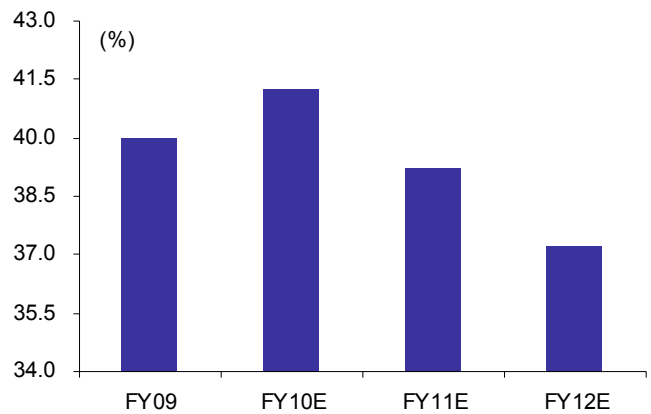


ICT revenues to witness 32% CAGR over FY09-12E



Source: Company, India Infoline Research

OPM to contract on intensifying competition



Virtual and Technology Enabled Learning Solutions (ViTELS)

At the end of Q2 FY10, Everonn had technology enabled virtual classrooms in 734 schools, 1,165 colleges and 44 retail learning centers

Presently, there are seven studios, all located in Chennai

Everonn has a separate division, KRDR, to provide content support

Everonn's content development team comprises 100+ in-house content developers and 200+ independent expert contributors

ViTELS is Everonn's unique and superior business offering. In this segment, company uses VSAT (very small aperture terminal) technology to deliver lectures by well-trained faculties from studios located remotely directly into the classrooms of schools and colleges and retail learning centers. The instructor and students are always visible to each other and interactions are as instant as in a regular classroom. At the end of Q2 FY10, Everonn had technology enabled virtual classrooms in 734 schools, 1,165 colleges and 44 retail learning centers. Presently, there are seven studios, all located in Chennai, from where the faculties deliver lectures.

ViTELS segment includes iSchool, Learning academy in colleges, Kompass (retail centers), Classontheweb.com (an online learning portal) and education infrastructure consulting initiatives of Everonn.

Since content is the key differentiator in the above-mentioned businesses, Everonn has a separate division called Knowledge Resource Development & Research (KRDR) to provide the requisite support. The subject experts at KRDR have rich academic and industry-related experience. The instructional material is generated after a long process of research by experienced educationalists, research associates, faculty, content developers and animators. Everonn's content development team is spearheaded by 6 doctorates and comprises 100+ in-house content developers and 200+ independent expert contributors. Further, company's association with premier universities and institutions also helps in developing relevant content.

Diagrammatic representation of ViTELS



Source: Company

Faculty studio and control room



Lecture Platform



Control Room

Source: Company

1) iSchool

Everonn converts a normal school classroom into a technology enabled virtual classroom

School teachers are trained to use the infrastructure and multimedia content as powerful tools

VSAT facility is seldom used to deliver lectures on complicated topics by Educomp faculties from remote studios

iSchool – innovative and blended delivery of education

In iSchool offering, Everonn converts a normal school classroom into a technology enabled virtual classroom by equipping it with interactive whiteboards, LCD projector, computer and remote studio connectivity via VSAT. Digital content mapped to the curriculum needs is hosted on the school server which could be accessed in the classroom by various school teachers for enhanced and interactive delivery of education to students. The school teachers are trained to use the infrastructure and the multimedia content as powerful tools. Though about 90% of the lectures would be provided by school teachers, the VSAT facility is seldom used to deliver lectures on complicated topics by Educomp faculties from remote studios.

iSchool classrooms



Source: Company

Raises quality of pedagogy resulting into enhanced learning outcomes

iSchool, a teacher-led educational content solution, significantly improves academic performance of students in schools through the use of technology. It enhances teaching quality and students learning outcome through 1) improvement in teacher's effectiveness and productivity 2) enhancing student's interest and engagement in learning inside through visuals and multimedia animations with/without voice over 3) brings even abstract and difficult curriculum concepts to life 4) enables instant formative assessment of learning outcomes 5) overall, makes learning an enjoyable experience for students.

Everonn presence is currently restricted to CBSE schools

Presently, Everonn has iSchool classrooms in 734 CBSE schools as company has only CBSE curriculum content for Grades IV-XII. Everonn had acquired CBSE content for about Rs75mn a few years back and has spent further Rs25-30mn on its development. With about 10,000 CBSE schools in the country, growth potential remains robust in this segment. Further, Everonn has significant scope to scale-up its presence within its existing school base, as the current classroom/school ratio is low at ~1.5. Everonn is in the process of acquiring/developing ICSE curriculum and plans to target ICSE schools soon.

Acquired CBSE content for about Rs75mn a few years back and has spent further Rs25-30mn on its development

Everonn is in the process of acquiring/developing ICSE curriculum and plans to target ICSE schools soon

Capex of setting-up a technology enabled virtual classroom is about Rs1.5lakhs including VSAT

Company charges upfront Rs3lakh and Rs6lakh/classroom over five years

Everonn realizes handsome OPM of 50-55% in this business

Highly scalable revenue model with high margin

iSchool contracts are typically executed on BOOT basis and have an average period of five years. The capex of setting up a technology enabled virtual classroom is about Rs1.5lakhs including VSAT. The school is charged upfront Rs3lakh for sharing of content and the right for its unlimited usage. Additional revenues to the tune of Rs6lakh/classroom is billed monthly (Rs10,000/month) over the period of the contract. For additions of classrooms in existing schools, only recurring revenues are charged. With no major recurring expenses apart from the marginal cost of a stationed resource coordinator who ensures smooth functioning, Everonn realizes handsome OPM of 50-55% in this business. As the implementation/roll-out time per classroom is short, this business also becomes quickly scalable.

Financial viability analysis of a hypothetical iSchool project

Particulars	Amount	Comments
Initial Capex (Rs)	150,000	Includes plasma screens, digiboards, projector, VSAT costs, etc
Debt (Rs)	150,000	Fully-funded through debt
Upfront Payment (Rs)	-	No upfront payment in this business
Net Investment (Rs)	150,000	-
Avg duration of contract (years)	5.0	-
Billing/Capex ratio (x)	4.0	Contract revenues generally are equivalent to 4x capex
Payback (years)	Instant	Immediate recovery of the initial capex

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Contract
Revenues (Rs)	420,000	120,000	120,000	120,000	120,000	900,000
Operating Profit (Rs)	360,000	60,000	60,000	60,000	60,000	600,000
OPM (%)	85.7	50.0	50.0	50.0	50.0	66.7
Depreciation (Rs)	30,000	30,000	30,000	30,000	30,000	150,000
EBIT (Rs mn)	330,000	30,000	30,000	30,000	30,000	450,000
Interest @ 12% (Rs)	18,000	18,000	18,000	18,000	18,000	90,000
PBT (Rs)	312,000	12,000	12,000	12,000	12,000	360,000
Tax @ 35% (Rs)	109,200	4,200	4,200	4,200	4,200	126,000
PAT (Rs)	202,800	7,800	7,800	7,800	7,800	234,000
PAT (%)	48.3	6.5	6.5	6.5	6.5	26.0
Post-tax cash flow (Rs)	250,800	55,800	55,800	55,800	55,800	474,000
PV of cash flow (Rs)	232,653	48,017	44,543	41,320	38,330	404,863
Net Investment (Rs)						(150,000)
NPV						254,863

Source: Company, India Infoline Research

Educomp's 'Smart Class' is significantly more scaled-up and penetrated than iSchool

Its revenue model is also different from iSchool

First quarter of a fiscal is typically the weakest in the year as it coincides with summer vacations

New classroom/school additions pick-up from second quarter and peak out in the last quarter of the fiscal

iSchool revenues to witness a robust 45% CAGR over FY10-12E

This business is estimated to contribute 20% of ViTELS segment revenues in FY12

Margins to increase in this business with higher operational leverage

Educomp, the only but significantly large competitor

Educomp with *Smart Class* offering is the only organized competitor in this business. However, Smart Class with presence in 2,219 schools (3x iSchool) covering 2.5mn students is a significantly scaled-up business as compared to iSchool. More importantly, Smart Class revenues in Q2 FY10 stood at Rs1.4bn (21x iSchool) indicating deep penetration in existing schools (revenue/school = 7x iSchool). Smart Class revenues have been growing at 100% yoy for the past many quarters. Educomp's revenue model is different from Everonn with company charging ~Rs150 per student per month (translating into Rs6000/classroom/month) and absence of any upfront charges. Educomp has been realizing OPM in the range of 55-60% in this segment.

Seasonality in business; Q1 - the weakest & Q4 - the strongest

iSchool business has inherent seasonality which is reflected in its quarterly revenues. The first quarter of a fiscal is typically the weakest in the year as it coincides with summer vacations of schools. This leads to low new school addition in this quarter and therefore sequentially lower revenues. New classroom/school additions pick-up from second quarter and peak out in the last quarter of the fiscal. Generally, schools plan to complete iSchool implementation before the start of a new academic year (June-March). However, we believe that this seasonality in revenues would diminish gradually in next few years with significant increase in school base which would undermine the impact of upfront payments from new schools.

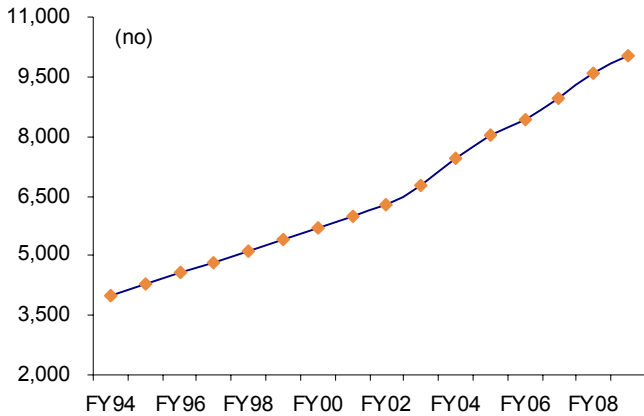
Company provides supplementary courses to improve revenue realization

Everonn provides supplementary courses after school hours through iSchool, which enriches the learning experience of students. Such courses include Future Engineer Programs (a basic learner course for aspiring engineers of 7th, 8th and 9th standards), Summer courses, Essentials of English, Spark (for 10th & 12th standard students), etc.

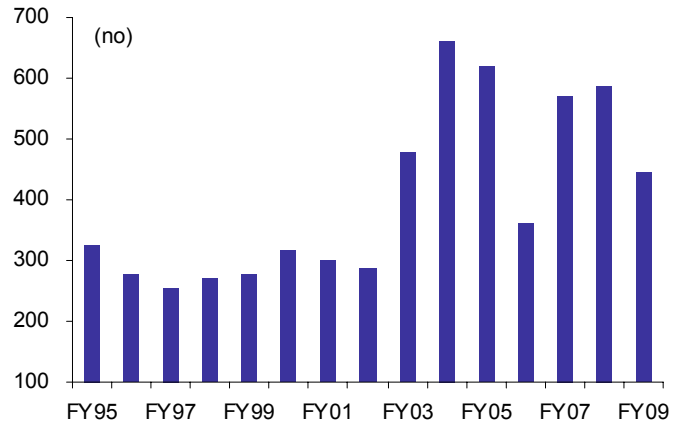
Revenue growth to accelerate

We expect iSchool revenues to witness a robust 45% CAGR over FY10-12E on the back of 1) 41% CAGR in school base 2) improvement in classroom penetration from present ~1.5x to 2x per school by end-FY12 3) expansion of target market with access to ICSE curriculum 4) low competition and 5) high scalability of the business. iSchools is estimated to contribute 20% of ViTELS segment revenues in FY12. Margins could increase in this business with higher operational leverage.

CBSE schools in the country has been increasing fast

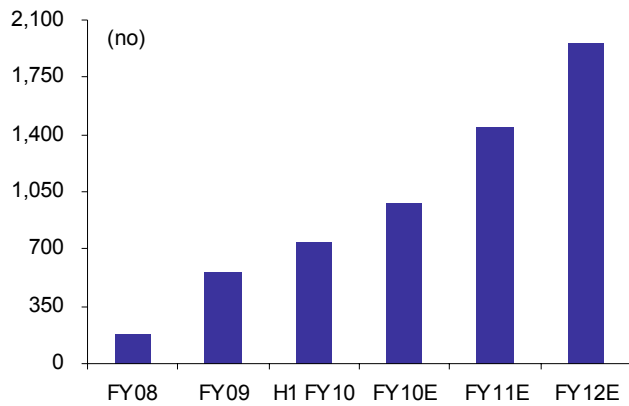


Significant addition in CBSE schools in the past 6-7 years

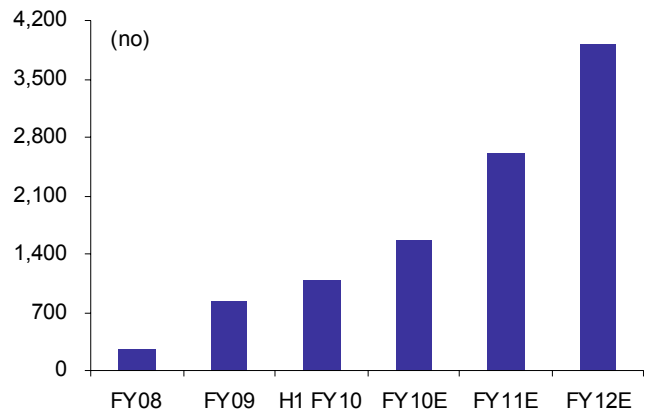


Source: Company, India Infoline Research

Projected increase in iSchool school base

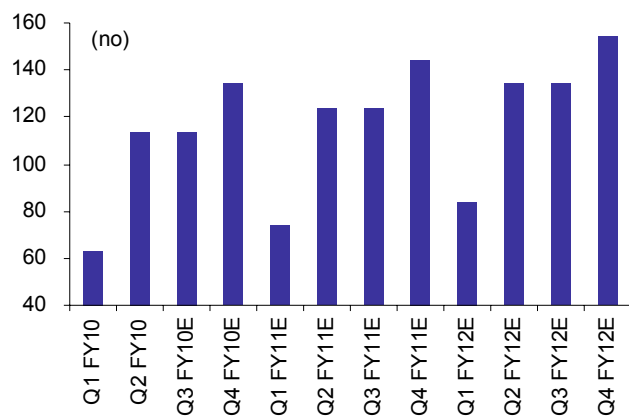


Projected increase in iSchool Classrooms

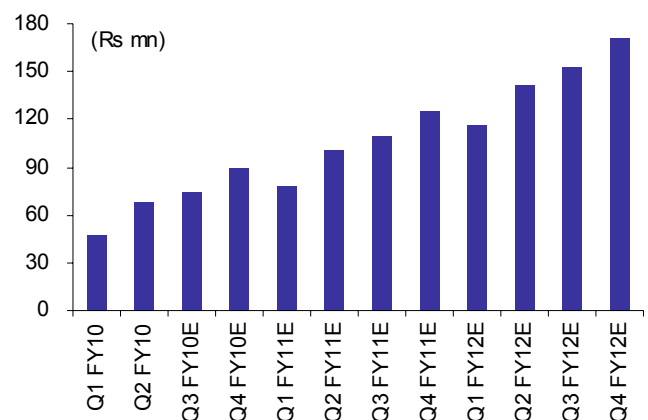


Source: Company, India Infoline Research

Seasonality in school additions; weak Q1 and strong Q4



Seasonality to be reflected in iSchool revenues



Source: Company, India Infoline Research

This business is similar to iSchools with Everonn converting a college classroom into a technology-equipped virtual classroom

Company offers a wide range of job oriented and industry specific programs to the college students

Depending upon the course chosen, college students are charged in the range of Rs1,000-20,000/course

The key difference as compared to iSchool is that all courses are conducted by the Everonn faculties via VSAT

Over the past five quarters, company has added 80% of its existing college base

We expect Everonn to add 800-900 colleges per annum for next few years

College revenues to register 86% CAGR over FY10-12 with revenue share improving to 44% in FY12

2) Learning centers in colleges

This business is similar to iSchools with Everonn converting a college classroom into a technology-equipped virtual classroom. The capex and technology investment is same as that in iSchools. Through such classrooms company offers a wide range of job oriented and industry specific programs to the college students. The key focus is to bridge the widening gap between student skill sets and industry requirements. The various courses offered by Everonn can be categorized into

- i) **Skill Enhancers** – Communication and Personality Training [CPT], Aptitude Development courses, Effective English, etc
- ii) **Career oriented IT courses** – Oracle, ADJP, CCNA, Software Testing, etc
- iii) **Career oriented BFSI courses** – Courses in Banking, Finance & Insurance
- iv) **Certificate courses through alliances** – Bioinformatics Courses (Anna University), MSME courses (Government of India), Entrepreneurship Development of India (Government of Tamil Nadu), etc

Depending upon the course chosen, college students are charged in the range of Rs1,000-20,000/course. Presently, company has presence in 1,165 private colleges across variety of streams including Arts & Science, Engineering, Management, Medical, Pharma, Hotel Management, Nursing and Dental colleges. The key difference as compared to iSchool is that all courses are conducted by the Everonn faculties via VSAT as compared to only some lectures (~10-15%) in iSchools.

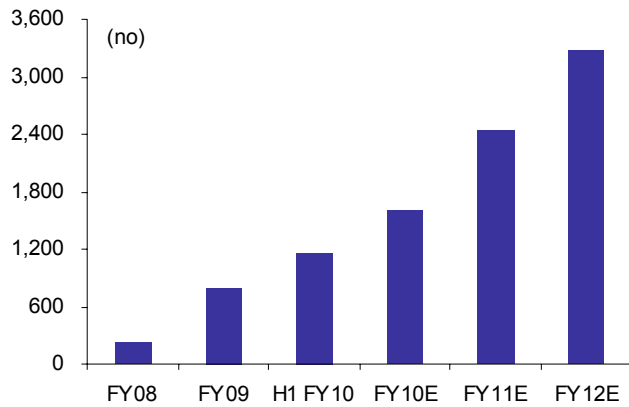
Everonn has witnessed strong momentum in college additions over the past five quarters. In the aforesaid period, company has added 80% of the current college base. The brisk momentum is expected to continue due to huge market potential, almost no competition, first mover advantage, strategic tie-ups for courses and recent tie-ups with various universities giving access to large number of colleges. We expect Everonn to add 800-900 colleges per annum for next few years. Revenues in this business would also receive a boost from improving revenue productivity of existing colleges. We expect college revenues to register 86% CAGR over FY10-12 with revenue share improving from 30% in FY10 to 44% in FY12.

Learning centers in colleges

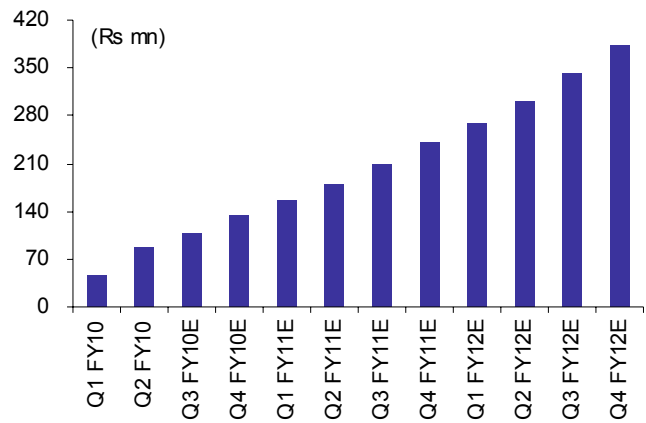


Source: Company

Projected increase in college base



Projected trend in college revenues



Source: Company, India Infoline Research

3) Kompass – Retail Learning Centers

Everonn offers the following services through its retail learning centers

- i) **Testing services** – ETS, Prometric, Pearson Vue, etc
- ii) **Training services** – Oracle, CCNA, Diploma in Banking & Finance, TOEFL, IELTS, Microsoft, Red Hat, etc
- iii) **Admission counseling services** – Services for students aspiring to study abroad

Everonn is the largest testing partner for ETS and an authorized workforce development partner for Oracle

Everonn is the largest testing partner for ETS, certified learning solutions partner for Microsoft, authorized Workforce Development Partner (WDP) for Oracle, partner for APTC, GRE, USMLE and PMI tests for Prometric and exclusive single-point IT certification test vendor for TCS

The target segment in this business includes individual learners and corporates. Company’s corporate clientele includes Tata Consultancy Services, MindTree, L&T InfoTech, HCL, CSC, Polaris, Infosys, Tech Mahindra, Wipro and Syntel.

Company has 44 retail centers across India; to add limited centers in next few years

Presently, company has 44 retail centers across India. As capacity utilization (revenue productivity) of the existing centers is low, company intends to add limited centers in next few years and that too under the franchisee model. We expect revenues in this business to record 34% CAGR over FY10-12 on the back of higher volumes. This business is likely to comprise 14% of ViTELS in FY12.

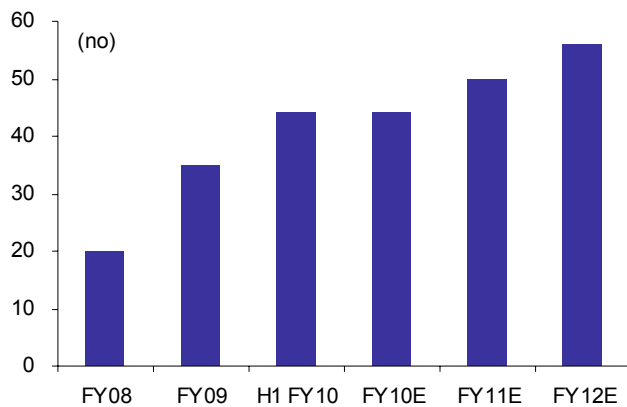
This business is likely to comprise 14% of ViTELS in FY12

Retail Learning Centers

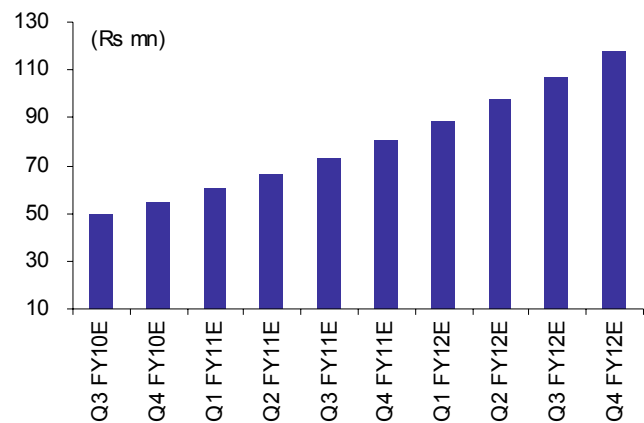


Source: Company

Projected increase in retail centres



Projected trend in retail revenues



Source: Company, India Infoline Research

Classontheweb.com is a comprehensive learning portal for school students

Its registered user base has increased from ~30,000 to 200,000+ over past couple of years

4) Classontheweb.com

Classontheweb.com is a comprehensive learning portal for school students offering online interactive content completely mapped to school curriculums. This portal came along with the acquisition of e-learning division of Aban Informatics in January 2008. Since acquisition, it has evolved to become an online academic & information hub for students with increase in registered user base from ~30,000 to 200,000+. Some prominent features of the portal includes

- i) Digitized content and high quality animations with voiceover scripting developed by subject experts
- ii) Hosts interactive features like student communities, blogs, discussion forums and video lessons of theory and practical sessions
- iii) Customized question paper generation tool

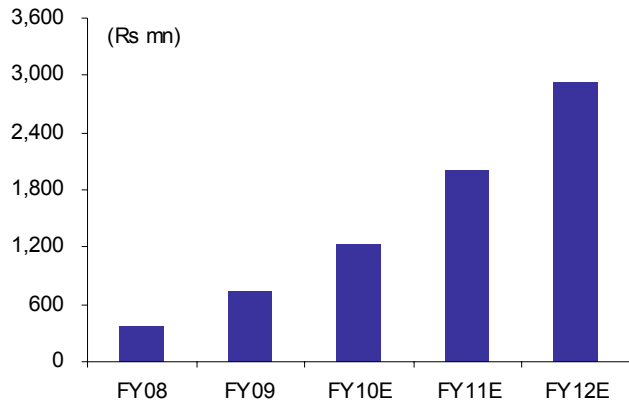
ViTELS segment to witness robust 58% revenue CAGR over FY09-12; OPM expected to improve materially

We expect ViTELS revenues to increase from Rs743mn in FY09 to Rs2.92bn in FY12 representing a robust CAGR of 58%. The growth would be mainly driven by college learning centers and iSchool businesses which as mentioned before are estimated to record a CAGR of 86% and 45% over FY10-12. Operating margin in the ViTELS segment is expected to improve materially from 51.3% in FY10 to 54.8% in FY12 on account of increasing revenue contribution from the relatively high-margin college and iSchools businesses.

ViTELS revenues to increase from Rs743mn in FY09 to Rs2.92bn in FY12

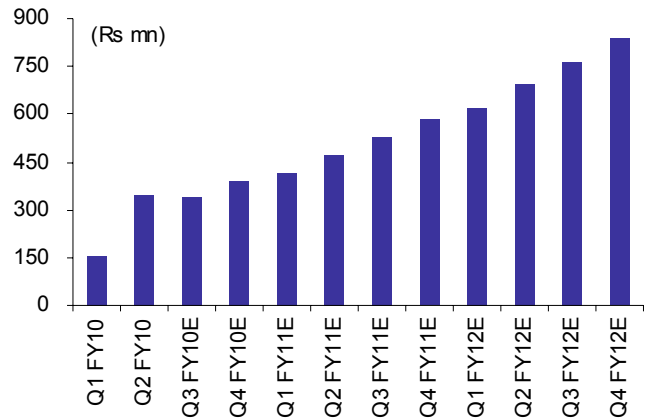
OPM is expected to improve materially from 51.3% in FY10 to 54.8% in FY12

ViTELS revenues to witness 58% CAGR over FY09-12E

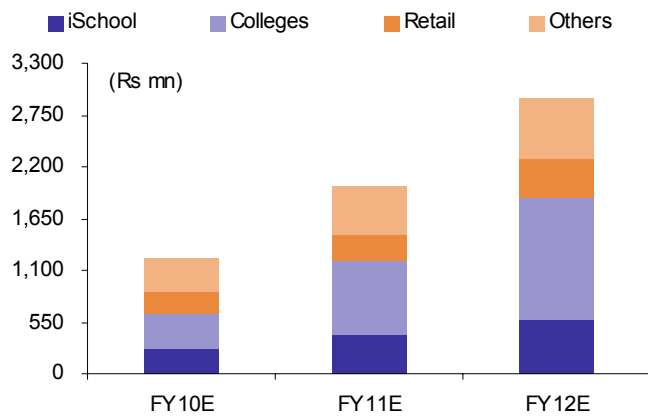


Source: Company, India Infoline Research

Projected quarterly revenue trend in ViTELS segment

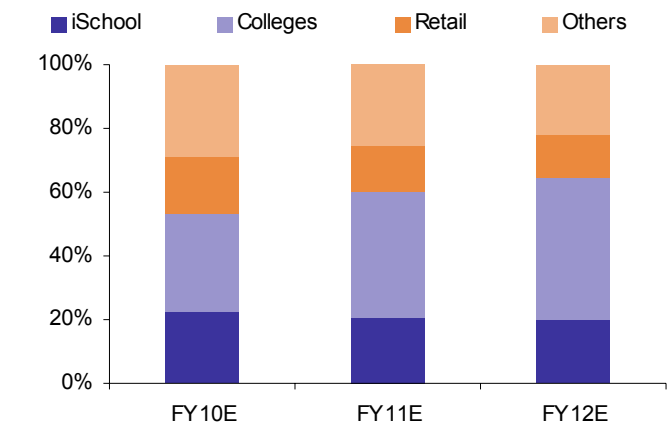


Revenue break-up of ViTELS segment

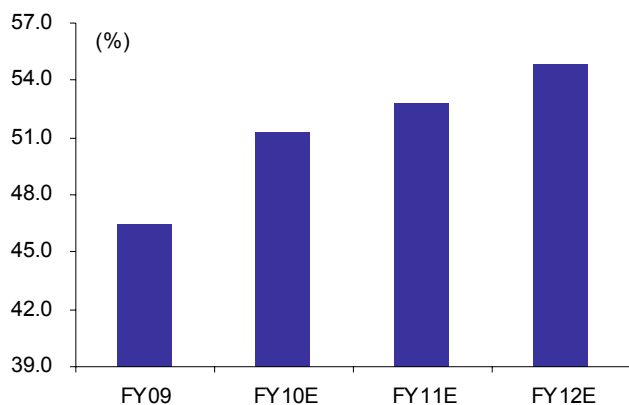


Source: Company, India Infoline Research

Projected revenue mix in ViTELS segment

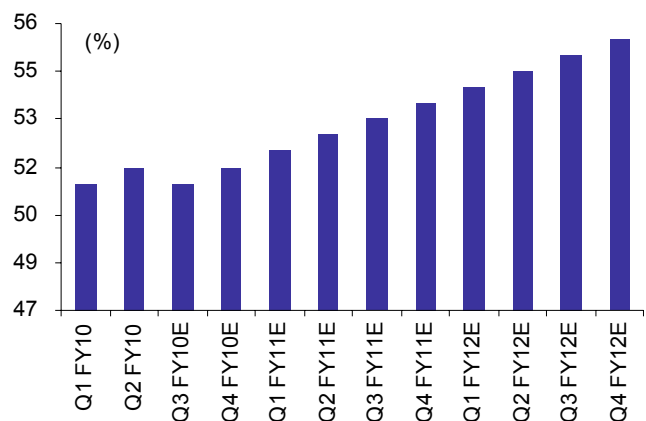


OPM to expand as operating leverage plays out



Source: Company, India Infoline Research

Projected quarterly OPM trend



Subsidiaries

Everonn Education Resources Solutions Limited (Edures)

During FY09, Everonn incorporated a wholly owned subsidiary Everonn Educational Resources Solutions Ltd (Edures) to take advantage of the company's access to a large number of schools and colleges across IEIS and ViTELS segments. Since incorporation, Edures has been supplying educational material, tools and IT products to various schools and colleges.

Edures supplies educational material, tools and IT products to schools and colleges

Its revenues stood at Rs262mn in H1 FY10

Being essentially a trading business, OPM is low in the range of 7-8%.

This business to contribute about 30% of revenues in February 2008,

Everonn acquired Toppers Tutorial, a leading Patna-based IIT entrance coaching company in Feb 2008

Through this venture, company is targeting ~Rs100bn tutoring market

Toppers revenues to register 44% CAGR over FY10-12E while OPM is anticipated to improve

Edures and Toppers to contribute 36% of consolidated revenues in FY12

Edures revenues stood at Rs262mn in H1 FY10 with more than 80% of it coming in Q2 FY10. Being essentially a trading business, OPM is low in the range of 7-8%. However, this business is likely to generate significant topline for the company over the next few years given the substantial increase in school and college base of the company. We estimate this business to contribute about 30% of revenues in FY12.

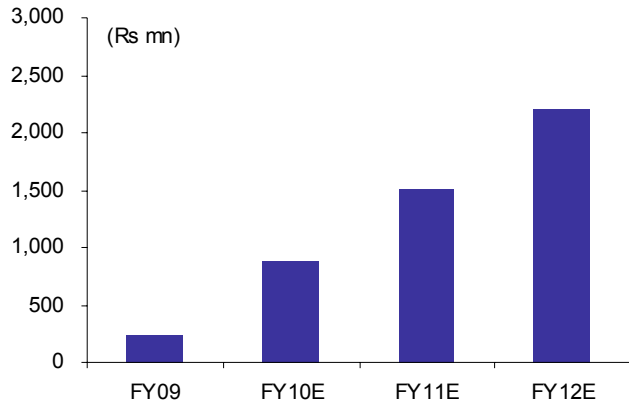
Everonn Toppers Tutorial Private Limited (Toppers)

In February 2008, Everonn acquired 100% stake in Toppers Tutorial, a leading Patna-based IIT entrance coaching company. With this acquisition, company added content repository and blended delivery for entrance exam coaching for IIT-JEE and AIEEE. Through this venture, company is targeting ~Rs100bn tutoring market which is fast growing. Everonn has been significantly investing in this venture since acquisition. We estimate Toppers revenues to register a CAGR of 44% over FY10-12 while margin is anticipated to improve from current 15% to 20% by end-FY12 with improvement in utilization of existing centers.

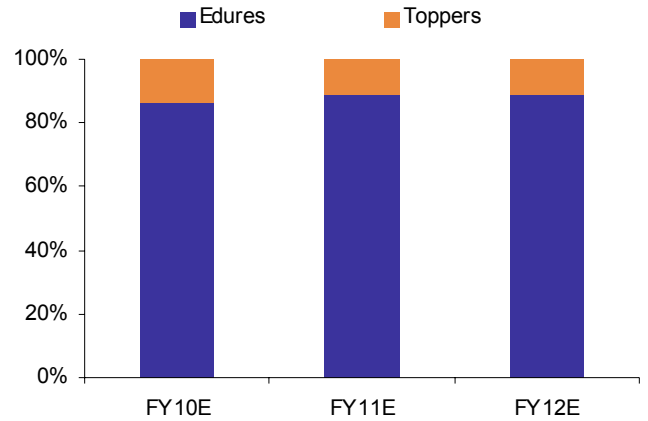
Edures and Toppers to contribute 36% of consolidated revenues in FY12

Revenues of Edures and Toppers combined are expected to increase from Rs884mn in FY10 to Rs2.2bn in FY12. More importantly, these entities are likely to contribute 36% of consolidated revenues in FY12. Their increasing revenue share would act as a margin headwind for the company given their combined lower OPM at 9-10%.

Edures+Toppers revenues to witness 112% CAGR over FY09-12E

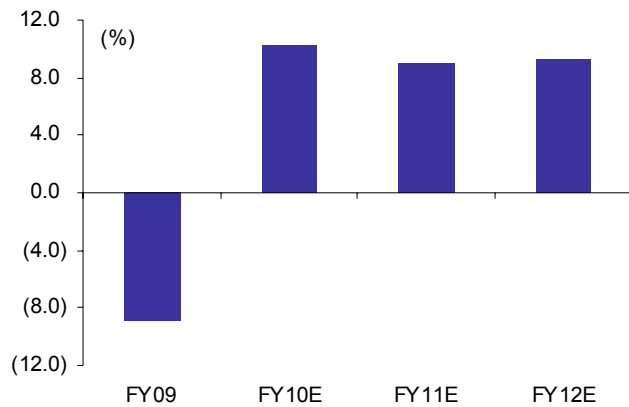


Revenue mix to remain stable

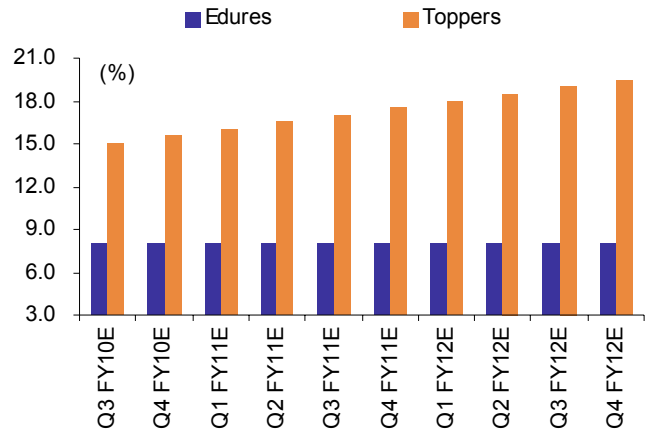


Source: Company, India Infoline Research

OPM to remain low despite margin improvement in Toppers



Toppers OPM to improve while Edures margin would be constant



Source: Company, India Infoline Research

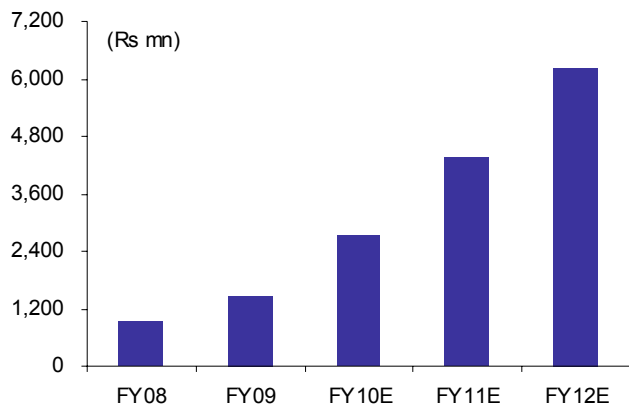
Consolidated revenues to witness a robust 63% CAGR over FY09-12

OPM is estimated to be sustained near 35%

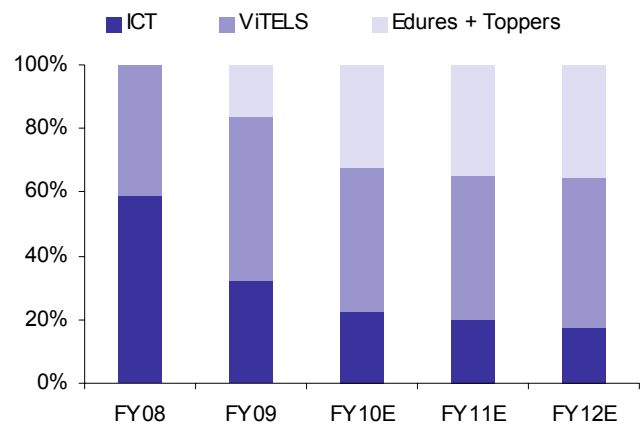
Consolidated revenues to witness 63% CAGR over FY09-12; OPM to be sustained despite revenue mix headwinds

We expect Everonn's consolidated revenues to witness a robust 63% CAGR over FY09-12 driven by strong growth in ViTELS segment and subsidiary revenues. Revenue mix is estimated to shift towards these two businesses as a result. Though increasing share of subsidiary revenues and decline in ICT profitability would act as margin headwinds, consolidate OPM is estimated to be sustained near 35% cushioned by material margin expansion in the ViTELS segment.

Consolidated revenues to witness 63% CAGR over FY09-12E

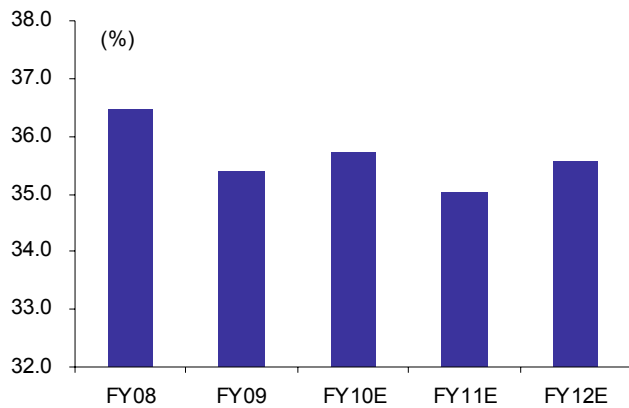


Revenue mix to change significantly

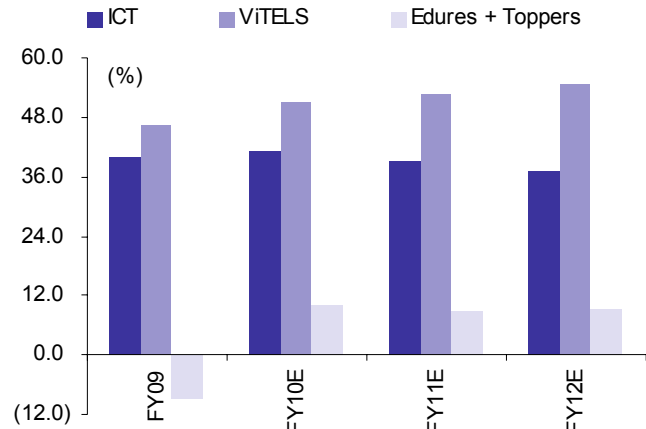


Source: Company, India Infoline Research

OPM would be sustained despite revenue mix headwinds



ViTELS margin expansion to support consolidated OPM



Source: Company, India Infoline Research

Everonn to attain OCF breakeven in FY10; leverage to remain comfortable despite majority debt funding

We expect Everonn to attain operating cash flow (OCF) breakeven in FY10 and generate significant positive OCF from FY11. OCF is likely to reach 80% of PAT in FY12. Improvement in cash flow would be aided by significant cash profit generation and decline in working capital cycle. We have factored a gradual improvement in receivable cycle over FY09-12 on account of declining share of ICT revenues.

We estimate company's capex at Rs750mn in FY10, RS950mn in FY11 and Rs105mn in FY12 which would be mainly funded by debt in the first two years. However, leverage levels are expected to remain extremely comfortable with net debt/equity remaining below 0.5x. Further, the interest cover is expected to remain healthy at 7-8x between FY10-12.

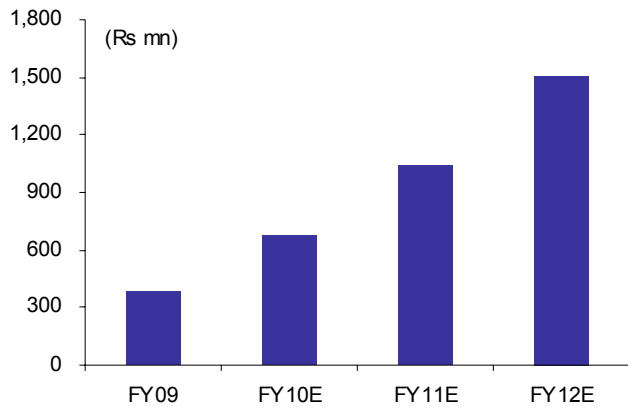
OCF is likely to reach 80% of PAT in FY12

Receivable cycle to gradually improve over FY09-12 on account of declining share of ICT revenues

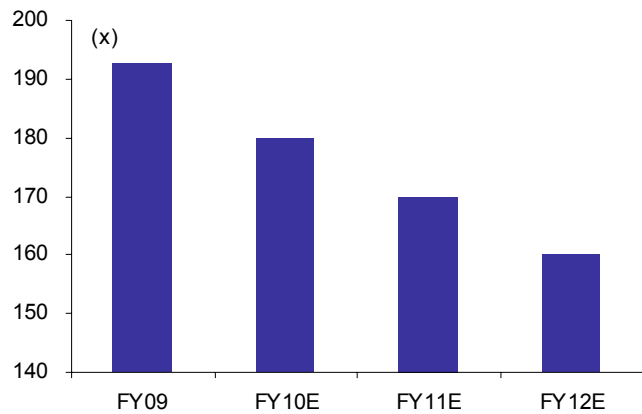
Net debt/equity to remain below 0.5x in the next two years

Interest cover is expected to remain healthy at 7-8x between FY10-12

Cash profits to increase significantly

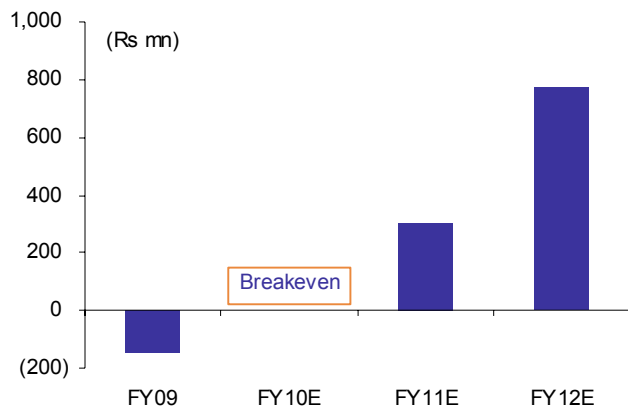


Debtors days to decline as revenue mix moves away from ICT

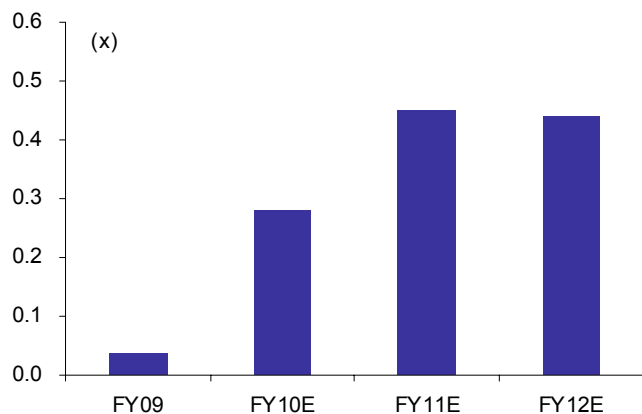


Source: Company, India Infoline Research

Operating cash flow to breakeven in FY10 and increase from FY11



Net Debt/Equity to remain comfortable at below 0.5x



Source: Company, India Infoline Research

Financials

Income statement

Y/e 31 Mar (Rs m)	FY09	FY10E	FY11E	FY12E
Revenue	1,447	2,730	4,368	6,212
Operating profit	512	976	1,529	2,208
Depreciation	(159)	(264)	(407)	(568)
Interest expense	(52)	(90)	(163)	(214)
Other income	39	8	12	16
Profit before tax	341	629	972	1,442
Taxes	(120)	(219)	(340)	(505)
Net profit	221	410	632	937

Balance sheet

Y/e 31 Mar (Rs m)	FY09	FY10E	FY11E	FY12E
Equity capital	151	151	151	151
Reserves	2,077	2,451	3,030	3,896
Net worth	2,229	2,603	3,181	4,047
Debt	487	1,237	1,937	2,237
Total liabilities	2,715	3,839	5,117	6,284
Fixed assets	1,176	1,662	2,205	2,687
Intangible assets	5	5	5	5
Investments	235	100	100	100
Net working capital	1,300	2,073	2,808	3,492
Sundry debtors	764	1,346	2,034	2,723
Cash	403	505	503	451
Other current assets	576	976	1,376	1,776
Sundry creditors	(174)	(299)	(431)	(545)
Other current liab	(268)	(455)	(675)	(914)
Total assets	2,715	3,839	5,117	6,284

Cash flow statement

Y/e 31 Mar (Rs m)	FY09	FY10E	FY11E	FY12E
Profit before tax	341	629	972	1,442
Depreciation	159	264	407	568
Tax paid	(120)	(219)	(340)	(505)
Working capital Δ	(527)	(670)	(737)	(736)
Operating cash flow	(148)	3	302	769
Capital expenditure	(713)	(750)	(950)	(1,050)
Free cash flow	(861)	(747)	(648)	(281)
Equity raised	998	-	-	-
Investments	(148)	135	-	-
Debt finan/diposal	28	750	700	300
Dividends paid	-	(36)	(53)	(71)
Net Δ in cash	17	102	(2)	(52)

Key ratios

Y/e 31 Mar	FY09	FY10E	FY11E	FY12E
Growth matrix (%)				
Revenue growth	57.9	88.7	60.0	42.2
Op profit growth	53.3	90.5	56.7	44.4
EBIT growth	56.5	83.2	57.8	45.9
Net profit growth	60.0	85.5	54.2	48.4

Profitability ratios (%)

OPM	35.4	35.7	35.0	35.5
EBIT margin	27.1	26.3	26.0	26.7
Net profit margin	15.3	15.0	14.5	15.1
RoCE	18.8	21.9	25.3	29.0
RoNW	13.6	17.0	21.8	25.9
RoA	9.2	10.6	11.7	13.4

Per share ratios

EPS	14.6	27.1	41.8	62.0
Dividend per share	0.0	2.0	3.0	4.0
Cash EPS	25.1	44.6	68.7	99.6
Book value per share	141.3	166.1	204.3	261.6

Valuation Ratios

P/E (x)	27.3	14.7	9.5	6.4
Price/CEPS	15.9	8.9	5.8	4.0
Price/Book (x)	2.8	2.4	1.9	1.5
EV/EBITDA (x)	11.9	6.9	4.9	3.5

Leverage ratios

Interest coverage	7.6	8.0	7.0	7.8
Net debt / equity	0.0	0.3	0.5	0.4
Net debt / op. profit	0.2	0.7	0.9	0.8

Payout (%)

Dividend payout	0.0	8.7	8.4	7.6
Tax payout	35.2	34.9	35.0	35.0

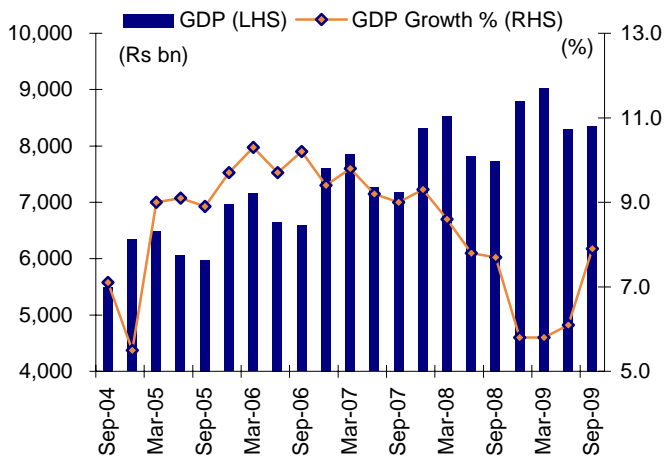
Liquidity ratios

Debtor days	193	180	170	160
Inventory days	0	0	0	0
Creditor days	44	40	36	32

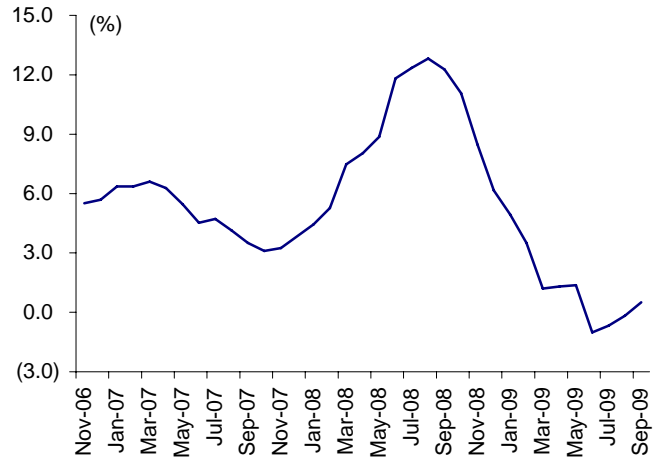
Du-Pont Analysis

Y/e 31 Mar (Rs m)	FY09	FY10E	FY11E	FY12E
Tax burden (x)	0.65	0.65	0.65	0.65
Interest burden (x)	0.87	0.87	0.86	0.87
EBIT margin (x)	0.27	0.26	0.26	0.27
Asset turnover (x)	0.60	0.70	0.81	0.89
Financial leverage (x)	1.49	1.60	1.87	1.93
RoE (%)	13.6	17.0	21.8	25.9

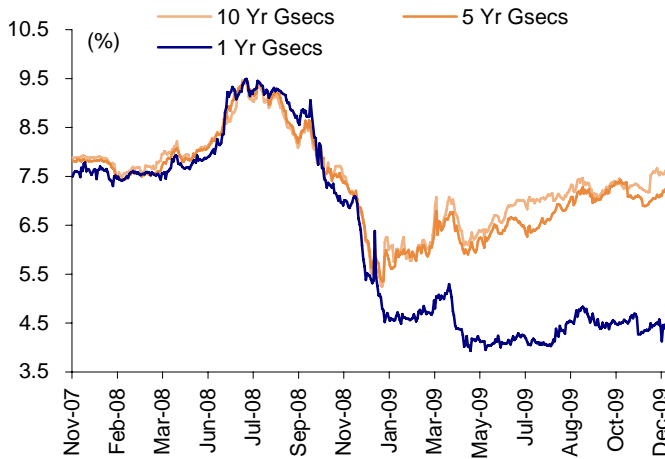
Quarterly GDP growth



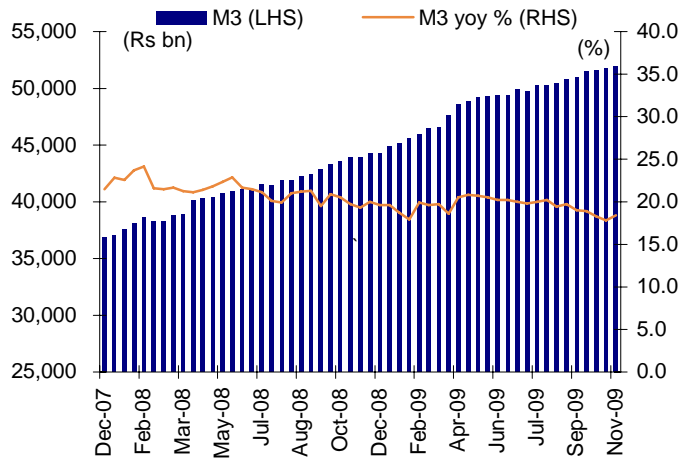
Inflation



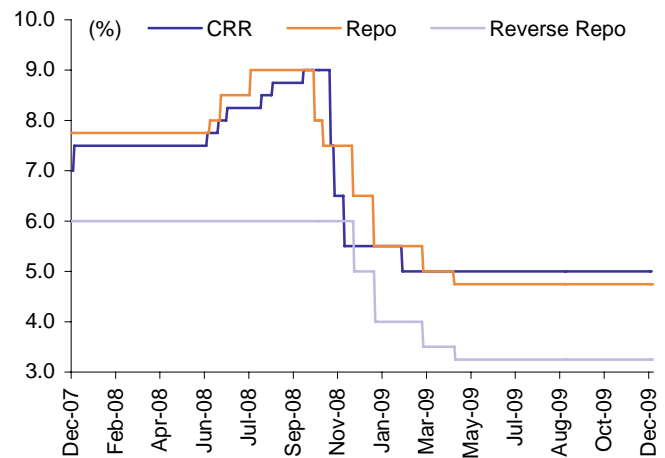
G-Secs yield



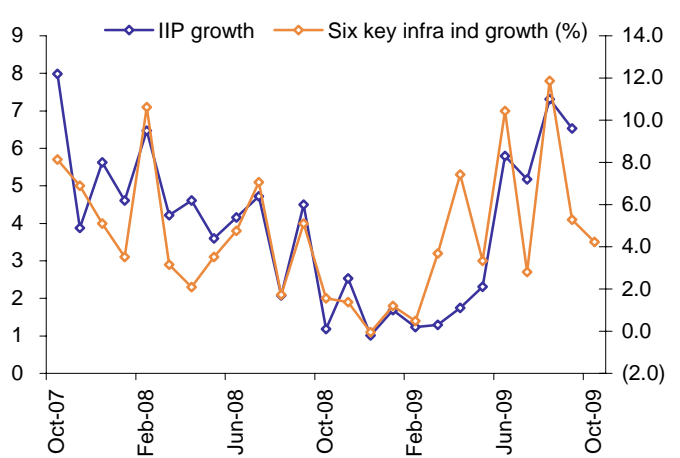
M3 growth



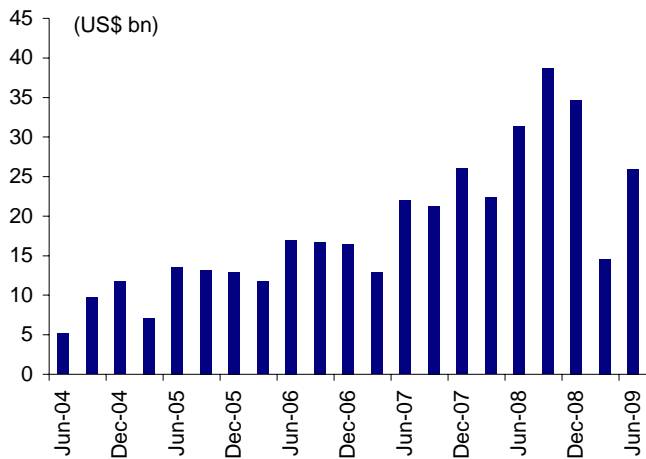
CRR, Repo



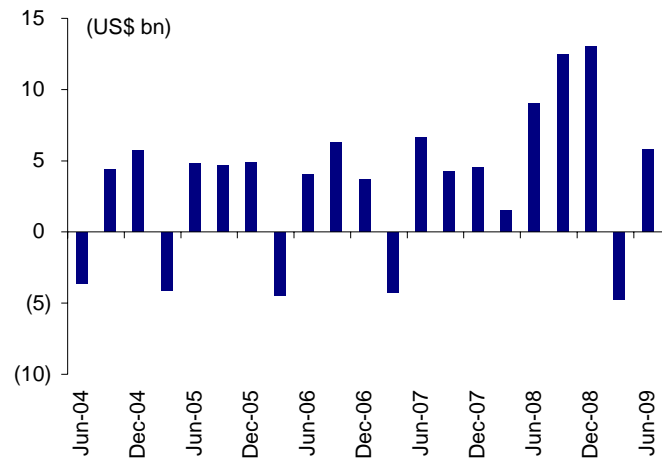
IIP and Six key infra industry growth



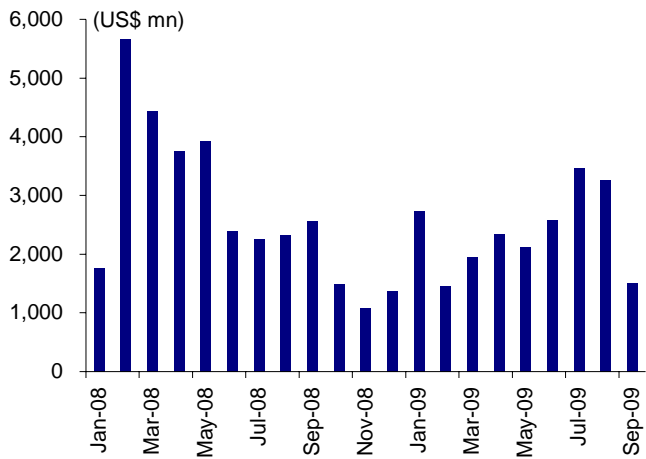
Trade deficit



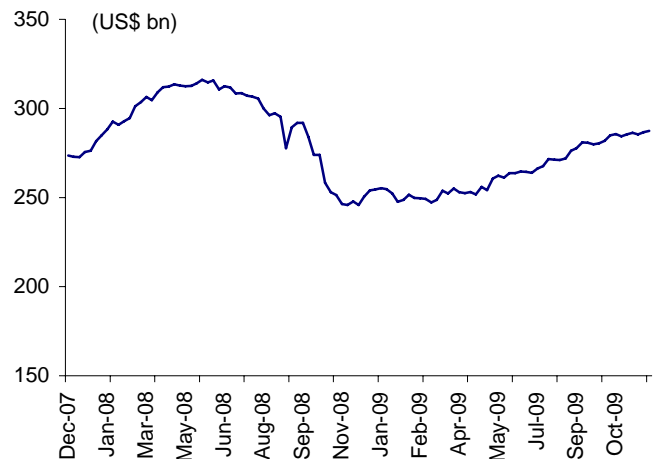
Current account deficit



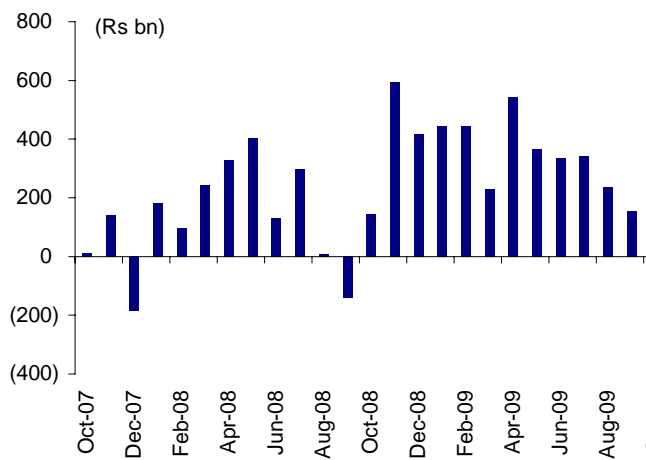
FDI



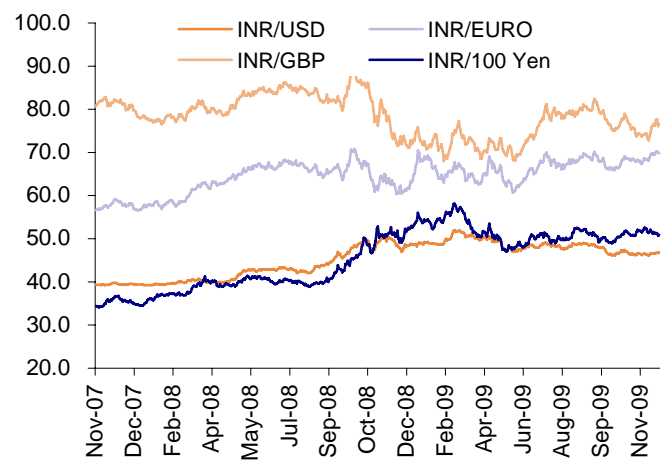
RBI forex reserves



Fiscal deficit



Currency movement



Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	December 01	December 02	December 03	December 04	December 05
	<ul style="list-style-type: none"> - India Exports YoY% -6.6% vs -13.8% - India Imports Yoy% -15% vs -31.3% - US ISM manufac 53.6 vs 55.7 - Construction spending mom 0.0% vs 0.8% 	<ul style="list-style-type: none"> - US consumer confidence -45 vs -47 - Total vehicle sales 10.92mn vs 10.45mn - Mortgage applications 2.1% vs -4.5% 	<ul style="list-style-type: none"> - US nonfarm productivity 8.1% vs 9.5% - Initial jobless claims 457k vs 466k 	<ul style="list-style-type: none"> - US change in nonfarm payroll -11k vs -190k - Unemployment rate 10% vs 10.2% - Factory orders 0.6% vs 0.9% 	
December 07	December 08	December 09	December 10	December 11	December 12
	<ul style="list-style-type: none"> - US consumer credit -\$3.5bn vs -\$14.8bn 	<ul style="list-style-type: none"> - US consumer confidence -47 VS -45 - Mortgage applications 8.5% VS 2.1% - Wholesale inventories 0.3% VS -0.9% 	<ul style="list-style-type: none"> - US trade balance -\$32.9bn vs -\$36.5bn - Initial jobless claims 474k vs 457k 	<ul style="list-style-type: none"> - India IIP yoy 10.3% vs 9.1% - US Business inventories 0.2% vs -0.4% - Import Price index yoy 3.7% vs -5.7% 	
December 14	December 15	December 16	December 17	December 18	December 19
	<ul style="list-style-type: none"> - US Producer price index yoy 2.4% vs -1.9% - Empire Manufac 2.55 vs 23.51 - Industrial production 0.8% vs 0.1% - Capacity utilization 71.3% vs 70.7% 	<ul style="list-style-type: none"> - US consumer confidence -45 vs -47 - Mortgage applications 0.3% vs 8.5% - Building permits 584k vs 552k - Housing starts 574k vs 529k 	<ul style="list-style-type: none"> - US leading indicators 0.9% vs 0.3% - Initial jobless claims 480k vs 474k 		
	Bajaj Hindusthan				
December 21	December 22	December 23	December 24	December 25	December 26
	<ul style="list-style-type: none"> - US GDP qoq - Existing home sales 	<ul style="list-style-type: none"> - US consumer confidence - Mortgage applications - New home sales 	<ul style="list-style-type: none"> - US durable goods order - Initial jobless claims 		
December 28	December 29	December 30	December 31		
	<ul style="list-style-type: none"> - US consumer confidence 	<ul style="list-style-type: none"> - US consumer confidence - Mortgage applications 	<ul style="list-style-type: none"> - US initial jobless claims 		

Orange: AGM/dividend (D), Black: Quarterly Results, Blue: Economic data,

Recommendation parameters for fundamental reports:

Buy – Absolute return of over +10%

Market Performer – Absolute return between -10% to +10%

Sell – Absolute return below -10%

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