

## Contents

### Latest Research

- **Inflation** - inflation remains unchanged
- **Larsen & Toubro** - improved outlook, rich valuations; upgrade to Accumulate
- **Transport Corporation Of India** - Gearing for growth; maintain Accumulate
- **Rollover Analysis**
- **Bond Vector** - Auction cut-offs and devolvement sustain investor pessimism; 10-yr up 11bps

### Analysts Comments

- **Steel Authority of India Ltd.** - Result Update; Reduce
- **Cummins India** - Result Update; maintain Accumulate
- **Tata Power** - Result Update; Accumulate
- **Godrej Consumer** – Event Update; Accumulate

### Regular Features

- Stocks In The News
- Sales Trader's Commentary
- Pledged Shares
- Insider Trades & Bulk Deals
- Technical Updates
- Eye Catchers

Sectoral Movements	% Change				
	28-May-09	1-d	1-mo	3-mo	1-y
Banking	8,163	1.8	43.6	92.5	5.8
IT	3,115	(0.2)	12.4	48.7	(32.1)
Pharmaceuticals	3,483	(0.4)	13.5	34.1	(19.5)
Oil	10,086	1.1	24.0	66.3	(4.6)
Power	2,824	1.3	33.7	61.2	(7.4)
Auto	4,459	0.6	27.5	66.2	1.1
Metals	10,550	2.8	53.2	124.9	(36.7)
Real Estate	3,578	1.7	67.9	153.2	(49.7)
FMCG	2,091	(0.2)	(0.2)	2.4	(13.6)
Capital Goods	11,449	1.7	44.8	94.1	(10.7)

India	Change in %			
	28-May-09	1-d	1-mo	3-mo
Nifty	4,337	1.4	24.8	56.9
Sensex	14,296	1.3	25.4	60.8
CNX 500	3,488	(0.5)	31.0	65.1

Global Indices	Change in %			
	28-May-09	1-d	1-mo	3-mo
DJIA	8,404	1.3	2.7	19.0
NASDAQ	1,752	1.2	2.3	27.1
Hang Seng	18,006	0.7	23.7	40.5
Nikkei 225	9,457	0.1	11.3	25.0

Net Inv (INR Bn)			
26-May-09	Buy	Sell	Net
FII Cash	40.8	36.4	4.4
FII F&O	90.7	98.0	(7.3)
MF Cash	17.4	7.3	10.0

Value Traded - India (INR Bn)	Change in %			
	28-May-09	1-d	1-mo	3-mo
BSE Cash	70.3	1.4	65.3	130.3
NSE Cash	256.6	24.4	92.7	188.4
NSE F&O	906.1	7.0		

Forex/Money Market	Change in %			
	28-May-09	1-d	1-mo	3-mo
INR/USD	47.6	0.2	6.1	9.1
USD/EUR	1.4	(0.4)	(5.1)	(10.1)
USD/YEN	1.0	(0.5)	(1.4)	(1.1)
10 Yr G-Sec	6.7	1.2	8.4	11.3

Commodities (USD/Mt ton)	Change in %			
	28-May-09	1-d	1-mo	3-mo
Copper	4,737.0	1.7	13.2	38.4
Aluminium	1,381.3	0.8	(1.4)	5.6
*Gold	964.6	0.5	7.4	2.4
*Silver	15.3	0.9	19.8	16.5
**NYMEX	65	2.6	30.4	45.4

\*USD/Troy Ounce

\*\*USD/bbl

Agri Commodities (INR/QT)	Change in %			
	28-May-09	1-d	1-mo	3-mo
Sugar	2,428.2	(0.1)	(1.0)	6.9
Cotton^	2,516	(0.0)	5.3	20.9

^INR/Maund

^^INR/KG

### Open Interest (INR mn)

Volume	28-May-09	27-May-09	% Change
Futures	333,076	462,127	(27.9)
Call	129,810	276,654	(53.1)
Put	118,483	313,129	(62.2)
Total	581,369	1,051,910	(44.7)

### Put Call Ratios

Volume	28-May-09	27-May-09	% Change
PCR	0.78	0.76	2.6
WPCR	0.26	0.40	(34.8)
OI PCR	0.93	1.16	(19.9)
Total OI/ Volume	0.64	1.24	(48.3)

Nifty IVs at 34 - 39% levels.

FII Activity\* (INR Mn) (27-May)

## STOCKS IN THE NEWS

**Tata Motors** may have to infuse funds to bridge JLR pension gap. (ET)

**Tata Motors** rolls out World Truck. (ET)

**Dhanalakshmi** zeroes in on Bajaj cos for insurance distribution. (ET)

**NTPC** to invest Rs 10,000 cr in Andhra, TN. (ET)

New **RIL** gas find may put India among top 15 gas producers in the world. (ET)

**AB Group** may not buy **L&T's** stake in **UltraTech**. (ET)

**Novartis** hikes offer price for arm to Rs 450. (ET)

Sanofi pulls out of race for Shantha; **GSK** in fray. (ET)

**Unitech** Wireless awards \$500m network contract to Ericsson. (ET)

**NTPC**-Simhadri Unit III to be ready by Nov 2010. (BS)

**JSW Steel** to raise \$1 bn via QIP, FCCB issue. (BS)

**SAIL** likely to double capex up to Rs 10,000 cr. (BL)

**Siemens** to invest Rs 275 cr in steam turbine facility. (BL)

## RESULTS FOR THE DAY

Name of company	Q4FY09E	Q4FY08	PAT	Q3FY09	Q-o-Q %
			Y-o-Y %		
Lanco Infratech	1,417	1,595	(11.2)	481	194.6
Colgate	649	556	16.6	778	(16.6)
Welspun Gujarat	544	1,022	(46.8)	1,257	(56.7)
Pvr	3	27	(88.9)	47	(93.6)
Tata Motors	(624)	5,975	(110.5)	(845)	(26.1)
Voltas	604	441	37.0	426	41.8
Ivrci Infra	708	1,092	(35.2)	556	27.3
Iocl	45,614	(4,143)	(1,201.0)	29,679	53.7
Bpcl	19,234	584	3,193.5	7,998	140.5

## SALES TRADERS COMMENTARY

Indian markets opened yesterday's session with marginal gains, but soon slipped into the negative territory on selective profit booking across counters. However, benchmark indices gained strength during the session with the BSE Sensex ending above the 14250 level and the NSE Nifty above the 4337.10 mark. The May series was magnificent for the markets, with Nifty posting the biggest percentage gain ever. Both equity benchmarks surged 25% each in this series. Among the sectors, realty, metal, bank and capital goods indices were the highest percentage gainers, and went up 43.5-68%.

Nifty crossed the 4350 level during the day, closing at 4337.10, and was up ~1.43%. Sensex closed up 1.32%. The market turnover was at INR 1,22,918.11 cr.

Gainers were Ranbaxy Labs. (4.24%), followed by Sterlite Inds. (3.59%), Bharti Airtel (3.42%), NTPC (2.80%), Tata Steel (2.77%) and ICICI Bank (2.67%).

Losers were Tata Motors (3.17%), Grasim Industries (2.80%), Wipro (2.68%), Reliance Communications (2.68%), Reliance Infra (1.34%) and Infosys (0.56%).

Inflation was completely a non-event; for the week-ended May 16, it remained unchanged at 0.61% week-on-week (W-o-W).

### Sector-specific highlights

The banking space moved significantly in the last hour of trade; Kotak Mahindra Bank, ICICI Bank, SBI and HDFC Bank went up 2-3.5%.

The metal and capital goods sectors were on the buyer's radar; smart movers were SAIL (6.58%), JSW Steel (6.53%), Tata Steel (2.77%), ABB (3.56%), Siemens (3.21%), L&T (2.32%) and BHEL (1.89%) – all ending in the positive territory.

Realty stocks like Indiabulls Realty shot up 10.56%; Puravankara Projects was up 4.96% and DLF gained 1.78%.

Mixed trend was seen in the auto space. Bharat Forge, Maruti Suzuki and M&M gained 2-6.5%, while Tata Motors, Hero Honda, Amtek Auto and Ashok Leyland declined 1-3%.

Asian markets ended mixed. Seoul Composite was up 2.21% and Nikkei gained 0.13%. However, Straits Times fell 0.57%. Shanghai, Hang Seng and Taiwan Weighted were shut for trade. European markets were trading in the red. In Frankfurt, the DAX Index was trading lower by 1.32% and, in London, FTSE 100 was trading down 1.35%.

# INFLATION

## Inflation remains unchanged

May 28, 2009

### Inflation in line with expectations

The Wholesale Price Index (WPI)-based inflation for the week-ended May 16 came in at 0.61% Y-o-Y, broadly in line with expectations (Consensus: 0.69%) and unchanged at previous week's number of 0.61%.

During the week, primary articles' inflation rose by 0.04% W-o-W. Food articles fell by 0.04%, with food grains (0.12%), cereals (0.12%), and fruits & vegetables (-0.73%) contributing to the change. Non-food primary articles rose by 0.17%, with fibres increasing by 1.35%. Manufactured group inflation rose by 0.1% W-o-W. Food products, which rose 0.52% W-o-W, were the primary driver of the jump in manufacturing group inflation. Fuel group inflation rose by 0.09%, due to an increase in the price of mineral oils.

### Siddhartha Sanyal

+91-22-4040 7505

siddhartha.sanyal@edelcap.com

### Nishant Sood

+91-22-6620 3074

nishant.sood@edelcap.com

### Food prices primary drivers of rise since March

After softening significantly from the peak of 241.7 during September, WPI has either been on the rise or remained constant over the past ten weeks. The table below shows the rise in prices since March 7, the week when the index was the lowest since March 2008.

	7-Mar	16-May	% rise
WPI	226.7	232.2	2.4
Primary articles	245.5	256.1	4.3
Food articles	242.5	251.4	3.7
Food grains	244.3	251.2	2.8
Cereals	240.8	247.7	2.9
Pulses	270.0	276.8	2.5
Fruits & vegetables	245.9	271.7	10.5
Non-food articles	223.4	234.7	5.1
Fibres	194.5	209.6	7.8
Oil seeds	232.0	246.8	6.4
Fuel group	321.0	324.0	0.9
Manufactured products	199.2	203.5	2.2
Food products	212.8	232.6	9.3
Oil cakes	318.9	410.1	28.6
Sugar	187.1	201.3	7.6
Beverages	301.5	302.4	0.3
Textiles	140.5	141.0	0.4
Chemicals & chemical products	214.2	217.7	1.6

Source: Office of economic research, Edelweiss research

Food prices have been the primary factor driving the overall index. Prices of industrial commodities or fuel have, however, not risen significantly during this period. We believe with muted demand for industrial commodities, pressure on food related prices will not be powerful enough to push inflation up on a sustained basis (though food related prices are typically volatile in India). Effects of a very high base will also be visible on the Y-o-Y inflation number over the next three-four months.

We reiterate our view that the Y-o-Y inflation number will soon enter into negative territory and will stay there for a significant part of H1FY10.

**LARSEN & TOUBRO****INR 1,342****Improved outlook, rich valuations****ACCUMULATE**

May 28, 2009

**Beats estimates again; encouraging performance in tough times**

Larsen and Toubro's (LT) FY09 results, marginally ahead of our estimates (~2%), were encouraging in an otherwise challenging environment. Earnings grew 30% Y-o-Y, while top-line grew 36.5% for the year. Despite higher working capital requirements, slower growth in the products businesses and minor delays in some projects, LT reported 30% plus revenue growth, driven by strong performance of its engineering and construction division (E&C, 82% of FY09 revenues, up 48% Y-o-Y, to INR 286 bn). EBITDA margins remained stable at 11.4% (ahead of our estimates of 10.6%) due to faster execution of few large projects like Delhi Airport leading to better profitability. Consolidated revenues grew 37% Y-o-Y, while adj. earnings grew 31% Y-o-Y mirroring standalone (SA) performance.

**Order accretion up 23%; FY10E guidance – intake up 25-35%, revenues up 15-20%**

Even as LT missed its initial guidance of 30% growth in order accretion due to lower ordering velocity in O&G, intake grew 23% Y-o-Y, to INR 516 bn. The order backlog stands at INR 703 bn, up 33% Y-o-Y and at 2x FY09 SA revenues. Even as uncertainty prevails on private spending, LT remains confident of push in infra creation and has guided for 25-35% growth in order intake. Key accretion drivers are likely to be infrastructure, power (~INR 100 bn), railways (INR 35 bn) and fertilizers. LT continues to target for a 75:25 domestic to international mix and has taken concrete steps by setting up new JVs in Qatar, Kuwait and Saudi Arabia where it has not done well in the past. The management has guided for a 15-20% top-line growth for FY10E.

**Biggest beneficiary of stable government and improving business environment**

Even as we have been circumspect on the business environment, recent data-points such as - improving order intake, rising enquires, strong cement dispatches, falling interest rates and improving liquidity - suggest improvement in outlook. With a stable government at the Centre and infrastructure being its urgent priority, LT (with its depth and width across infrastructure verticals) is likely to be the biggest beneficiary of this infra spending.

**Outlook and valuations: Default India growth play; upgrade to 'ACCUMULATE'**

Factoring in improving business fundamentals, we have revised our order intake growth assumption to 20% (against 10% decline earlier) with primary drivers being infrastructure and power verticals. We have also revised our revenue growth estimates to 15.5% for FY10E and 21.3% for FY11E against our earlier 10-13% estimates, anticipating higher order intake, faster project execution and improving working capital metrics. On our revised EPS of INR 62.2 (up 7%) and INR 75.3 (up 15%) in FY10E and FY11E, LT is trading at P/E of 21.6x and 17.8x for FY10E and FY11E, respectively. Despite recent run-up in stock price (up 53% in a month) and rich valuations, we believe LT remains a default India infrastructure play with pick-up in government spending being a near term stock price trigger. We are upgrading our recommendation to 'ACCUMULATE' from 'REDUCE'.

**Financials (standalone)**

Year to March	Q4FY09	Q4FY08	% Change	Q3FY09	% Change	FY09E	FY10E
Rev. (net) (INR mn)	106,052	85,556	24.0	86,156	23.1	339,264	391,973
EBITDA (INR mn)	15,870	11,856	33.9	9,047	75.4	38,568	44,516
Adj. net profit (INR mn)	11,424	8,795	29.9	6,877	66.1	27,092	30,942
Diluted EPS (INR)	19.5	15.3	27.2	11.8	65.9	46.2	52.8
Diluted P/E (x)						29.1	25.4
EV/EBITDA (x)						20.0	17.5
ROAE (%)						25.6	24.4

**Misal Singh**

+91-22-6623 3312

misal.singh@edelcap.com

**Hiral Desai**

+91-22-6623 3478

hiral.desai@edelcap.com

Reuters	:	LART.BO
Bloomberg	:	LT IN

**Market Data**

52-week range (INR)	:	1,522 / 557
Share in issue (mn)	:	585.7
M cap (INR bn/USD mn)	:	786 / 16,510
Avg. Daily Vol. BSE/NSE ('000)	:	4,232.8

**Share Holding Pattern (%)**

Promoters*	:	0.0
MFs, FIs & Banks	:	38.3
FIIIs	:	11.9
Others	:	49.8

\* Promoters pledged shares : Nil  
(% of share in issue)

**Relative Performance (%)**

	Sensex	Stock	Stock over Sensex
1 month	28.2	50.3	(14.6)
3 months	63.9	114.5	(3.2)
12 months	(14.6)	50.5	11.4

### Key revisions and outlook

Factoring in improving business fundamentals, we have revised our order intake growth assumption to 20% (against 10% decline earlier) with primary drivers being infrastructure and power, where huge push is expected by the UPA government. We have also revised our revenue growth estimates to 15.5% for FY10E and 21.3% for FY11E against our earlier 10-13% estimates, anticipating higher order intake, timely execution of projects and improving working capital metrics.

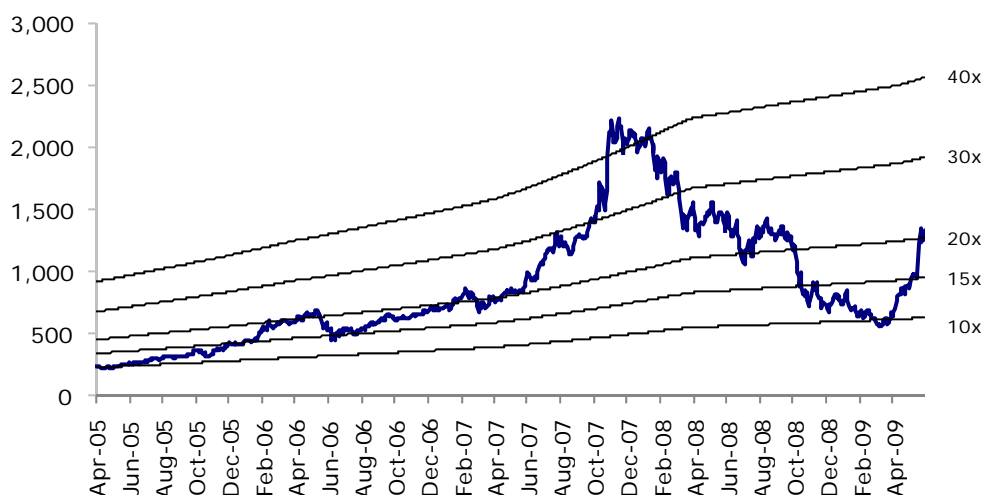
**Table 1: Key revisions**

	New		Old		Comments
	FY10E	FY11E	FY10E	FY11E	
E&C order intake (INR mn)	546,204	665,334	436,052	514,275	Order intake growth at 20% vis-à-vis earlier decline in FY10E on government backed push in infrastructure projects
SA Revenues (INR mn)	391,973	475,376	377,165	429,151	Increased revenue growth on higher than expected order intake in FY10E and faster execution with liquidity and working capital issues receding
EBITDA (INR mn)	44,516	53,988	39,905	43,424	Margins are likely to remain stable as raw material costs will start easing out and execution will pick-up leading to higher profit booking on large projects (DIAL)
% margins	11.4	11.4	10.6	10.1	
Core PAT(INR mn)	30,942	37,701	28,644	31,916	

Source: Edelweiss research

Despite the recent run-up in stock price (up 53% in a month) with re-rating playing out with improving macro-fundamentals, we believe LT remains a default India infrastructure play with pick-up in government spending being a near term stock price trigger. We are upgrading our recommendation to **'ACCUMULATE'** from **'REDUCE'**.

**Chart 1: Further P/E re-rating could be likely as seen in previous up-cycle (FY05-08)**



Source: Edelweiss research

### Segmental details

Nearly 48% growth in E&C revenues (projects business) propelled overall revenues growth of 36%. Revenue growth in the products businesses, namely, MIP and EBG, were under pressure and was muted at 2.4% and 4.2%, respectively.

The E&C segment also reported strong profitability with 12.1% EBIT margins for FY09, its highest in the past five years.

**Table 2: E&C powers growth even as products businesses suffer**

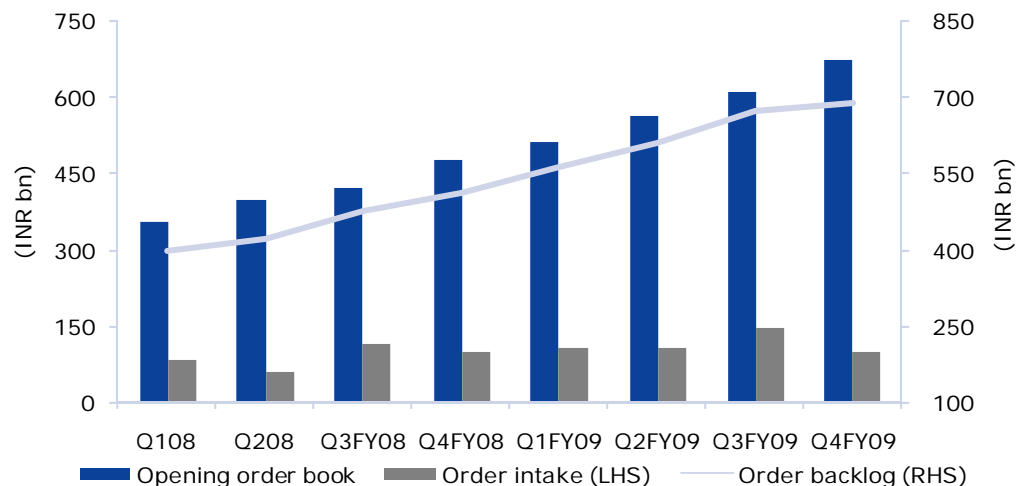
Year to March	Q4FY09	Q4FY08	Q3FY09	FY09	FY08
<b>Segment Y-o-Y growth (%)</b>					
Electrical & Electronics (EBG)	(5.3)	20.4	5.1	4.2	28.8
Engineering & Construction (E&C)	39.6	38.2	53.8	47.6	44.4
Machinery and Industrial products (MIP)	(23.1)	21.5	(10.2)	2.4	30.8
Others	(67.0)	59.4	(54.0)	(16.9)	38.7
<b>Segment revenue mix (%)</b>					
Electrical & Electronics (EBG)	7.2	9.5	7.2	7.9	10.3
Engineering & Construction (E&C)	85.9	76.8	85.0	81.9	75.2
Machinery and Industrial products (MIP)	5.7	9.2	5.9	7.1	9.4
Others	1.2	4.6	2.0	3.1	5.1
<b>EBIT margin (%)</b>					
Electrical & Electronics (EBG)	12.4	13.7	10.5	14.4	15.0
Engineering & Construction (E&C)	15.6	15.0	10.4	12.1	12.0
Machinery and Industrial products (MIP)	18.8	17.2	12.5	18.9	17.9
Others	(4.8)	12.9	6.6	4.8	7.5
<b>EBIT mix (%)</b>					
Electrical & Electronics (EBG)	5.8	8.7	7.2	9.1	12.2
Engineering & Construction (E&C)	87.6	76.9	84.5	79.0	71.5
Machinery and Industrial products (MIP)	7.0	10.5	7.0	10.7	13.2
Others	(0.4)	3.9	1.2	1.2	3.0

Source: Company, Edelweiss research

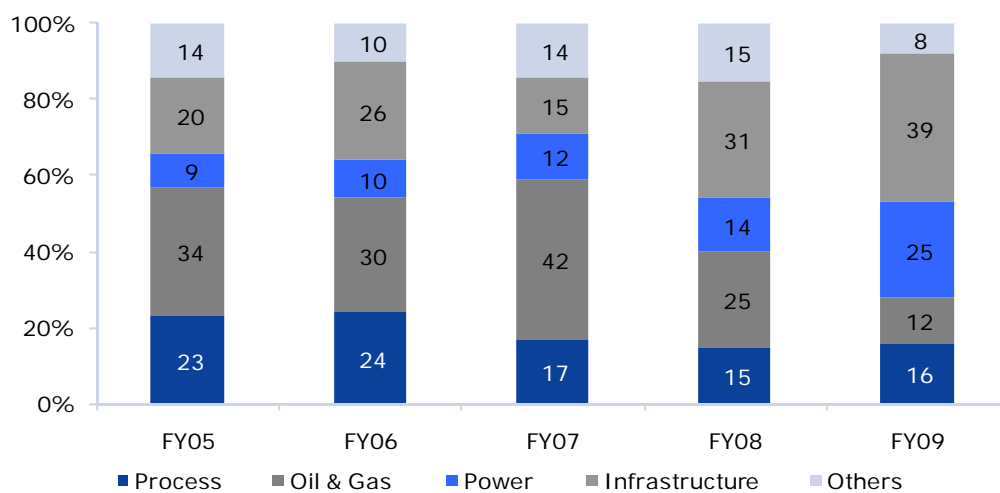
Financials snapshot (standalone)						(INR mn)		
Year to March	Q4FY09	Q4FY08	% Change	Q3FY09	% Change	FY09	FY10E	FY11E
Revenues (net)	106,052	85,556	24.0	86,156	23.1	339,264	391,973	475,376
Raw material	78,526	64,669	21.4	68,482	14.7	262,320	303,120	367,616
Staff cost	3,765	3,782	(0.5)	4,806	(21.7)	19,980	23,084	27,996
Other operating expenses	7,891	5,249	50.3	3,821	106.5	18,395	21,253	25,775
Total expenditure	90,181	73,700	22.4	77,109	17.0	300,695	347,457	421,388
EBITDA	15,870	11,856	33.9	9,047	75.4	38,568	44,516	53,988
Depreciation	889	682	30.5	781	13.9	3,060	3,616	4,262
EBIT	14,981	11,174	34.1	8,266	81.2	35,509	40,901	49,726
Interest	1,455	499	191.6	975	49.1	3,502	3,993	4,403
Other income	2,306	1,816	27.0	3,072	(24.9)	7,398	9,051	10,676
PBT	15,833	12,491	26.7	10,363	52.8	39,404	45,959	55,999
Tax	4,409	3,696	19.3	3,485	26.5	12,312	15,018	18,298
Core Profit	11,424	8,795	29.9	6,877	66.1	27,092	30,942	37,701
Extraordinary items	(1,439)	872	(264.9)	8,323	(117.3)	7,725	0	0
Profit after tax	9,985	9,667	3.3	15,200	(34.3)	34,817	30,942	37,701
PAT after minority	9,985	9,667	3.3	15,200	(34.3)	34,817	30,942	37,701
Adjusted net profit	11,424	8,795	29.9	6,877	66.1	27,092	30,942	37,701
Equity capital(FV: INR 2)	1,171	574	104.2	585	100.3	1,169	1,169	1,169
# of shares (mn)	586	287	104.2	292	100.3	586	586	586
Diluted EPS (INR)	20	15.3	27.2	11.8	65.9	46.2	52.8	64.3

as % of net revenues						
Raw material	74.0	75.6	79.5	77.3	77.3	77.3
Staff cost	3.5	4.4	5.6	5.9	5.9	5.9
Other operating expenses	7.4	6.1	4.4	5.4	5.4	5.4
EBITDA	15.0	13.9	10.5	11.4	11.4	11.4
Adjusted net profit	10.8	11.3	17.6	10.3	7.9	7.9
Tax rate (%)	25.5	31.8	170.8	38.9	32.7	32.7

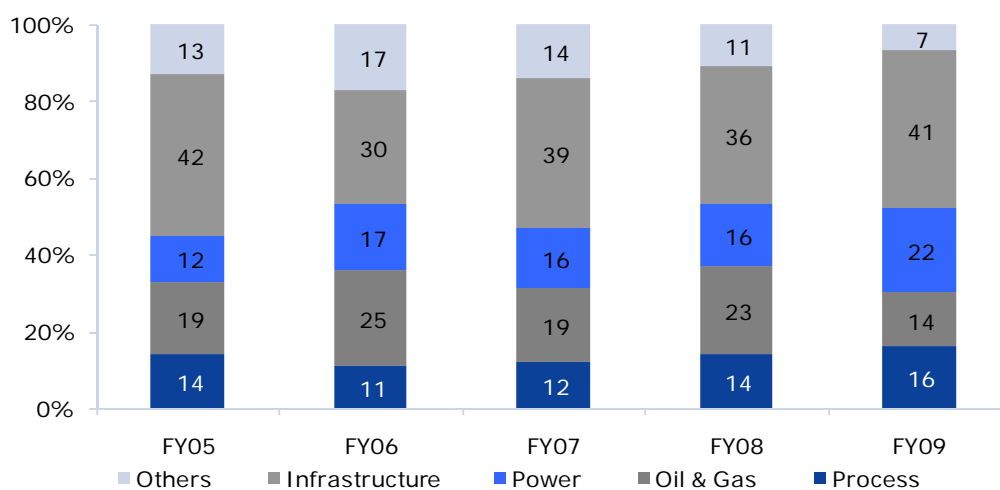


**Chart 2: E&C - Q4 intake sedate, backlog at highest level ever – INR 687 bn**

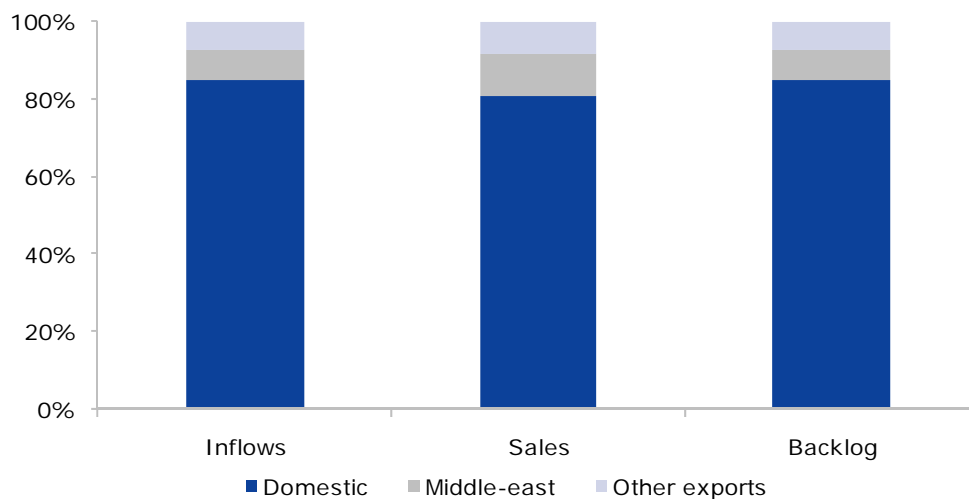
Source: Company, Edelweiss research

**Chart 3: Process and O&G verticals bear the brunt of economic slowdown in FY09**

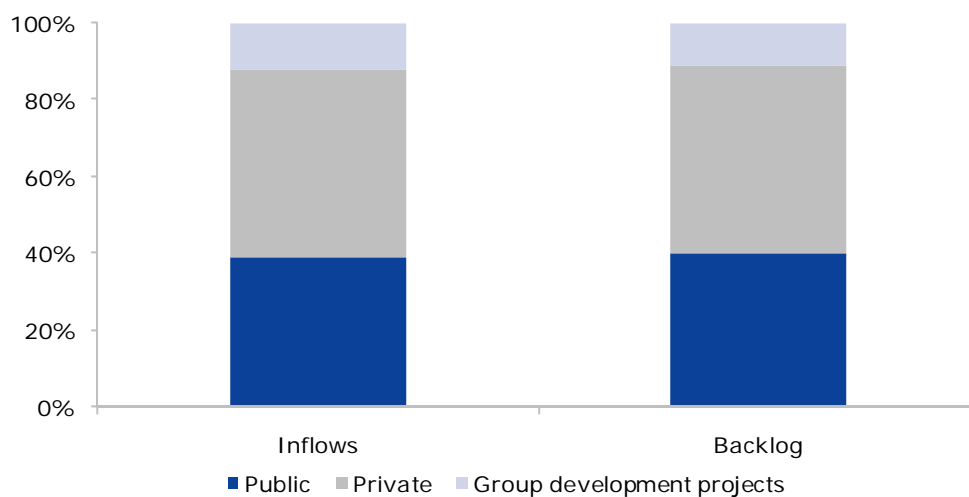
Source: Company, Edelweiss research

**Chart 4: Infra and power to drive growth - 63% of backlog**

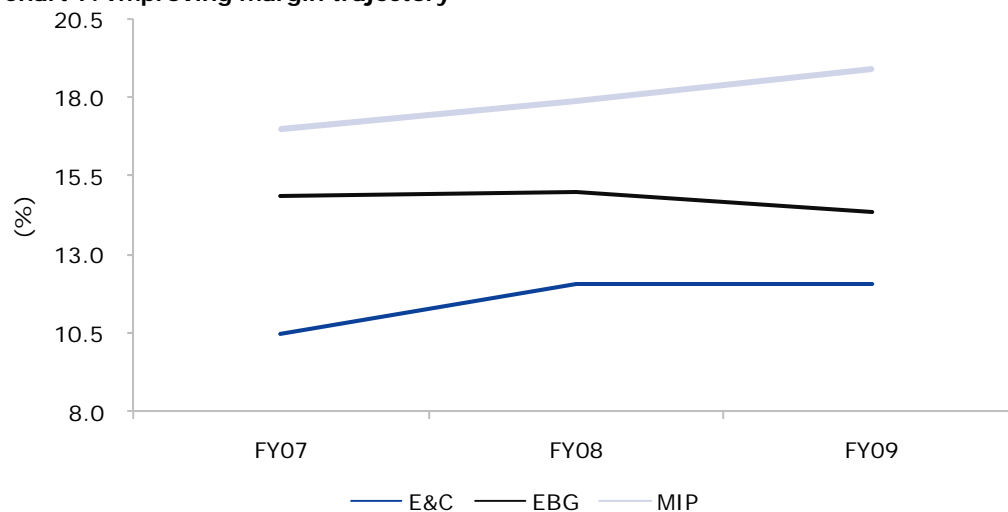
Source: Company, Edelweiss research

**Chart 5: 85% of inflows and backlog is India-based**

Source: Company, Edelweiss research

**Chart 6: 60: 40 private public mix both in backlog and inflows**

Source: Company, Edelweiss research

**Chart 7: Improving margin trajectory**

Source: Company, Edelweiss research

## Company Description

Larsen & Toubro (LT), headquartered in Mumbai, is a technology-driven engineering and construction organisation, and one of the largest companies in India's private sector. It has additional interests in manufacturing, services, and information technology. A strong customer-focused approach and the constant quest for top-class quality has enabled the company attain and sustain leadership in its major lines of businesses over seven decades. LT has an international presence, with a global spread of offices. A thrust on international business over the past few years has seen overseas earnings growing to 18% of total revenues. With factories and offices located around the country, further supplemented by a wide marketing and distribution network, LT's image and equity extend to virtually every district of India.

## Investment Theme

LT's standalone business operations have gathered significant traction over the past few years with revenue CAGR of 32% over FY04-06; this is commendable, given the company's scale of operations. The order backlog currently stands in excess of INR 703 bn and is likely to swell with LT'S entry into new verticals like ship building, aviation, nuclear, and defense, which have immense potential. We expect LT's standalone revenues and earnings to grow at CAGR of 18% over FY09-11E.

A strong balance sheet, sound execution engine, range of capabilities and integrated set of operations (tailored to suit the India infrastructure growth story), lead us to repose faith in the default India infrastructure story—LT.

## Key Risks

**Economy slowdown:** Being a play across India growth spectrum, any slowdown in the broad economy will impact LT's operations. Also, given that a large part of the infrastructure capex is government-driven, any political instability could impact the roll-out plans and, in turn, LT's growth plans.

**Raw material costs and execution risks:** Any sudden surge in prices of base raw material comprising steel, aluminum, cement etc., could detrimentally affect the company's margin/operations, despite most contracts having a built-in price escalation clause. Also given the scale of projects being executed by LT, any execution delay could cost company dearly.

## Financial Statements

Income statement					(INR mn)
Year to March	FY07	FY08	FY09	FY10E	FY11E
Income from operations	205,153	293,504	404,799	469,978	562,499
Direct costs	146,718	219,794	302,128	351,368	421,306
Employee costs	15,741	20,494	26,660	29,377	35,080
Other expenses	16,962	17,227	26,423	29,370	34,929
Total operating expenses	179,421	257,514	355,212	410,115	491,315
EBITDA	25,732	35,990	49,586	59,863	71,184
Depreciation and amortisation	3,413	5,118	7,283	7,840	8,745
EBIT	22,319	30,872	42,303	52,023	62,439
Interest expenses	538	2,031	4,620	7,437	8,112
Other income	3,548	5,325	5,754	9,132	10,915
Profit before tax	25,329	34,166	43,437	53,719	65,242
Provision for tax	7,327	11,608	14,257	17,495	21,087
Core Profit	18,002	22,558	29,181	36,224	44,155
Extraordinary items	4,610	20	7,891	-	-
Profit after tax	22,612	22,578	37,071	36,224	44,155
Less: Minority interests	1,162	683	(314)	1,106	1,326
Add: Share in profits of associates	969	1,358	509	1,395	1,395
PAT after minority interest	22,419	23,254	37,895	36,513	44,224
Adjusted net profit	17,810	23,233	30,004	36,513	44,224
Basic shares outstanding (mn)	283	292	586	586	586
EPS (INR) basic	31.4	39.7	51.2	62.3	75.5
Diluted equity shares (mn)	285	294	587	587	587
EPS (INR) fully diluted	31.2	39.5	51.1	62.2	75.3
CEPS (INR)	37.3	49.0	63.8	75.7	90.4
Dividend per share	6.5	8.5	10.5	11.5	13.5
Dividend payout (%)	19.2	24.6	19.0	21.6	20.9

### Common size metrics- as % of net revenues

Year to March	FY07	FY08	FY09	FY10E	FY11E
Direct cost	71.5	74.9	74.6	74.8	74.9
Employee expenses	7.7	7.0	6.6	6.3	6.2
S G & A expenses	8.3	5.9	6.5	6.2	6.2
Operating expenses	87.5	87.7	87.8	87.3	87.3
Depreciation and amortization	1.7	1.7	1.8	1.7	1.6
Interest expenditure	0.3	0.7	1.1	1.6	1.4
EBITDA margins	12.5	12.3	12.2	12.7	12.7
EBIT margins	10.9	10.5	10.5	11.1	11.1
Core net profit margins	8.8	7.7	7.2	7.7	7.8

### Growth metrics (%)

Year to March	FY07	FY08	FY09	FY10E	FY11E
Revenues	23.9	43.1	37.9	16.1	19.7
EBITDA	62.7	39.9	37.8	20.7	18.9
PBT	51.8	34.9	27.1	23.7	21.5
Core net profit	45.6	25.3	29.4	24.1	21.9
EPS	35.9	26.4	29.3	21.7	21.1

<b>Balance sheet</b>					<b>(INR mn)</b>
<b>As on 31st March</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09E</b>	<b>FY10E</b>	<b>FY11E</b>
Equity capital	567	585	1,171	1,171	1,171
Reserves & surplus	68,649	107,726	141,054	169,687	204,660
Shareholders funds	69,216	108,311	142,225	170,858	205,831
Minority interest	6,457	9,226	9,754	10,860	12,186
Secured loans	31,090	65,601	94,023	106,357	114,438
Unsecured loans	33,232	57,558	97,599	110,265	120,364
Borrowings	64,322	123,160	191,622	216,622	234,802
<b>Sources of funds</b>	<b>139,995</b>	<b>240,697</b>	<b>343,602</b>	<b>398,340</b>	<b>452,819</b>
Gross block	61,147	78,738	115,241	173,473	182,625
Depreciation	21,299	24,034	26,749	33,839	41,273
Net block	39,848	54,704	88,492	139,633	141,352
Capital work in progress	14,692	30,531	49,136	15,224	21,951
Total fixed assets	54,539	85,235	137,628	154,857	163,304
Investments	24,793	55,523	40,765	61,257	65,164
Inventories	36,764	50,190	67,323	80,040	96,656
Sundry debtors	61,381	82,344	170,023	199,300	239,012
Cash and equivalents	17,180	15,608	40,410	18,159	27,859
Loans and advances	52,260	108,742	84,443	108,751	129,831
Total current assets	167,585	256,883	362,199	406,250	493,358
Sundry creditors and others	92,648	133,552	166,554	189,362	228,824
Provisions	13,370	22,460	29,179	33,404	38,926
Total CL & provisions	106,019	156,012	195,734	222,765	267,750
Net current assets	61,566	100,871	166,465	183,485	225,608
Net deferred tax	(1,074)	(1,217)	(1,284)	(1,284)	(1,279)
Others	170	285	28	25	22
<b>Uses of funds</b>	<b>139,996</b>	<b>240,697</b>	<b>343,602</b>	<b>398,340</b>	<b>452,819</b>
Adjusted BV per share (INR)	122	185	243	292	351

<b>Free cash flow</b>					
<b>Year to March</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09E</b>	<b>FY10E</b>	<b>FY11E</b>
Net profit	22,419	23,254	37,895	36,513	44,224
Depreciation	3,413	5,118	7,283	7,840	8,745
Deferred tax	(70)	317	104.40	-	-
Others	71	(115)	1,545	3	2
Gross cash flow	25,833	28,573	46,827	44,355	52,971
Less: Changes in WC	12,311	40,878	40,791	39,272	32,422
Operating cash flow	13,522	(12,304)	6,036	5,084	20,549
Less: Capex	55,079	58,358	80,036	49,247	40,808
<b>Free cash flow</b>	<b>(41,557)</b>	<b>(70,662)</b>	<b>(74,000)</b>	<b>(44,163)</b>	<b>(20,258)</b>

<b>Cash flow metrics</b>					
<b>Year to March</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09E</b>	<b>FY10E</b>	<b>FY11E</b>
Operating cash flow	13,522	(12,304)	6,036	5,084	20,549
Financing cash flow	26,684	74,351	61,270	17,120	8,928
Investing cash flow	(63,116)	(89,087)	(65,278)	(69,739)	(44,715)
Net cash flow	(22,910)	(27,041)	2,028	(47,536)	(15,237)
Capex	(55,079)	(58,358)	(80,036)	(49,247)	(40,808)
Dividends paid	(3,683)	(4,953)	(6,150)	(6,736)	(7,907)
Share issuance / (buyback)	1,657	21,229	2	-	-

**Profitability & liquidity ratios**

Year to March	FY07	FY08	FY09E	FY10E	FY11E
ROAE (%) (on adjusted profits)	30.1	26.2	24.0	23.3	23.5
ROACE (%)	24.2	20.6	17.3	16.3	17.2
Inventory days	77	72	71	77	77
Debtors days	102	89	114	143	142
Payable days	196	188	181	185	181
Cash conversion cycle	(18)	(26)	3	35	38
Current ratio	1.6	1.6	1.9	1.8	1.8
Debt/EBITDA	2.5	3.4	3.9	3.6	3.3
Interest coverage	41.5	15.2	9.2	7.0	7.7
Fixed assets t/o (x)	6.1	6.2	5.7	4.1	4.0
Debt/equity	0.9	1.1	1.3	1.3	1.1
Adjusted debt/Equity	0.9	1.1	1.3	1.3	1.1

**Operating ratios**

Year to March	FY07	FY08	FY09E	FY10E	FY11E
Total asset turnover	1.8	1.5	1.4	1.3	1.3
Fixed asset turnover	6.1	6.2	5.7	4.1	4.0
Equity turnover	3.5	3.3	3.2	3.0	3.0

**Du pont analysis**

Year to March	FY07	FY08	FY09E	FY10E	FY11E
NP margin (%)	8.7	7.9	7.4	7.8	7.9
Total assets turnover	1.8	1.5	1.4	1.3	1.3
Leverage multiplier	1.9	2.1	2.3	2.4	2.3
ROAE (%)	30.1	26.2	24.0	23.3	23.5

**Valuation parameters**

Year to March	FY07	FY08	FY09E	FY10E	FY11E
Diluted EPS (INR)	31.2	39.5	51.1	62.2	75.3
Y-o-Y growth (%)	35.9	26.4	29.3	21.7	21.1
CEPS	37.3	49.0	63.8	75.7	90.4
Diluted P/E (x)	42.9	34.0	26.3	21.6	17.8
Price/BV (x)	11.0	7.3	5.5	4.6	3.8
EV/Sales (x)	4.0	2.9	2.2	2.0	1.7
EV/EBITDA (X)	31.7	23.5	18.3	15.6	13.2
Dividend yield (%)	0.5	0.6	0.8	0.9	1.0

**TRANSPORT CORPORATION OF INDIA** **INR 60****Gearing for growth****ACCUMULATE**

May 27, 2009

**Slow pick up in volumes; margins improve**

Transport Corporation of India's (TCI) Q4FY09 results were in line with our expectations. Trade in the logistics sector has been picking up slowly in the past two months of Q4FY09, which has had a positive impact on companies, as expected. The impact is even more positive on companies in the road logistics segment, like TCI, as reflected in its significant margin improvement. Net revenues for the company (standalone) declined 0.5% Y-o-Y, but increased 1.8% Q-o-Q, to INR 3.2 bn. The company is clearly facing pressure on volumes as the pick-up in trade has been slow. Net profit for the company declined 5.6% Y-o-Y and increased 159.3% Q-o-Q, to INR 147 mn (as Q3FY09 was a bad quarter).

**Freight and XPS slow down; shipping steady**

On a standalone basis, revenues in the transport division (accounting for 53.7% of the revenues in Q4FY09) declined 2.9% Y-o-Y and 2.1% Q-o-Q. Decline in the transport division was on account of drop in the utilisation rates of trucks as volumes have been slow to pick up in Q4FY09. The XPS division, which contributed ~25.9% to revenues in Q4FY09, declined 5.1% Y-o-Y, to INR 844 mn. The shipping division, contributing ~5.3% to the overall revenues of the company, increased 6.1% Y-o-Y. EBITDA margin for the company improved 420bps Q-o-Q, to 10.9%, and 390bps Y-o-Y. Improvement in margins has been mainly on account of stable fuel prices in the current quarter.

**Capex delayed due to slowdown in freight business**

TCI is expected to incur a capex of INR 1.6 bn for FY10. Out of this, INR ~1 bn is likely to be towards the purchase of ships for the ocean logistics segment. On account of slowdown in cargo movement and low freight rates, the company has decided to go slow on capex related to the ocean logistics segment. It is expected to invest INR ~300 mn in the trucks and other segment, and the remaining INR ~300 mn in the warehouse segment.

**Outlook and valuations: Long-term bet; maintain 'ACCUMULATE'**

Volumes have picked-up in Q4FY09, but at a slow pace. Slow pick-up in volumes, together with lower domestic cargo, could impact margins adversely over the short term. On our estimates, the stock is trading at a P/E of 15x and 12.6x FY10E and FY11E EPS of INR 4 and INR 4.8, respectively. We, however, believe that in the event of volumes picking up, TCI is best-placed to tap growth opportunities. With corporates looking to lower costs and improve operational efficiencies in these recessionary conditions, the SCM division is poised to benefit in the long term. Hence, we maintain our '**ACCUMULATE**' recommendation on the stock.

**Sumiran Mehta**

+91-22-6620 3101

sumiran.mehta@edelcap.com

Reuters : TCIL.BO  
 Bloomberg : TRPC IN

**Market Data**

52-week range (INR) : 96 / 30  
 Share in issue (mn) : 72.5  
 M cap (INR bn/USD mn) : 4.3 / 90.9  
 Avg. Daily Vol. BSE/NSE ('000) : 22.8

**Share Holding Pattern (%)**

Promoters\* : 67.6  
 MFs, FIs & Banks : 1.4  
 FIIs : 9.8  
 Others : 21.2

\* Promoters pledged shares : Nil  
 (% of share in issue)

**Relative Performance (%)**

	Sensex	Stock	Stock over Sensex
1 month	28.2	42.9	14.7
3 months	63.9	51.8	(12.2)
12 months	(14.6)	(34.2)	(19.5)

**Financials**

Year to March	Q409	Q408	% change	Q309	% change	FY09E	FY10E
Revenues (INR mn)	3,267	3,283	(0.5)	3,208	1.8	14,211	16,022
EBITDA (INR mn)	355	229	54.9	214	65.9	891	968
Net profit (INR mn)	147	156	(5.6)	57	159.3	276	310
EPS (INR)	0.8	0.3	149.1	0.8	1.8	-	-
P/E (x)						16.9	15.0
EV/EBITDA (x)						7.8	7.3
ROAE (%)						9.6	9.8

### Key highlights

- TCI's net revenues (standalone) declined 0.5% Y-o-Y, but increased 1.8% Q-o-Q, to INR 3.2 bn.
- EBITDA for the quarter grew 54.9% Y-o-Y and 65.9% Q-o-Q, to INR 355 mn. EBITDA margin grew to 10.9%, improving 420bps Q-o-Q and 390bps Y-o-Y.
- PBIT margins on a standalone basis improved 130bps, to 8.7%, in Q4FY09.
- Net profit declined 5.6% Y-o-Y and increased 159.3% Q-o-Q, to INR 147 mn (as Q3FY09 was a bad quarter). Net margins for the company in Q4FY09 were at 4.5%, an improvement of 270bps Q-o-Q.
- The company had 7.8 mn sq ft of warehouse space at the end of Q4FY09.
- TCI currently has ~1,200 owned trucks and 6 ocean going vessels.

### Financial snapshot

	(INR mn)							
Year to March	Q409	Q408	% change	Q309	% change	FY09E	FY10E	FY11E
Net sales	3,267	3,283	(0.5)	3,208	1.8	14,211	16,022	18,041
Total expenditure	2,912	3,054	(4.6)	2,994	(2.7)	13,320	15,055	16,935
Direct cost	2,481	2,646	(6.2)	2,559	(3.0)	11,372	12,616	13,877
Employee expenses	161	166	(2.6)	166	(2.9)	789	1,025	1,333
Other expenditure	270	243	11.0	269	0.2	1,159	1,414	1,725
EBITDA	355	229	54.9	214	65.9	891	968	1,106
Other income	(5)	13	(139.4)	12	(142.7)	42	46	51
Depreciation	71	(3)	(2932.0)	64	10.5	306	321	358
EBIT	279	244	14.2	161	72.7	627	693	799
Interest	58	43	34.3	76	(23.2)	203	217	229
PBT	221	201	9.9	86	157.0	424	476	570
Provision for taxation - Current	74	45	64.1	29	152.6	148	167	199
Adjusted PAT	147	156	(5.6)	57	159.3	276	310	370
Tax rate (%)	33	22		34		35	35	35

### % of sales

Direct cost	76.0	80.6	79.8	80.0	78.7	76.9
Emp exp.	4.9	5.0	5.2	5.5	6.4	7.4
Other exp.	8.3	7.4	8.4	8.2	8.8	9.6
OPM (%)	10.9	7.0	6.7	6.3	6.0	6.1
NPM (%)	4.5	4.8	1.8	1.9	1.9	2.1



---

### Company Description

---

Incorporated in 1958, TCI is the largest supply chain management company in India, providing solutions ranging from supply chain management, transport management, warehousing, inventory and supply-chain management, to customer clearance. It has the largest network of strategically located 1000 company-owned branches across India. It operates through a mammoth fleet comprising over 3000 trucks and manages cargo worth more than INR 350 bn every year.

### Investment Theme

---

TCI is aggressively focusing on growing its high margin logistics and XPS divisions. The logistics division is expected to grow rapidly with increase in outsourcing by companies looking at re-aligning their supply chains. TCI also provides dedicated multi modal services through its XPS division. These two segments are expected to provide higher growth, going forward. TCI is also planning to add significant capacity in its shipping division, to cater to the growth in coastal cargo movement.

### Key Risks

---

TCI is heavily dependent on its trucking business that is very fragmented, hence, any price war from the regional players could lead to lower profitability in this segment and (b) any impediments to the planned expansion in the shipping and warehousing divisions, in terms of land acquisition or vessel acquisition, could thwart growth.

## Financial Statements

Income statement					(INR mn)
Year to March	FY07	FY08	FY09E	FY10E	FY11E
Income from operations	10,885	11,985	14,211	16,022	18,041
Direct costs	8,942	9,692	11,372	12,616	13,877
Employee costs	464	595	789	1,025	1,333
Other expenses	746	934	1,159	1,414	1,725
Total operating expenses	10,152	11,221	13,320	15,055	16,935
EBITDA	733	764	891	968	1,106
Depreciation and amortisation	199	208	306	321	358
EBIT	534	556	585	647	748
Interest expense	103	168	203	217	229
Other income	42	44	42	46	51
Profit before tax	473	431	424	476	570
Provision for tax	134	148	148	167	199
Core profit	339	284	276	310	370
Profit after tax	339	284	276	310	370
Profit after minority interest	339	284	276	310	370
Equity shares outstanding (mn)	68	73	78	78	78
EPS (INR) basic	5.0	3.9	3.6	4.0	4.8
Diluted shares (mn)	68	73	78	78	78
EPS (INR) fully diluted	5.0	3.9	3.6	4.0	4.8
DPS	0.4	0.4	0.3	0.3	0.4
Dividend payout (%)	10.1	11.7	10.1	10.1	10.1

### Common size metrics- as % of net revenues

Year to March	FY07	FY08	FY09E	FY10E	FY11E
Operating expenses	93.3	93.6	93.7	94.0	93.9
Depreciation	1.8	1.7	2.2	2.0	2.0
Interest expenditure	0.9	1.4	1.4	1.4	1.3
EBITDA margins	6.7	6.4	6.3	6.0	6.1
Net profit margins	3.1	2.4	1.9	1.9	2.1

### Growth metrics (%)

Year to March	FY07	FY08	FY09E	FY10E	FY11E
Revenues	20.3	10.1	18.6	12.7	12.6
EBITDA	37.0	4.2	16.7	8.6	14.3
Net profit	26.4	(16.2)	(2.9)	12.3	19.6
EPS	26.5	(22.0)	(9.2)	12.3	19.6

**Balance sheet****(INR mn)**

<b>As on 31st March</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09E</b>	<b>FY10E</b>	<b>FY11E</b>
Equity capital	135	145	155	155	155
Reserves & surplus	1,744	2,606	2,854	3,133	3,466
Shareholders funds	1,879	2,751	3,009	3,288	3,621
Secured loans	2,171	2,426	2,626	2,776	2,926
Unsecured loans	14	13	13	13	13
Borrowings	2,186	2,439	2,639	2,789	2,939
Net deferred tax	264	289	289	289	289
<b>Sources of funds</b>	<b>4,329</b>	<b>5,479</b>	<b>5,937</b>	<b>6,365</b>	<b>6,848</b>
Gross block	3,552	4,170	5,138	5,441	5,475
Depreciation	918	1,133	1,439	1,759	2,117
Net block	2,634	3,037	3,700	3,682	3,358
Capital work in progress	26	53	53	53	53
Total fixed assets	2,660	3,091	3,753	3,735	3,411
Investments	56	81	81	81	81
Inventories	7	10	31	35	40
Sundry debtors	1,543	1,959	1,674	2,195	2,966
Cash and equivalents	153	245	271	300	460
Loans and advances	345	633	633	633	633
Total current assets	2,048	2,847	2,610	3,164	4,098
Sundry creditors and others	310	363	506	615	741
Provisions	125	180	0	0	0
Total CL & provisions	435	543	506	615	741
Net current assets	1,613	2,304	2,103	2,549	3,357
Others	0	3	0	0	0
<b>Uses of funds</b>	<b>4,329</b>	<b>5,479</b>	<b>5,937</b>	<b>6,365</b>	<b>6,848</b>
Book value per share (BV) (INR)	28	38	39	42	47

**Cash flow statement**

<b>Year to March</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09E</b>	<b>FY10E</b>	<b>FY11E</b>
Net profit	339	284	276	310	370
Add: Depreciation	199	208	306	321	358
Add: Deferred tax	37	0	0	0	0
Add: Others	19	84	0	0	0
Gross cash flow	595	576	582	630	728
Less: Changes in working capital	475	600	(227)	416	648
Operating cash flow	120	(24)	808	214	80
Less: Capex	985	664	968	303	34
<b>Free cash flow</b>	<b>(865)</b>	<b>(688)</b>	<b>(160)</b>	<b>(89)</b>	<b>46</b>

**Cash flow metrics**

<b>Year to March</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09E</b>	<b>FY10E</b>	<b>FY11E</b>
Operating cash flow	120	(24)	808	214	80
Financing cash flow	919	839	182	119	113
Investing cash flow	(985)	(664)	(968)	(303)	(34)
Net cash flow	54	152	23	30	159
Capex	(985)	(664)	(968)	(303)	(34)
Dividend paid	(34)	(33)	(28)	(31)	(37)
Share issuance/(Buyback)	(102)	620	10	0	0

**Ratios**

Year to March	FY07	FY08	FY09E	FY10E	FY11E
ROAE (%)	19.4	12.3	9.6	9.8	10.7
ROACE (%)	14.9	11.5	10.4	10.7	11.5
Inventory (days)	0	0	1	1	1
Debtors (days)	45	53	47	44	52
Debt/Equity (x)	1.2	0.9	0.9	0.8	0.8
Interest cover (x)	5.2	3.3	2.9	3.0	3.3
Payable (days)	13	13	14	16	18
Cash conversion cycle	33	41	33	29	35
Current ratio	4.7	5.2	5.2	5.1	5.5
Debt/EBITDA	3.0	3.2	3.0	2.9	2.7
Adjusted debt/Equity	1.3	0.9	0.9	0.9	0.8

**Operating ratios**

Year to March	FY07	FY08	FY09E	FY10E	FY11E
Total asset turnover(x)	3.0	2.4	2.5	2.6	2.7
Fixed assets turnover (x)	4.8	4.2	4.2	4.3	5.1
Equity turnover(x)	6.2	5.2	4.9	5.1	5.2

**Du pont analysis**

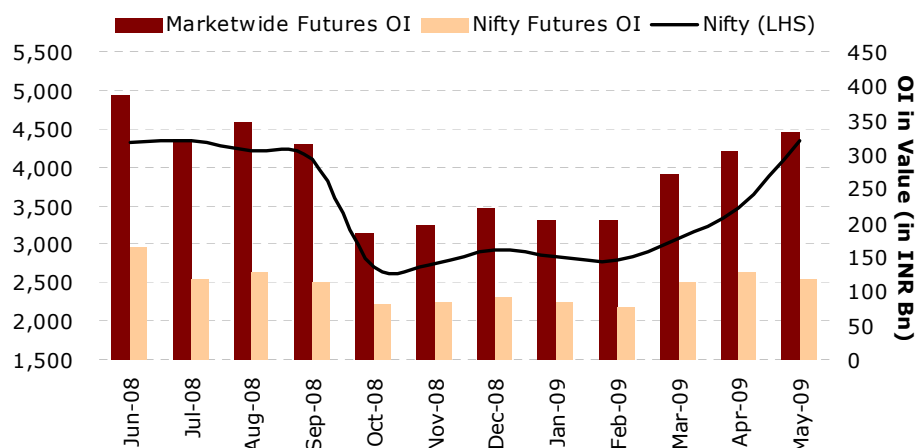
Year to March	FY07	FY08	FY09E	FY10E	FY11E
NP margin (%)	3.1	2.4	1.9	1.9	2.1
Total assets turnover	3.0	2.4	2.5	2.6	2.7
Leverage multiplier	2.1	2.1	2.0	2.0	1.9
ROAE (%)	19.4	12.3	9.6	9.8	10.7

**Valuation parameters**

Year to March	FY07	FY08	FY09E	FY10E	FY11E
Diluted EPS (INR)	5.0	3.9	3.6	4.0	4.8
Y-o-Y growth (%)	26.5	(22.0)	(9.2)	12.3	19.6
CEPS (INR)	8.5	6.8	7.5	8.1	9.4
Diluted PE (x)	12.0	15.3	16.9	15.0	12.6
Price/BV(x)	2.2	1.6	1.5	1.4	1.3
EV/Sales (x)	0.6	0.5	0.5	0.4	0.4
EV/EBITDA (x)	8.2	8.5	7.8	7.3	6.4
Dividend yield (%)	0.7	0.6	0.5	0.6	0.7

# ROLLOVER ANALYSIS

May 28, 2009

**Market-wide Futures OI (Expiry Day): Market-wide rollover 69%; Nifty rollovers 63%**


June series would start with a market wide futures OI of INR 333 bn, with 69% of market wide positions getting rolled into the mid month, which is significantly less than the ~75% rolls we usually witness by expiry. In contract terms, we are nearly 21% down (from 1.3 mn to 0.99 mn contracts). Stock futures roll cost expanded further to ~35-40 bps by the end of the session, showing that long positions have been aggressive in moving their positions into the next series.

Only 63% of the Nifty positions got rolled into the June series, which is also significantly less than the 66% average seen in the previous expiries. The roll cost has hovered between 50 to 55 bps in the last few trading session after considering the 13 points dividend. Around 316,820 Nifty contracts got expired on the expiry day along with a fresh addition of ~65,000 contracts in the June series. Nifty June series would begin with an OI of ~540,000 contracts as against an OI of ~730,000 contracts in the beginning of May series. Even in value terms, the Nifty OI stands much lower at INR 117 bn as against INR 127 bn that was seen in the beginning of May series.

## Focus Sectors

**Strong Rollovers:** Sugar (84%), Pharma (80%) and Cement (80%)

**Weak Rollovers:** Oil & Gas (72%), Banking (70%), Construction (72%)

## Focus Stocks

**Strong Rollovers:** GTL Infra (95%), HCC (90%), GMR Infra (88%)

**Weak Rollovers:** Amtek Auto (28%), HDFC Bank (53%), Kotak Bank (55%) and ICICI Bank (58%)

## Yogesh Radke

+91-22-6620 3199

yogesh.radke@edelcap.com

## Saifullah Rais

+91-22-4063 5415

saifullah.rais@edelcap.com

## Expiry Day Rollovers

Instrument	Mid/Total Current Expiry	Total OI 29-Apr-09	Mid OI 29-Apr-09	Mid/Total Previous Expiry	*Roll Cost 22-May-09	Roll Cost 29-Apr-09
BANK Nifty	51%	29,990	15,408	69%	-0.64%	-1.02%
CNX 100		-	-	0%	0.00%	0.00%
CNX IT	41%	128	52	71%	1.18%	
CNX Nifty Junior		-	-	0%	0.00%	
Mini Nifty	41%	53,168	21,775	60%	0.22%	0.16%
CNX NIFTY MID CAP 50		4	-	0%	0.00%	
S&P CNX Nifty	63%	857,530	538,267	73%	0.22%	0.07%
3I INFOTECH LTD.	86%	1,556	1,344	90%	0.00%	0.75%
Aban Offshore Ltd.	87%	31,888	27,768	86%	-2.10%	-1.87%
ABB Ltd.	76%	5,914	4,502	74%	-0.02%	0.51%
Aditya Birla Nuvo Limited	88%	902	798	63%	0.00%	0.75%
Associated Cement Co. L	70%	12,376	8,644	84%	0.28%	
Aolabs Films Ltd.	90%	10,496	9,408	73%	0.00%	0.86%
Allahabad Bank	64%	634	406	65%	-0.12%	0.64%
Alok Industries Ltd.	71%	6,454	4,563	70%	-3.69%	0.84%
Ambuja Cements Ltd.	79%	4,416	3,496	76%	0.70%	
Amtek Auto Ltd.	27%	848	232	64%	0.70%	0.75%
Andhra Bank	63%	324	204	66%	-4.28%	-0.17%
Alstom Projects India Ltd	73%	1,074	780	76%	0.00%	0.75%
APTECH LIMITED	92%	2,058	1,896	75%	-0.63%	0.75%
Arvind Mills Ltd.	87%	2,092	1,820	57%	0.00%	-0.33%
Ashok Leyland Ltd	69%	1,300	900	76%	0.70%	0.75%
Asian Paints	20%	10	2	0%	0.00%	0.75%
Aurobindo Pharma Ltd.	95%	864	820	83%	0.70%	0.75%
AXIS Bank Ltd.	70%	18,760	13,208	83%	-1.20%	0.48%
Bajaj Auto Ltd.	51%	1,344	680	39%	-0.34%	-0.11%
Bajaj Hindustan Ltd.	85%	8,520	7,278	80%	0.30%	0.55%
Bajaj Holding	0%	4	-	17%	0.00%	
Balaji Telefilms Limited.	77%	852	652	26%	0.00%	0.75%
Ballarpur Industries Ltd.	86%	1,024	876	69%	-0.18%	0.75%
Balrampur Chini Mills Ltd.	82%	5,776	4,736	89%	0.70%	0.42%
Bank of Baroda	37%	1,958	720	67%	-1.15%	
Bank of India	67%	2,607	1,751	84%	0.34%	0.56%
Bata India Ltd.	68%	148	100	78%	0.00%	-0.71%
Bharat Electronics Ltd.	80%	676	544	69%	0.00%	-0.07%
Bharat Earth Movers Ltd.	39%	294	114	76%	0.00%	0.75%
Bharat Forge Co Ltd	87%	2,016	1,756	89%	0.00%	0.75%
Bharti Airtel Ltd	76%	46,804	35,738	75%	0.49%	0.63%
Bharat Heavy Electricals L	69%	30,016	20,664	68%	0.19%	0.25%
BHUSHAN STEEL & STRI	79%	908	720	69%	0.00%	0.75%
BIOCON LIMITED.	89%	1,444	1,284	65%	0.00%	0.91%
Birla Corporation Ltd	58%	288	168	45%	1.90%	0.75%
Bombay Dyeing & Mfg. Co	79%	2,196	1,740	67%	0.70%	0.83%
MICO Ltd	65%	102	66	94%	0.00%	0.74%
Bharat Petroleum Corpore	63%	3,570	2,232	79%	0.70%	0.50%
Bombay Rayon Fashions I	72%	1,366	990	33%	-1.91%	0.19%
Cairn India Limited	79%	14,382	11,336	85%	0.36%	0.65%
Canara Bank	52%	1,358	700	63%	-2.16%	-1.34%
Central Bank of India	66%	200	132	66%	0.00%	0.55%
Century Textiles Ltd	75%	9,744	7,312	86%	0.70%	0.46%
CESC Ltd.	80%	352	282	73%	1.39%	0.29%
Chambal Fertilizers Ltd.	74%	2,520	1,854	77%	0.39%	0.57%
Chennai Petroleum Corpo	86%	544	468	79%	0.00%	0.87%
Cipla Ltd.	72%	3,000	2,151	73%	0.56%	0.59%
Colgate Palmolive (I) Ltd.	64%	265	169	68%	-0.20%	0.71%
Container Corp Of Ind Ltd	0%	2	-	0%	0.00%	
Corporation Bank	27%	66	18	55%	-3.93%	0.75%
Crompton Greaves Ltd.	56%	412	232	55%	0.00%	-0.43%
Cummins India Ltd	85%	268	228	33%	0.00%	0.90%
Dabur India Ltd.	80%	427	343	50%	-0.04%	0.63%
Development Credit Bank	91%	3,920	3,580	71%	1.02%	0.75%
Deccan Chronicle Hold Lt	85%	2,392	2,032	90%	0.00%	0.68%
Dena Bank	83%	1,616	1,344	77%	-1.03%	0.00%
Dish Tv India Ltd.	85%	4,380	3,716	76%	0.35%	0.75%
Divi's Laboratories Ltd.	79%	2,022	1,590	58%	0.69%	0.49%

Instrument	Mid/Total Current Expiry	Total OI 29-Apr-09	Mid OI 29-Apr-09	Mid/Total Previous Expiry	Roll Cost 22-May-09	Roll Cost 29-Apr-09
DLF Limited	73%	46,540	34,112	84%	-1.84%	0.25%
Dr. Reddy's Laboratories I	76%	2,038	1,552	75%	0.70%	-0.04%
Edelweiss Capital Ltd.	75%	648	484	80%	0.00%	0.75%
Educomp Solutions Ltd	77%	10,320	7,994	71%	-0.93%	-0.36%
Everest Kanto Cylinder Ltr	84%	674	564	78%	0.00%	0.75%
Escorts India Ltd.	90%	1,640	1,472	68%	0.00%	0.75%
Essar Oil Ltd.	75%	6,126	4,618	75%	-0.43%	0.66%
Everonn Systems Ind. Ltd	37%	210	78	76%	0.00%	0.92%
Federal Bank Ltd.	64%	470	302	47%	0.00%	0.75%
Financial Technologies (I) I	61%	1,256	760	69%	-0.04%	0.15%
Firstsource Solu. Ltd.	85%	2,388	2,024	76%	-0.60%	0.84%
GAIL (India) Ltd.	66%	5,255	3,465	76%	0.54%	0.25%
Gateway Distriparks Ltd.	44%	1,114	488	73%	0.00%	0.49%
The Great Eastern Shippin	71%	1,848	1,320	68%	0.46%	0.96%
Gitanjali Gems	72%	1,800	1,304	87%	0.00%	-0.96%
Glaxosmithkline Pharma L	33%	12	4	53%	-1.30%	0.08%
GMR Infrastructure Ltd.	88%	15,720	13,756	83%	-1.97%	0.65%
Gujarat Narmada Fertilizer	83%	820	684	66%	0.00%	0.52%
Grasim Industries Ltd.	71%	9,700	6,900	73%	0.41%	0.00%
Gujarat State Petro Ltd	88%	1,680	1,476	76%	0.00%	0.60%
GTL Ltd.	94%	5,080	4,780	95%	0.07%	0.54%
Gtl Infra.Ltd	95%	3,536	3,342	83%	0.50%	0.72%
Great Offshore	86%	3,376	2,912	81%	0.43%	0.78%
Gujarat Alkalies & Chem	61%	744	456	79%	0.00%	0.75%
Gvk Pow. & Infra Ltd.	82%	3,632	2,996	70%	0.37%	0.60%
HAVELLS INDIA LIMITED	53%	90	48	25%	-13.09%	0.75%
Hindustan Construction C	90%	4,212	3,792	83%	-0.05%	0.47%
Hcl Infosystems Ltd	0%	10	-	60%	0.00%	
HCL Technologies Ltd.	63%	3,696	2,344	75%	-0.33%	0.35%
Housing Development Fin	56%	27,860	15,586	76%	0.12%	0.43%
HDFC Bank Ltd.	53%	22,234	11,728	86%	-0.12%	0.45%
Housing Development anc	83%	18,510	15,354	79%	0.36%	0.87%
Hero Honda Motors Ltd.	83%	5,211	4,333	85%	-0.01%	0.75%
Hindalco Industries Ltd.	68%	10,360	7,060	74%	0.33%	0.13%
Hindustan Oil Exploration	82%	620	508	81%	0.00%	0.50%
Hindustan Petroleum Corp	87%	1,765	1,529	76%	0.36%	0.76%
Hindustan Unilever Ltd	72%	12,370	8,898	77%	-1.04%	0.72%
Hindustan Zinc	77%	156	120	79%	0.00%	0.75%
Hotel Leela Ventures Ltd	70%	552	384	72%	0.00%	0.75%
Indiabulls Real Est. Ltd	69%	22,136	15,128	76%	0.59%	0.44%
ICICI Bank Ltd.	58%	83,712	48,300	63%	-0.91%	-1.13%
ICSA (India) Limited	84%	1,464	1,224	84%	0.00%	0.75%
Industrial development bai	78%	5,124	4,004	81%	0.50%	0.79%
Idea Cellular Ltd.	82%	9,720	7,972	81%	0.56%	0.39%
Infrastructure Developme	76%	7,972	6,064	59%	0.12%	0.41%
IFCI Ltd.	85%	20,640	17,568	86%	0.65%	0.66%
Indian Hotels Co. Ltd.	86%	1,960	1,680	65%	0.08%	0.73%
India Cements Ltd.	92%	15,800	14,496	78%	0.81%	0.75%
India Infoline Limited	87%	2,648	2,292	50%	-1.19%	0.75%
Indian Bank	93%	718	666	75%	-1.02%	0.75%
Indusind Bank Ltd.	86%	2,180	1,876	77%	-2.35%	0.49%
Infosys Technologies Ltd.	67%	28,488	19,132	88%	0.37%	-0.54%
Indian Overseas Bank	87%	1,720	1,500	65%	0.30%	0.06%
Indian Oil Corporation Ltd	62%	1,374	853	77%	0.49%	0.67%
IRB Infrastructure Develop	81%	2,552	2,056	72%	0.00%	0.75%
Ispat India Ltd	81%	9,450	7,698	76%	0.47%	0.85%
ITC Ltd.	78%	18,180	14,162	82%	0.52%	0.30%
IVRCL Infrastructure & Prc	74%	2,680	1,976	77%	0.48%	0.42%
Jet Airways (India) Ltd.	78%	2,124	1,650	71%	0.70%	0.70%
Jindal Saw	85%	1,540	1,316	77%	1.70%	0.75%
Jindal Steel & Power Ltd	80%	4,004	3,206	60%	0.69%	0.49%
Jaiprakash Associates Ltd	68%	18,246	12,396	69%	0.34%	0.48%
Jaiprakash Hydro-Power I	87%	3,404	2,976	79%	1.20%	0.92%
Jindal Stainless Ltd.	61%	1,032	632	60%	0.00%	0.00%
JSW Steel Ltd.	77%	6,984	5,346	55%	-0.66%	-0.02%

Mid/Total: Current Mid Open Interest/Total Open Interest 5 days back

\*Rollover Cost: Cost of rolling over the near month future to the next month

Open interest in contracts

### Expiry Day Rollovers Contd....

Instrument	Current Expiry	Total OI 29-Apr-09	Mid OI 29-Apr-09	Previous Expiry	Roll Cost 22-May-09	Roll Cost 29-Apr-09
Kesoram Industries Ltd	92%	1,184	1,092	98%	0.00%	0.75%
Kingfisher Airlines	84%	7,960	6,720	81%	0.88%	0.67%
Kotak Mahindra Bank Ltd.	55%	7,408	4,100	83%	0.70%	0.55%
KSK	0%	2	-	0%	0.70%	0.00%
K S Oils Limited	92%	3,878	3,578	77%	0.70%	0.54%
The Karnataka Bank Ltd.	72%	300	216	55%	0.00%	0.66%
LAKSHMI MACHINES LTI	80%	980	788	81%	0.00%	0.75%
LIC Housing Finance Ltd	82%	1,678	1,374	64%	-1.71%	-0.51%
Lanco Infratech Ltd.	82%	5,394	4,434	67%	0.70%	0.73%
Larsen & Toubro Ltd.	76%	40,196	30,560	82%	0.08%	0.38%
Lupin Ltd.	85%	748	635	63%	-1.44%	
Mahindra & Mahindra Ltd.	85%	8,896	7,528	86%	-0.03%	-0.50%
Mahindra Lifespace Devel	29%	28	8	18%	0.00%	0.75%
Maharashtra Seamless Ltd	73%	400	292	68%	0.00%	0.63%
Maruti Udyog Ltd.	71%	17,512	12,516	84%	-0.33%	0.01%
United Spirits Ltd.	92%	7,840	7,210	76%	-0.19%	0.53%
Mindtree Limited	39%	118	46	52%	0.00%	-1.39%
Mercator Lines Limited	86%	1,860	1,592	85%	-2.43%	0.17%
Monnet Ispat Ltd	53%	68	36	0%	0.00%	0.75%
Moser-Baer (I) Ltd	84%	3,810	3,186	74%	-0.16%	0.92%
Mphasis Ltd.	89%	1,210	1,076	91%	-6.09%	0.75%
Mrf Ltd	0%	8	-	0%	0.00%	
Mangalore Refinery and P	82%	1,692	1,380	67%	0.00%	0.56%
Mahanagar Telephone Niç	85%	4,310	3,644	82%	0.48%	0.70%
Nagarjuna Constrn. Co. Li	67%	2,688	1,788	79%	0.70%	0.75%
Nagarjuna Fertiliser & Che	81%	5,358	4,320	78%	0.52%	0.78%
National Aluminium Co. Lt	67%	5,244	3,492	75%	0.70%	-0.88%
Nava Bharat Ventures Lim	91%	212	192	72%	0.00%	
NDTV Ltd.	82%	1,440	1,182	61%	0.00%	0.90%
Network 18 Fincap	73%	1,000	732	64%	0.00%	0.78%
Neyveli Lignite Corporatio	83%	3,360	2,796	73%	-0.04%	0.98%
NIIT Ltd	80%	2,484	1,992	73%	0.62%	0.51%
Noida Toll Bridge Co Ltd	81%	1,160	940	50%	0.00%	0.81%
National Thermal Power C	71%	21,900	15,540	75%	0.39%	0.74%
I-FLEX Solutions Ltd.	85%	792	676	83%	0.00%	-0.89%
Oil & Natural Gas Corp. Li	68%	32,780	22,150	70%	0.31%	0.40%
Opto Circuits (I) Ltd.	88%	3,044	2,672	80%	-0.36%	0.75%
Orchid Chemicals Ltd.	86%	1,648	1,412	72%	0.08%	0.80%
Oriental Bank of Commer	54%	1,288	700	84%	-2.98%	0.75%
Pantaloon Retail (I) Ltd	75%	3,028	2,276	79%	0.00%	0.89%
Patel Engineering Ltd.	58%	632	368	69%	0.00%	0.75%
Patni Computer Syst Ltd	82%	468	384	82%	0.70%	0.97%
Peninsula Land Limited	33%	36	12	22%	0.00%	0.22%
Petronet LNG Limited	68%	2,944	2,012	81%	-0.47%	0.75%
Power Finance Corporatic	90%	1,372	1,228	39%	0.70%	0.81%
PIR Health	60%	20	12	54%	0.00%	
Punjab National Bank	71%	3,849	2,741	74%	-2.96%	0.06%
Polaris Software Lab Ltd.	74%	532	392	76%	0.70%	0.75%
Power Grid Corp	75%	12,730	9,548	77%	-0.80%	0.33%
Praj Industries Ltd.	88%	4,208	3,684	88%	0.70%	0.88%
Ptc India Limited	76%	2,198	1,674	56%	0.00%	-0.35%
Punj Lloyd Ltd.	88%	9,960	8,724	78%	0.38%	0.54%
Rajesh Exports Ltd	85%	1,596	1,362	81%	2.04%	0.91%
Ranbaxy Laboratories Ltd	79%	6,174	4,852	79%	0.45%	0.31%
Reliance Communications	80%	74,752	60,028	87%	-0.63%	0.22%
Rural Electric Ltd.	77%	790	610	47%	0.00%	0.74%
Reliance Capital Ltd	75%	43,256	32,564	80%	-0.62%	0.41%
Reliance Industries Ltd.	67%	108,808	72,760	65%	0.45%	0.56%
Reliance Energy Ltd.	78%	35,272	27,348	82%	0.23%	0.65%
Shree Renuka Sugars Ltd	81%	1,322	1,077	74%	0.39%	0.75%
Reliance Industrial Infrastr	75%	2,264	1,704	55%	0.13%	0.80%
Rel. Nat. Resources Ltd.	80%	19,632	15,792	76%	0.39%	0.63%
Relta India Ltd	88%	6,334	5,598	74%	0.26%	0.79%
Reliance Petroleum Ltd.	70%	11,048	7,706	77%	0.51%	-1.78%
Reliance Power	84%	48,640	40,844	78%	0.21%	0.34%
Steel Authority of India Ltc	70%	14,984	10,496	74%	0.50%	0.49%
State Bank of India	71%	34,024	24,000	72%	-1.24%	0.49%
Shipping Corporation of Ir	85%	2,936	2,484	76%	0.54%	0.87%
Sesa Goa Ltd.	90%	5,138	4,602	82%	-0.22%	0.16%
Siemens Ltd	60%	4,156	2,496	75%	0.20%	0.65%
Sintex Industries Ltd	63%	262	166	51%	0.00%	0.75%
S Kumar Nationwide Ltd	88%	3,678	3,222	90%	0.00%	0.48%
Srei Infrastructure Finan	56%	680	384	83%	0.00%	0.75%
SRF Ltd.	89%	980	868	75%	0.41%	0.54%
Strides Arcolab Ltd.	87%	1,216	1,056	76%	0.00%	0.75%
Sterile Industries (I) Ltd	77%	42,060	32,440	77%	0.45%	0.43%
Sterling Biotech Ltd	64%	436	280	43%	-0.11%	0.75%
Sun Pharmaceuticals Indie	68%	4,448	3,033	77%	0.55%	-0.91%
Sun TV Network Ltd.	75%	354	266	64%	0.00%	0.75%
Suzlon Energy Ltd.	71%	65,874	47,040	72%	-0.95%	0.50%
Syndicate Bank	91%	1,590	1,450	56%	-0.07%	-1.06%
Tata Chemicals Ltd	73%	1,232	896	61%	0.13%	0.83%
Tata Communication	75%	2,992	2,230	79%	0.70%	-0.09%
Tata Motors Ltd.	75%	25,920	19,364	78%	-2.74%	-1.43%
Tata Power Co. Ltd.	61%	5,672	3,454	70%	0.77%	-0.05%
Tata Steel Ltd.	66%	49,656	32,820	79%	-0.48%	-0.91%
Tata Tea Ltd.	84%	1,832	1,544	57%	0.88%	0.80%
Tata Consultancy Service	87%	23,522	13,372	81%	-0.05%	0.31%
Tech Mahindra Limited	85%	2,556	2,160	77%	-0.21%	0.75%
Thermax Ltd	0%	12	-	0%	0.00%	0.00%
Titan Industries Ltd.	82%	514	420	80%	-0.12%	0.32%
Torrent Power Ltd	86%	214	184	44%	0.00%	0.75%
Triveni Engg. & Inds. Ltd.	77%	1,608	1,240	78%	0.00%	0.75%
Tata Teleserv(Maharastra)	79%	2,632	2,090	71%	0.49%	0.78%
Tulip IT Services Ltd	71%	56	40	43%	6.33%	-1.49%
Tv18 India Limited	76%	812	616	85%	0.00%	0.96%
TVS Motor Company Ltd.	71%	808	572	83%	0.00%	0.92%
Uco Bank	89%	540	480	75%	-1.22%	0.49%
Ultratech Cement Ltd.	99%	1,976	1,954	76%	0.00%	0.60%
Union Bank of India	41%	629	255	62%	0.60%	0.53%
United Phosphorous Ltd	95%	730	694	45%	0.00%	0.50%
Unitech Ltd	69%	84,460	58,270	53%	-0.56%	0.46%
Utv Soft. Comm. Ltd.	0%	148	-	47%	0.00%	
Vijaya Bank	88%	2,514	2,216	80%	-1.58%	0.75%
Voltas Ltd.	83%	2,388	1,986	72%	0.00%	0.59%
Welspun Guj St. Ro. Ltd.	70%	11,848	8,268	87%	0.10%	0.82%
Wipro Ltd.	70%	10,506	7,392	76%	0.72%	-0.18%
Wockhardt Ltd.	85%	1,760	1,492	71%	-1.02%	0.65%
Yes Bank Limited	83%	2,052	1,704	73%	0.70%	0.81%
Zee Entertainment Enterpr	66%	2,152	1,416	79%	-0.43%	0.71%
Bajaj Auto Ltd.	39%	256	100	31%	0.00%	-0.39%
Cummins India Ltd	33%	144	48	67%	0.00%	0.75%
Bombay Rayon Fashions I	33%	976	320	44%	-0.09%	0.15%
Balaji Telefilms Limited.	26%	476	124	64%	-4.11%	0.75%
HAVELLS INDIA LIMITED	25%	24	6	53%	-2.92%	-0.07%
Peninsula Land Limited	22%	108	24	57%	0.00%	-0.14%
Mahindra Lifespace Devel	18%	44	8	59%	0.00%	0.75%
Bajaj Holding	17%	24	4	0%	0.00%	0.75%
ABG Shipping	0%	180	-	80%	0.00%	0.00%
Container Corp Of Ind Ltd	0%	4	-	0%	0.00%	-6.65%
KSK	0%	8	-	4%	-0.37%	0.75%
Monnet Ispat Ltd	0%	12	-	57%	0.00%	-20.77%
Mrf Ltd	0%	2	-	33%	0.00%	-27.35%
Thermax Ltd	0%	76	-	33%	0.00%	-30.55%
Voltamp Transformers Ltd	0%	12	-	0%	0.00%	0.00%

\*Rollover Cost: Cost of rolling over the near month future to the next month

Sorted on Descending order of Mid/Total OI

Open interest in contracts

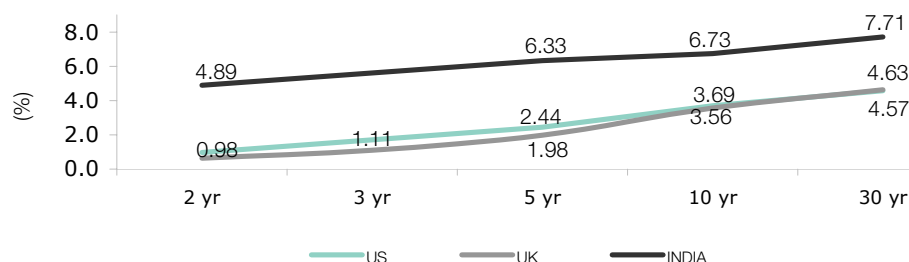
# BOND VECTOR

May 28, 2009

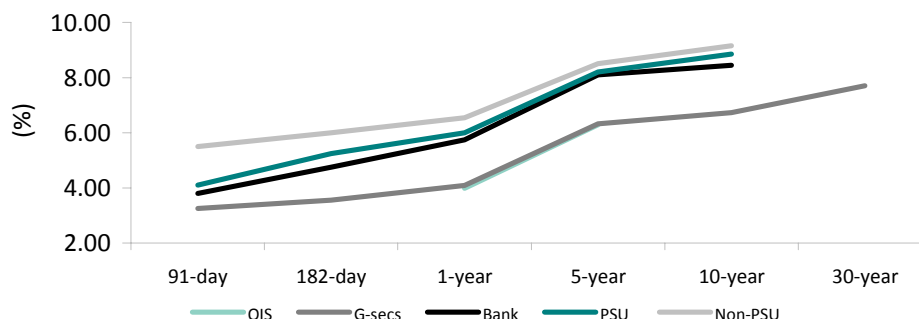
## Auction cut-offs and devolvement sustain investor pessimism; 10-yr up 11bps

- The 10-year benchmark paper soared 11bps today to close at 6.73% (highest since April 13). Investor pessimism seemed well ingrained in the government bond market as yields trailed consistently higher for most of the day; the curve drifted up by 5-10bps. Total volumes on the NDS-OM platform stood at INR 63.95 bn.
- The INR 150 bn auction turned a catalyst for the ongoing bearishness, reporting cut-offs worse than expectations along with the devolvement in the longer dated securities. The 7.59% GoI 2016 bond was the most liquid counter, auctioned today at a cut-off yield 10bps below (at 6.94%) market expectations.
- Liquidity in the system remained plush with excess cash under the RBI's reverse repo holding at INR 1.33 tn. Total volumes in the overnight money market were marginally held back from the INR 1 tn mark (at INR 969 bn) at a weighted average return of 2.84%.
- The INR 150 bn auction concluded with this financial year's maiden devolvement – INR 3.71 bn of the 26-year bond (7.40% GoI 2035) bought by primary dealers. Cut-off yields for all securities, barring the 7-year paper, were issued at much higher (4-5bps) yields than market expectations.
- Annual Wholesale Price Index (WPI) for the week-ended May 16 rose 0.1%, reporting a Y-o-Y inflation of 0.61%. Prices of tea (up 10%), select pulses (up 1% each), aviation turbine fuel and furnace oil (up 2% each) held an upside on wholesale prices; the annual inflation unchanged from the previous week.
- Yields on the PSU 5 and 10-year corporate papers rose 10bps each, while select participants were also seen selling 2-year papers. RPL continued to take recourse to CPs, raising another INR 3.50 bn at 4.25% (up 15bps) in the 3-month segment.

## Yield curve—India and developed markets



## Yield curve—Domestic markets



Source: RBI, NSE and Edelweiss Fixed Income research

### Rahul Chokshi

+91-22-6620 3019

rahul.chokshi@edelcap.com

### Varda Pandey

+91-22-6620 3072

varda.pandey@edelcap.com

	Yield Curve		
	27-May	28-May	Change*
<b>Govt. Bonds</b>			
6.07% 2014	6.26%	6.33%	7
7.59% 2016	6.96%	6.94%	-2
6.05% 2019	6.62%	6.73%	11
6.35% 2020	6.88%	6.93%	5
<b>C D</b>			
1 mth	2.80%	2.90%	10
3 mth	3.80%	3.80%	0
1 yr	5.50%	5.75%	25
<b>Corp. Bond</b>			
5 yrs	8.05%	8.15%	10
10 yrs	8.77%	8.85%	8
<b>C P</b>			
3 mth	5.35%	5.35%	0
6 mth	5.85%	5.85%	0
12 mth	6.50%	6.50%	0

\* Changes are in basis point

Money Market	WAR 28-May	Volume (INR bn)
CBLO	2.79%	618.46
Call	3.22%	96.59
Repo	2.83%	254.89

LAF	Bids Accepted Am t. (INR bn)	Number
Reverse repo (3.25%)	1,329.60	44
Repo (4.75%)	0.00	0



Events & Updates	Expected	Actual	Previous
25-May Redemption flows	-	INR 12.39 bn	-
26-May Industrial New Orders SA (MoM) EZ March	0.80%	-0.8%	-0.60%
SDL Auction INR 45 bn	-	7.44-7.53%	-
28-May Interest payment flows		INR 3.80 bn	
Annual Inflation for week ended May 9	-	-	0.61%
7.59% GoI 2016 - INR 60 bn	-	6.95%	-
7.94% GoI 2021 - INR 30 bn	-	7.34%	-
8.24% GoI 2027 - INR 30 bn	-	7.70%	-
7.40% GoI 2035 - INR 30 bn	-	7.89%	-
Euro-Zone Consumer Confidence, May	-31.00	-31.00	-31.00
29-May Interest payment flows	-	INR 26.565 bn	-
Redemption flows	-	INR 70 bn	-
GDP QoQ (Annualized) 4Q FY09	5.20%	-	5.30%
GDP QoQ (Annualized) US 1Q	-5.50%	-	-6.10%
Personal Consumption US 1Q	2.00%	-	2.20%

Participant	Date	Net Flow*	Month till date
FII	22-May	(0.49)	-
	25-May	0.27	(0.67)
Mutual Funds	26-May	(6.96)	-
	27-May	(4.79)	97.75

\*Flows in Debt segment

(INR bn)

Corporate bond spread (bps)			
Tenor	AAA	AA+	AA
1 yr	162	266	284
5 yrs	172	214	232
10 yrs	201	255	273

\*AA+ and AA spread as per Bloomberg pricing

Market activity in corporate debt		
	27-May	28-May
CD Primary	0.00	0.00
CD Secondary	5.00	2.00
CP Total	1.75	3.50
Corporate Bonds	13.80	14.15
Total	20.55	19.65

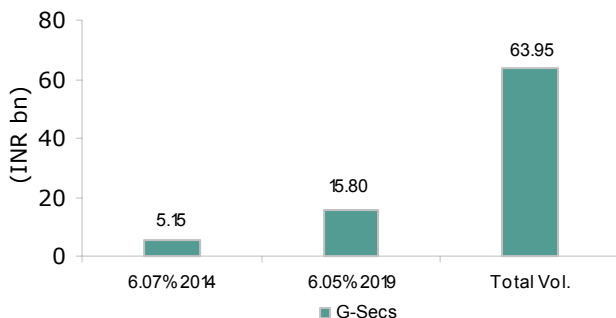
\*CD - Certificate of Deposits, \*CP - Commercial Papers

Cash Reserve Ratio (5.0%)	
For fortnight ended	5-Jun
Actual CRR maintained *	
24-May	100%
25-May	98%

\* For Scheduled Commercial Banks

Source: Edelweiss research

## G-Sec Volumes



Others	27-May	28-May
Crude (USD/Barrel)	62.82	63.74
INR/USD	47.695	47.62
JPY/USD	95.22	96.9
USD/EUR	1.3905	1.3855
Sensex	14109.64	14296.01
Nifty	4276.05	4337.1
MIBOR (o/n)	3.26%	3.26%
LIBOR (1mth)	0.32%	0.45%

\* Figures are as on 17:30 hrs IST

Source: CCIL, Bloomberg and Edelweiss Fixed Income research

## RESULT UPDATE

### Steel Authority of India L td. (SAIL IN, INR 164, REDUCE)

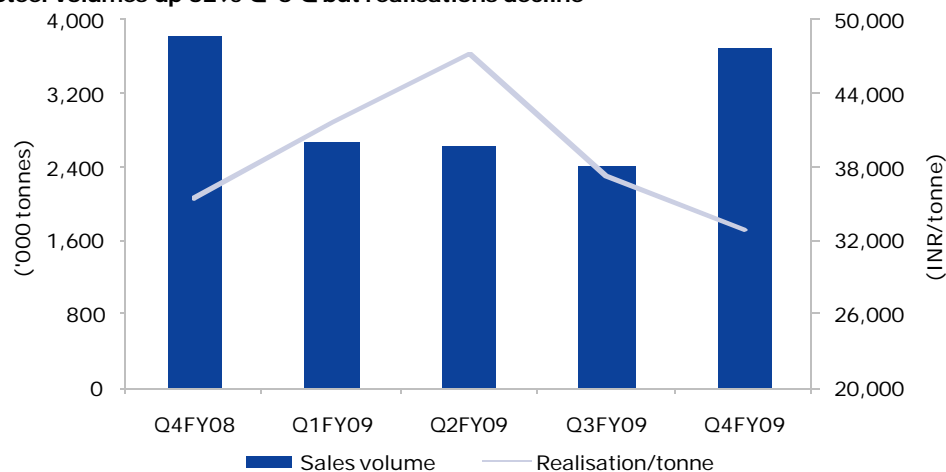
SAIL's Q4FY09 results were slightly ahead of our estimates and were much higher than the street estimates. SAIL reported PAT of INR 14.8bn (up 76.3% Q-o-Q) vis-à-vis our estimate of INR 13bn and consensus estimate of ~INR 8bn.

The steel costs per tonne have gone down by INR 5,360/tonne Q-o-Q. Our channel checks had indicated that SAIL had contracted coking coal for Q4FY09 at ~USD 190/tonne and this could be a possible reason for lower costs (we hope to have colour on this in the conference call tomorrow). However, the 23% Q-o-Q decline in staff costs was a surprise to us. The company registered a sales volume of ~3.7 mn tonne which was in line with our estimate of 3.8 mn tonne; However, we believe that the consensus volume estimate was on a lower side.

#### Key points:

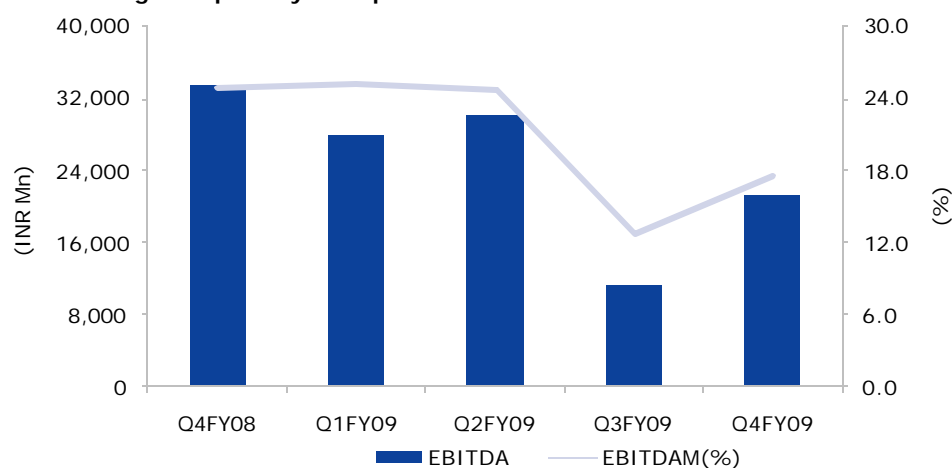
- Net revenues at INR 12.1bn were higher by 35% Q-o-Q mainly due to higher sales volume (at 3.7 mn tonnes, up 53% Q-o-Q) on account of revival in demand during the quarter. Blended realization per tonne was down by 11.6% Q-o-Q at INR 32855/tonne on account of the correction in steel prices during the quarter.
- EBITDAM for the quarter at 17.5% went up by 484 bps sequentially on account of significant savings in costs. EBITDA/tonne rose sharply by 22% Q-o-Q. On the costs front, the sharp decline in staff costs, raw material and other expenses was the surprise. Staff costs have come down by 23.4% Q-o-Q. Raw material cost per tonne has come down by 26.5% sequentially. Interest cost was down by 62% Q-o-Q.
- PAT at INR 14.8bn was up by 76% Q-o-Q but down by 37% on a Y-o-Y basis.
- Owing to improvement in domestic market conditions, domestic sales during Q4 bounced back – 53% higher as compared to Q3FY09, leading to significant reduction in stocks. Overall inventory of semis and finished steel and raw materials was brought down by INR 28bn during the quarter.

#### Steel volumes up 52% Q-o-Q but realisations decline

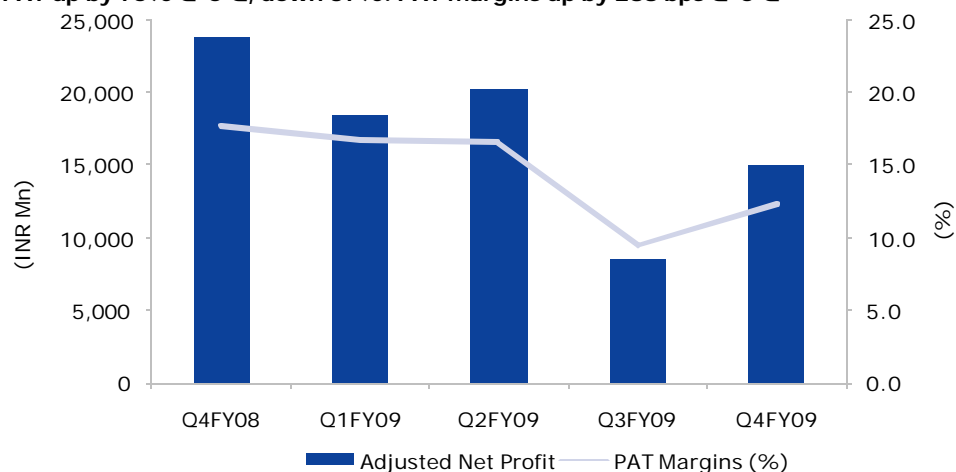


- As a cost saving effort, share of costlier imported coking coal in the blend was reduced by 5% and same was replaced with cheaper indigenous coking coal. All these measures resulted in savings of over INR 7.5bn during the quarter.
- There was an overall reduction of over 7,500 in the company's manpower strength during 2008-09 after accounting for around 1,300 fresh additions to improve skill and age-mix. This brought down SAIL's manpower further to 1,21,295 as on 31st March 2009. SAIL has stated that it is likely to continue this in the current year as well. The company has made full provision to the tune of over INR 50bn on account of wage revisions which are due with effect from 1<sup>st</sup> January'07, in its financial accounts for FY08 and FY09.

#### EBITDA margins expand by 484 bps Q-o-Q



#### PAT up by 76% Q-o-Q, down 37%. PAT margins up by 288 bps Q-o-Q



(INR/tonne)	Q4FY09	Q4FY08	Change (%)	Q3FY09	Change (%)
Production vol. (mn tonne)	3.5	3.4	1.2	3.0	15.2
Sales vol. (mn tonne)	3.7	3.8	-3.4	2.4	52.9
Realisation	32855	35468	-7.4	37169	-11.6
EBITDA per tonne	5749	8799	-34.7	4703	22.2

**Financials snapshot (standalone)**
**(INR mn)**

<b>Year to March</b>	<b>Q4FY09</b>	<b>Q4FY08</b>	<b>% change</b>	<b>Q3FY09</b>	<b>% change</b>	<b>FY09E</b>	<b>FY10E</b>	<b>FY11E</b>
Total net revenues	120,578	134,779	(10.5)	89,206	35.2	442,465	340,410	353,311
Dec/(inc) in stock	13,843	10,036	37.9	(19,924)	(169.5)	(19,345)	(3,393)	0
Raw material	49,798	34,238	45.4	58,805	(15.3)	187,814	143,486	127,731
Staff costs	13,369	32,701	(59.1)	17,459	(23.4)	84,015	80,303	82,433
Stores & spares	7,153	7,603	(5.9)	6,647	7.6	30,211	31,721	30,742
Power & fuel	7,648	7,498	2.0	7,128	7.3	31,146	30,212	30,783
Other expenses	7,670	9,245	(17.0)	7,786	(1.5)	38,388	36,469	36,742
Total expenditure	99,481	101,342	(1.8)	77,920	27.7	352,230	318,798	308,432
EBITDA	21,097	33,437	(36.9)	11,287	86.9	90,235	21,611	44,880
Exceptional items	160	3,133		0		0	0	0
Interest	412	522	(21.1)	1,078	(61.8)	2,532	2,532	4,532
Depreciation	3,298	3,171	4.0	3,194	3.3	12,851	12,851	14,876
Other income	5,323	3,774	41.1	5,550	(4.1)	19,023	12,302	8,723
PBT	22,871	36,650	(37.6)	12,566	82.0	93,874	18,530	34,194
Tax	8,004	12,883	(37.9)	4,132	93.7	32,286	6,353	11,723
Adjusted net profit	14,867	23,768	(37.4)	8,433	76.3	61,588	12,177	22,471
Reported net profit	14,867	23,768	(37.4)	8,433	76.3	61,588	12,177	22,471
Equity capital (FV INR 10)	41,304	41,304		41,304		41,304	41,304	41,304
# of shares (mn)	4,130	4,130		4,130		4,130	4,130	4,130
EPS (INR)	3.6	5.8	(37.4)	2.0	76.3	14.9	2.9	5.4

**as % of net revenues**

Raw material	52.8	32.9		43.6		38.1	41.2	36.2
Staff costs	11.1	35.7		15.8		19.0	23.6	23.3
Stores & spares	5.9	8.3		6.0		6.8	9.3	8.7
Power & fuel	6.3	5.6		8.0		7.0	8.9	8.7
Other expenses	6.4	6.9		8.7		8.7	10.7	10.4
EBITDA	17.5	24.8		12.7		20.4	6.3	12.7
Adjusted net profit	12.3	17.6		9.5		13.9	3.6	6.4
Tax rate	35.0	35.2		32.9		34.4	34.3	34.3

The concall is scheduled for tomorrow at 10 am. The dial-in numbers is 6629 0101. Our FY10 and FY11 estimates are likely to get revised. We shall come out with a detailed note post the concall.

## Cummins India (KKCIN, INR 262, ACCUMULATE)

### Revenue growth at 30%, driven by strong exports in FY09

Cummins India's (KKC) standalone FY09 results were broadly in line our expectations. However, driven by strong performance of the subsidiaries and JV companies, consolidated numbers were ahead of our estimates both in terms of revenue and profitability. Standalone numbers of the current year represent numbers of the amalgamated entity (post amalgamation of Cummins Sales and Service, CSS, and Cummins Auto Services, CASL) and, hence, are not comparable Y-o-Y. Adjusted for numbers of CSS and CASL, revenues for FY09 grew 22.8% Y-o-Y, to INR 28.6 bn, led by robust exports during the year that grew ~80% Y-o-Y, to INR 13 bn. Domestic sales, however, declined ~3% Yo-Y, to INR 15.6 bn, on account of demand slowdown in the end-user segments such as construction and auto.

Consolidated EBITDA grew 25% Y-o-Y, to INR 6 bn. Consolidated EBITDA margin for the year declined marginally by 70bps Y-o-Y, to 16.7%. In the current year, KKC reported exceptional income of INR 192 mn on sale of the power genset rental business. Excluding the same, PAT margins stood at 11.8%, which is flat Y-o-Y. Consolidated adjusted PAT grew 31.1% Y-o-Y, to INR 4.5 bn. Higher PAT growth (compared with EBITDA growth) was on account of lower tax provisioning in the current year. Effective tax rate, at 28.1%, was lower ~200bps Y-o-Y.

### Margin improvement in engine and other segments

While the engine business (88% of total revenues) grew 15.5% Yo-Y, other businesses (primarily spare parts and services) reported higher growth of 92.8% Y-o-Y. Operating (EBIT) margin improved in both the segments. Margins for the engine segment increased 60bps, to 14.7%, while in other business they were higher 980bps, at 23.1%.

### Outlook and valuations: Rich valuations; maintain 'ACCUMULATE'

The management has guided for a sharp decline in export sales in FY10, as it believes most of the developed countries are still under stress, which would lead to lower outsourcing by Cummins Inc. However, it believes the improving domestic environment, together with better expected infrastructure spending (with a stable central government), could drive growth in the domestic business. Further, margin and working capital pressures are likely to ease out in FY10E with decline in commodity prices and improving liquidity situation in the country. We believe, KKC has a robust business model, backed by a strong product profile. However, decline in exports (~50% of revenues in Q4FY09) is likely to offset growth in the domestic business. Hence, revenue growth is likely to be meager in FY10E. On our consolidated EPS estimates of INR 17.8 and INR 20.0, the stock is trading at a P/E of 14.7x and 13.1x for FY10E and FY11E, respectively. We continue to maintain our '**ACCUMULATE**' recommendation on the stock.

**Financial snapshot: Standalone**
**(INR mn)**

Year to March	Q409	Q408	% change	Q309	% change	FY09	FY10E	FY11E
Revenues	10,714	6,700	59.9	7,709	39.0	35,986	32,158	34,681
Raw material	7,035	4,875	44.3	4,770	47.5	23,741	21,146	22,965
Staff costs	816	393	107.5	498	63.8	2,301	2,552	2,523
Other operating expenses	1,043	695	50.0	823	26.7	3,948	3,736	4,189
Total expenditure	8,893	5,964	49.1	6,091	46.0	29,990	27,434	29,677
EBITDA	1,821	736	147.3	1,619	12.5	5,995	4,724	5,003
Interest	19	4	361.0	0	9,350.0	34	31	11
Depreciation	147	90	63.5	110	34.0	482	562	552
Other income	8	464	(98.3)	128	(94.0)	519	1,162	1,362
PBT	1,663	1,106	50.3	1,637	1.6	5,999	5,294	5,802
Tax	481	350	37.4	495	(2.9)	1,738	1,760	1,850
Adjusted net profit	1,182	756	56.3	1,141	3.5	4,261	3,533	3,952
Net profit	1,183	757	56.2	1,141	3.6	4,453	3,533	3,952
Profit after minority interest	1,183	757	56.2	1,141	3.6	4,453	3,533	3,952
Equity capital (FV INR 2)	396	396		396		396	396	396
No. of shares (mn)	198	198		198		198	198	198
EPS (INR)	6.0	3.8	56.2	5.8	3.6	21.5	17.8	20.0
P/E (x)						12.2	14.7	13.1
EV/EBITDA (x)						7.8	9.4	8.7
Market cap / Revenues (x)						1.4	1.6	1.5

**as % of net revenues**

Raw material	65.7	72.8		61.9		66.0	65.8	66.2
Staff expenses	7.6	5.9		6.5		6.4	7.9	7.3
Other operating expenses	9.7	10.4		10.7		11.0	11.6	12.1
EBITDA	17.0	11.0		21.0		16.7	14.7	14.4
Net profit	11.0	11.3		14.8		12.4	11.0	11.4

*Note: Full year numbers are on a consolidated basis*

## Tata Power (TPWR IN, INR 1,102, ACCUMULATE)

Tata Power declared its FY09 results today.

Key highlights of the results are as follows:

### Financial performance

- Reported PAT stood at INR 9,675 mn. This includes a forex gain of INR 1,443 mn and INR 2,558 mn gain from sale of TTSL stake to DoCoMo.
- **Adjusting for these exceptional items, PAT stood at INR 5,473 mn vis-à-vis our estimate of INR 6,168 mn.**
- Key reason for the deviation in the actual number from our estimate is higher interest cost for bridge loan taken for equity capex in its SPVs.

### Business performance

- The company has commissioned 420.5 MW in FY09 (250 MW of Trombay-8 unit, 90 MW of Haldia and 80.5 MW of wind based capacity).
- The company has commissioned 120 MW of captive power plant for Tata Steel in May 2009.
- Sales in Mumbai license area stood at 11.02 bn units in FY09 v/s 11.86 bn in FY08. Sales outside license area stood at 3.11 bn units in FY09 v/s 3.23 bn units in FY08.
- Production in Mumbai license area stood at 10.94 bn units v/s 11.49 bn units in FY08. The drop in production was due to planned outages at unit 5 and 6 of Trombay unit.

### Key takeaways from the conference call

- **Project updates**
  - **Mundra UMPP** - 23% of the work is already complete. The company has spent a total of INR 26.8 bn out of which INR 9.5 bn is equity.
  - **Maithon project** - 525 MW X 2 plant is expected to be commissioned in phases with Unit 1 being commissioned in Oct 10 and Unit 2 in Apr 11. 48% of the total work is complete. A total of INR 9.53 bn has been spent so far out of which INR 3.5 bn is equity. (Tata Power holds 74% stake in this project).
  - **Other capacities** - Plants to be commissioned in FY10 are 30 MW at Haldia in Q1FY10 and 120 MW of captive power plant at Jojobera in Q3FY10.
  - **Mumbai license area** - The company plans to undertake a capex of INR 28 bn in Mumbai license area over next 3-4 years. The company is in talks with lenders for funding the same. In FY10, ~INR 11 bn is expected to be spent in capex. Distribution capex would be ~INR 3 bn/yr for next 3-4 years.
- **Capex**
  - SPVs – SPVs would spend INR 42 bn in FY10. Tata Power's equity requirement is INR 13 bn.
  - For FY11, the capex requirement at the SPVs' level is expected to be similar.
  - The company is looking at all options for meeting its funding requirement.

■ **Bumi**

- USD 252 mn was received from Bumi in CY08 as dividend.
- Outstanding loan at Bumi level is USD 764 mn.
- The company said that the break-even coal price is ~USD 5-10 lower than the current coal prices.

We currently have an '**ACCUMULATE**' rating on the stock.

**We shall release a detailed note later.**



## Financial Snapshot

Year to March	FY08	FY09A	FY10E	FY11E
Total Operating income	59,159	72,362	83,051	92,611
<i>Sale of Electricity</i>	59,159	70,715	83,051	92,611
<i>Other operating income</i>		1,647		
Total Expenses	49,537	61,173	70,727	80,162
Cost of goods sold	42,640	53,453	62,215	70,940
Fuel Cost	37,150	48,135	50,583	59,308
Power purchase	5,490	4,935	11,633	11,633
Material and Component		383		
Gross profit	16,519	18,909	20,835	21,671
Other expenses	6,897	7,720	8,511	9,221
Salaries, wages, other payments	2,497	2,919	3,519	3,699
Other expense	4,400	4,801	4,993	5,523
EBITDA	9,622	11,190	12,324	12,450
Other income	4,658	6,323	2,121	2,432
PBDIT	14,281	17,513	14,445	14,882
Depreciation	2,905	3,289	3,585	3,627
Interest	1,676	3,058	2,819	2,769
PBT	9,700	11,167	8,040	8,485
Tax(including deferred tax)	999	1,945	1,206	1,273
Extraordinary items		-453		
PAT(Reported)	8,700	9,675	6,834	7,212
<b>Adjustments</b>				
Forex fluctuations		(1,192)		
Profit on sale of investments	(3,073)	(2,556)		
Provision for tax				
Incentive				
Others		(453)		
Adj PAT	5,628	5,473	6,834	7,212
Number of shares (mn)	220.7	221.4	221.4	221.4
EPS(INR)	25.5	24.7	30.9	32.6
PE(x)	43.2	44.6	35.7	33.8

## as % of net revenues

COGS	72.1	73.9	74.9	76.6
Other expenses	11.7	10.7	10.2	10.0
Total expenses	83.7	84.5	85.2	86.6
Gross profit	27.9	26.1	25.1	23.4
EBITDA	16.3	15.5	14.8	13.4
Net profit	9.5	7.6	8.2	7.8
Tax rate	10.3	17.4	15.0	15.0

## EVENT UPDATE

### Godrej Consumer (GCPL IN, INR 176, ACCUMULATE)

#### Godrej Consumer board approves acquisition of 49% stake in Godrej Sara Lee Limited

Godrej Consumer board yesterday approved acquisition of 49% stake in Godrej Sara Lee Limited. Godrej Sara Lee (GSL) is 49:51 unlisted joint venture between Godrej group and Sara Lee Corporation, USA. GSL has market leadership in Household, insecticides, aircare and haircream in India with popular brands such as *Goodknight*, *JET*, *Hit*, *AmbiPur*, *Brylcream*, and *KIWI*. GCPL shall hold 49% stake in GSL post merger, helping it in consolidating its FMCG business. GSL had a sale of INR 7.5 bn with an EBITDA of INR 1.3 bn for FY09. The merger shall help GCPL to strengthen its position in FMCG market and also providing it with distribution, scale, and sourcing benefits. The merger provides GCPL multiple product portfolio across categories aiding better reach and trade terms for many of its brands.

Under merger proposal, GCPL shall issue 10 shares to the shareholder of the Godrej ConsumerBiz private Ltd. (GCBPL) and Godrej Hygiene care private limited (GHCPL) (100% subsidiary of Godrej Boyce manufacturing company and Godrej industries limited holding 29% and 20% stake of GSL, respectively) each for every 11 shares held by them.

#### GCPL dilution at 10:11 swap

Company	Share capital (mn)	Share swap at 10:11 (mn)	% dilution
GCPL	257.0		
GCBPL	33.3	30.3	11.8
GHCPL	23.0	20.9	8.1
Total		51.2	19.9

#### Post merger

GCPL	308.2
------	-------

Based on the 10:11 share swap, GCPL shall issue 51.2 mn new shares to the share holders of GHCPL and GCBPL which is nearly 20% dilution of GCPL's current share capital. Post merger promoter group holding in GCPL shall increase from 69.73% to 74.77%, largely owing to higher indirect promoter stakes in GCBPL and GHCPL. The appointed date of merger shall be June 1 and merger will be subject to the approval of shareholders, Bombay High court and any other regulatory authorities.

#### Valuations

As per figures reported by the company, GSL had an EBITDA (including interest and other income) of INR 1.34 bn with EBITDA margin of 17.7% while GCPL had reported EBITDA of INR 2.47 bn with margin of 17.5% in FY09 and hence they compare well with each other. The implied P/E multiple for GSL is about 17x and its price/sales ratio stands at 2.4x. We believe the deal being favorable for GCPL's share holder and expect the merger to be ~3-5% accretive to GCPL for FY10E. Post merger synergies and diverse product portfolio is likely to command higher multiple for consolidated FMCG business of GCPL. At CMP of 176, GCPL (premerger) trades at P/E of 20.7x and 18.0x and EV/EBITDA of 15.0x and 12.8x on our FY10E and FY11E estimates, respectively.

**EPS accretion based on FY09 numbers**

<b>FY09</b>	<b>GCPL (Pre merger)</b>	<b>GSL</b>	<b>GCPL (Post Merger)</b>
Net sales (INR mn)	13,293.0	7,456.5	16,946.6
EBITDA (INR mn)	2,473.1	1,341.5	3,130.4
PAT (INR mn)	1,732.6	1,044.7	2,244.5
No. of Shares (mn)	257.0		308.2
EPS	6.7		7.3
<b>Change (%)</b>			<b>8.0</b>
P/E	26.0		24.0

**GCPL financials (Pre-merger)**

<b>Year to March</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10E</b>	<b>FY11E</b>
Revenues (INR mn)	11,026	13,930	15,932	18,075
<i>Rev. growth (%)</i>	15.7	26.3	14.4	13.5
EBITDA (INR mn)	2,145	2,037	2,800	3,243
Net profit (INR mn)	1,592	1,732	2,188	2,512
Shares outstanding (mn)	226	257	257	257
Diluted EPS (INR)	7.1	6.7	8.5	9.8
<i>EPS growth (%)</i>	18.7	(4.7)	26.8	14.8
Diluted P/E (x)	24.9	26.2	20.7	18.0
EV/EBITDA (x)	19.2	20.7	15.0	12.8
ROAE (%)	109.6	43.8	33.4	34.5

## PLEDGED SHARES

Company Name	Name of the Entity	Pledged Quantity	Reporting Date	Pledged % of the total capital
Apollo Hospitals Enterprise	PCR Investments	7,699,000	28-May-09	12.78%
Apollo Hospitals Enterprise	Preetha Reddy	1,680,000	28-May-09	2.79%
Apollo Hospitals Enterprise	Suneeta Reddy	1,497,000	28-May-09	2.49%
Apollo Hospitals Enterprise	Shobhana Kamineni	1,079,086	28-May-09	1.79%
Apollo Hospitals Enterprise	Sangita Reddy	930,000	28-May-09	1.54%
Apollo Hospitals Enterprise	Adithya Reddy	30,000	28-May-09	0.05%
Apollo Hospitals Enterprise	Sucharitha Reddy	1,350,000	28-May-09	2.24%
Apollo Hospitals Enterprise	Sindoori Reddy	245,000	28-May-09	0.41%
Walchandnagar Industries	Walchand Kamdhenu Commercials	2,150,000	28-May-09	5.65%
Mukand	Conquest Investment & Finance	Revoked	28-May-09	0.00%
Mukand	Econium Investments & Finance	62,000	28-May-09	0.08%
Mukand	Catalyst Finance	550,000	28-May-09	0.75%
Mukand	Lineage Investments	316,500	28-May-09	0.43%



## INSIDER TRADES & BULK DEALS

### Insider Trades

Company Name	Acquirer/Seller	B/S	Qty Traded	Kind of Deal
Pantaloon Retail (India)	PFH Entertainment	acquired	11,000,000	preferential allotment
Allsec Technologies	First Carlyle Ventures Mauritius	acquired	260,000	
Vision Corporation	Pradeep Nathalal Shah	acquired	245,000	off market
Kirloskar Oil Engines	Better Value Holdings	acquired	190,300	
Can Fin Homes	Canara Bank	acquired	99,035	
ETC Networks	Reliance Capital Asset Management	acquired	50,000	
Vertex Spinning	Sachin Sharma	sold	5,915,500	
Indowind Energy	ABN AMRO Bank	sold	1,500,000	
Shree Renuka Sugars	Narendra Murkumbi	sold	600,000	
Nippo Batteries	Daiwa Securities SMBC	sold	27,209	

## Bulk Deals

Date	Company Name	Acquirer/Seller	B/S	Qty Traded	Price
28-May-09	A.K.Capital Services	Firststrand (Ireland) Public Limited Company	Sell	35,000	206.0
28-May-09	Alok Industries	Citigroup Global Markets	Sell	2,380,000	24.4
28-May-09	Anu's Laboratories	Nagesh Sayaji Rao Walimbe	Sell	1,007,510	31.0
28-May-09	Anu's Laboratories	Struzzo Capital Services	Sell	3,024,000	31.0
28-May-09	Avantel Softech	Avantel	Buy	160,000	50.0
28-May-09	Avantel Softech	Rao D M	Sell	47,500	50.0
28-May-09	Bafna Spinning Mills & Exports	Vinodpukhrajain	Sell	550,000	2.1
28-May-09	Camson Bio Technologies	Abhijat Deepak Holding	Buy	100,000	40.9
28-May-09	Camson Bio Technologies	Grand Slam Investment	Sell	50,000	40.9
28-May-09	Camson Bio Technologies	Prashant Desai	Sell	76,575	40.9
28-May-09	Cat Technologies	Basmati Securities	Buy	525,707	5.7
28-May-09	Cat Technologies	Jmp Securities	Sell	314,101	5.7
28-May-09	Champagne Indage	Reliance Capital	Buy	916,000	83.9
28-May-09	Champagne Indage	Sonata Investments	Sell	820,000	84.0
28-May-09	Champagne Indage	Arisaig Partners (Asia) Pte	Sell	477,066	85.1
28-May-09	High Energy Batteries (India)	Sheela Vimal Jain	Buy	13,536	113.0
28-May-09	High Energy Batteries (India)	Prakash mohanlal modi	Sell	13,500	113.0
28-May-09	Jumbo Bag	Krupal Vikrambhai Patel	Sell	35,458	30.4
28-May-09	Jupiter Bioscience	Abn Amro Bank	Sell	142,000	72.5
28-May-09	Jupiter Bioscience	Hsbc Bank (Mauritius)	Sell	142,014	72.8
28-May-09	K S Oils	Bnp Paribas Arbitrage	Buy	2,000,000	54.3
28-May-09	K S Oils	Citigroup Venture Capital Intl Growth Partnership	Sell	8,000,000	54.3
28-May-09	K Sera Sera Productions	Basmati Securities	Buy	702,549	13.6
28-May-09	K Sera Sera Productions	Jmp Securities	Sell	349,358	13.3
28-May-09	Kamanwala Housing & Construction	Mohankarnani	Sell	75,600	32.3
28-May-09	Northgate Technologies	Merrill Lynch Capital Market Espana	Sell	1,000,000	42.2
28-May-09	PG Foils	Manoj Dua	Buy	40,000	25.4
28-May-09	PG Foils	Prem Cables	Sell	200,000	24.9
28-May-09	Pondy Oxides & Chemicals	Vsb Investments	Sell	83,000	15.1
28-May-09	Pyramid Saimira Theatre	Copthall Mauritius Investment	Sell	195,000	25.7
28-May-09	Roselabs	Ayushshivkumaragrawal	Sell	150499	10.0
28-May-09	Supertex Industries	Hemal Ketan Shah	Buy	58025	45.8

## TECHNICAL UPDATES

### Edelweiss Technical Reflection (ETR)

The Nifty opened on a positive note and continued its upmove which it started in previous trading session. After the initial upmove, it consolidated in range of 4320-4350 and closed above the resistance level of 4320. Overall market breadth was not so impressive and hovered around 1.25:1. Since this was an expiry day, we also witnessed increased intraday volatility. In the process Nifty managed to close above 50% Fibonacci retracement level of the entire correction.

Since the index has broken the trading range on the upside we expect it to inch higher from this level. The immediate support now would shift to 4250 while the upside resistance would be placed at 4400. In medium term we expect Nifty to inch higher to level of 4550 -4700 from current levels. It is also likely that this upside would be just before a correction of a larger degree in the index.

Oscillators on daily chart have all moved into buy mode. Daily Stochastic, RSI and MACD all three have moved in buy mode. ADX continues to indicate towards trend exhaustion, but the trend remains intact while momentum remains firm

#### Nifty

**Resistance:** 4376 /4415

**Support :** 4295 /4250

#### Bank Nifty

**Resistance:** 7336 / 7433

**Support :** 7061 / 6883



### Nifty Index

Bloomberg Code	NIFTY Index	Indicator	Outlook	Points*
Spot Price	4337	Candlestick	Positive	1
Resistance 1	4376	Stochastic	Positive	1
Resistance 2	4415	Moving Avg	Negative	(1)
Support 1	4295	RSI	Neutral	0
Support 2	4250	ADX	Neutral	0
		MACD	Neutral	0
		<b>Aggregate</b>	<b>Positive</b>	<b>1</b>

\* Points Range:- 1 to 1

## EYE CATCHERS

### Futures Snapshot

#### Top OI Rises

Scrip	% OI Chg	OI	% Price Chg	% Future Vol Chg
United Phosphorus	210	972	(0.5)	402
Gitanjal Gems Ltd	38	652	1.9	286
Syndicate Bank	33	2,755	4.9	39
Gateway Distriparks	27	1,220	(4.2)	323
TVS Motors	24	1,687	3.9	205
K S Oils Limited	19	10,555	(0.7)	98
GTL Infra	18	16,209	6.3	90
Indian Bank	16	733	2.1	7

#### Top OI Falls

Scrip	% OI Chg	OI	% Price Chg	% Future Vol Chg
Corporation Bank	(74)	11	(3.5)	(47)
Amtek Auto	(73)	139	(0.6)	91
Peninsula Land	(71)	33		(36)

#### Top % Delivery with Price Rise

Scrip	Delivery	% Price change	Volume	Delivery (D-1)
GlaxoSmithKline Pharmaceuticals Ltd	94.5	0.54	129,320	94.8
Ultra Tech Cement Ltd	87.7	0.29	128,099	68.8
HTMT Global Solutions Ltd.	84.3	3.22	5,729	78.6
Kesoram Industries Ltd	79.2	1.88	296,715	53.4
AIA Engineering Limited	70.8	1.41	300,655	57.8
HDFC Bank Ltd	70.2	2.19	3,877,068	70.0

#### Top % Delivery with Price Fall

Scrip	Delivery	% Price change	Volume	Delivery (D-1)
Indian Oil Corp Ltd	83.5	(0.93)	1,207,643	73.6
Crompton Greaves Ltd	79.6	(1.84)	854,635	56.7
Cummins India Ltd	78.8	(0.17)	516,042	73.1
Motor Industries Co Ltd	75.5	(0.20)	1,956	85.0
ITC Ltd	74.8	(0.11)	13,057,798	70.1
United Phosphorus Ltd	73.6	(0.52)	2,678,693	79.2
CORE PROJECTS AND TECHNOLOGIES L	73.0	(3.28)	1,284,046	55.1



Naresh Kothari	Co-Head	Institutional Equities	<a href="mailto:naresh.kothari@edelcap.com">naresh.kothari@edelcap.com</a>	+91 22 6620 3030
Vikas Khemani	Co-Head	Institutional Equities	<a href="mailto:vikas.khemani@edelcap.com">vikas.khemani@edelcap.com</a>	+91 22 6623 3311
Nischal Maheshwari	Head	Research	<a href="mailto:nischal.maheshwari@edelcap.com">nischal.maheshwari@edelcap.com</a>	+91 22 6623 3411

Edelweiss  
ideas create, values protect

Access the entire repository of Edelweiss Research on [www.edelresearch.com](http://www.edelresearch.com)

This document has been prepared by Edelweiss Securities Limited (Edelweiss). Edelweiss and its holding company and associate companies are a full service, integrated investment banking, portfolio management and brokerage group. Our research analysts and sales persons provide important input into our investment banking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Edelweiss or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as advisor or lender/borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Edelweiss and affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Edelweiss reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Edelweiss is under no obligation to update or keep the information current. Nevertheless, Edelweiss is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Edelweiss nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. Edelweiss Securities Limited generally prohibits its analysts, persons reporting to analysts and their family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Copyright 2009 Edelweiss Research (Edelweiss Securities Ltd). All rights reserved