

**June 8, 2006**
**FOR PRIVATE CIRCULATION**
**Equity**

	7 Jun 06	% Chg		
		1 Day	1 Mth	3 Mths
<b>Indian Indices</b>				
Sensex	9,757	(2.0)	(21.1)	(9.0)
Nifty	2,860	(2.6)	(21.9)	(10.1)
Banking	4,610	(2.6)	(18.2)	(11.8)
IT	2,290	(1.5)	(18.1)	(8.9)
Healthcare	3,054	(4.2)	(25.2)	(16.3)
FMCG	1,741	(1.7)	(25.5)	(14.9)
PSU	4,686	(5.6)	(26.3)	(19.6)
CNX Midcap	3,796	(6.3)	(27.7)	(18.3)
<b>World indices</b>				
Nasdaq	2,152	(0.5)	(8.2)	(5.1)
Nikkei	15,096	(1.9)	(14.7)	(5.6)
Hangseng	15,817	(1.0)	(9.9)	0.7

**Value traded (Rs cr)**

	7 Jun 06	% Chg - 1 Day
Cash BSE	3,174	9.4
Cash NSE	7,768	17.0
Derivatives	25,341.6	(3.1)

**Net inflows (Rs cr)**

	6 Jun 06	% Chg	MTD	YTD
FII	84.8	(85.1)	(7,233)	11,077
Mutual Fund (257.7)	38.3		7,234	13,234

**FII open interest (Rs cr)**

	6 Jun 06	% Chg
FII Index Futures	8,966	(3.4)
FII Index Options	1,969	(1.0)
FII Stock Futures	10,973	(2.8)
FII Stock Options	90	2.1

**Advances/Declines (BSE)**

	7 Jun 06	A	B1	B2	Total	% Total
Advances	10	18	42	70	6	
Declines	199	542	443	1184	94	
Unchanged	1	1	6	8	1	

**Commodity**

	7 Jun 06	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	70.8	(2.3)	0.9	15.0
Gold (US\$/OZ)	626.5	(0.7)	(7.9)	15.0
Silver (US\$/OZ)	11.9	(0.1)	(14.8)	21.1

**Debt/forex market**

	7 Jun 06	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.67	7.65	7.39	7.39
Re/US\$	45.97	45.93	44.83	44.36

**Sensex**


Source: Bloomberg

**ECONOMY NEWS**

- Oil companies will now have complete autonomy to revise prices of all four products, including cooking fuels - kerosene and LPG - apart from petrol and diesel, in line with the new pricing regime introduced by the government. (ET)
- The finance ministry has virtually ruled out bringing farm income under the tax net, even though it is among 162 income-tax exemptions on which comments from the public are invited for their withdrawal. (ET)
- The government is considering a hike in the abatement rate applied under the new system of MRP-based excise duty on automobile parts sold in the retail market. (BS)

**CORPORATE NEWS**

- **Tata Tea** is close to acquiring a South African tea company for an undisclosed sum. Informed sources said the Rs 30-bn company is likely to finalize the deal in the next three to four months. (ET)
- **Gujarat State Petroleum Corporation (GSPC)** has made another big gas find in the KG-basin, off the Andhra coast, exactly a year after a controversial 20 TCF gas find in the same block, now called Deen Dayal. (ET)
- **L&T** on Wednesday announced a 1:1 bonus issue - one equity share for every share held. The L&T stock, which had risen sharply since May 25 when the company said its board would consider the bonus issue, closed 6.5% lower on Wednesday at Rs 1,988.30. (ET)
- Ranbaxy Pharmaceuticals Inc (RPI), a wholly owned subsidiary of **Ranbaxy Laboratories Ltd (RLL)**, has entered into an agreement with the Hyderabad-based Zenotech Laboratories Ltd (ZLL) for oncology products development. (BL)
- **Reliance Energy (REL)** is planning to invest Rs 600 bn across various projects to generate a total capacity of 16,000 MW. Anil Ambani, chairman, REL, on Wednesday, announced the company was also planning to foray into nuclear power to set up a capacity of 2,000 MW. (BL)
- **ITC Infotech India (I3L)**, the wholly-owned IT services arm of ITC, is taking big strides in Europe. For the first time, the company will soon float global rep offices in Denmark, Spain and Germany, which will essentially operate as offshore sales and marketing entities. (ET)
- Buoyed by higher exports, domestic pharmaceutical player, **Sun Pharma**, has posted a net profit of Rs 1.43 bn for the fourth quarter ended March '06, registering a growth of 38% from the corresponding period last year. (ET)
- **Unilever** on Wednesday announced it had awarded a seven-year contract to Accenture for its global HR operations. The IT solutions major Accenture will provide a range of HR services - from recruitment to payroll processing as well as performance management - in 100 countries. (ET)
- **Motorola**, the world's second largest handset-maker, on Wednesday said it will spend \$100 mn in stages to set up a manufacturing facility near Chennai, in an attempt to boost sales in one of the world's hottest mobile markets. (BS)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange

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### COMPANY UPDATE

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## **INFOSYS TECHNOLOGIES LTD** **(Rs.2,763, FY08 PE: 19x; BUY)**

### **NorthStar relationship**

Infosys has announced that it has entered into a partnership with NorthStar of the US wherein Infosys will provide consulting and application development services to NorthStar for its products. Also, both companies will undertake joint sales engagement and marketing activities.

NorthStar is a leading provider of wealth management software solutions to the financial services industry. It provides advisory software solutions for financial services institutions, including broker dealers, banks and trusts, asset managers and service providers to registered investment advisors (RIA) through its integrated suite of advisory solutions built on an enterprise wealth management platform. NorthStar is backed by several leading financial institutions.

### **NorthStar - a client as well as an alliance partner**

The partnership will enable clients to use Infosys' consulting services and technology expertise to build integration between NorthStar and third party providers. This will allow better use of NorthStar's solutions in terms of integrated data, analytics and content which, in turn, will enhance wealth managers' advisory capabilities and empower them to meet client demand for holistic advice.

Additionally, as a client, NorthStar will leverage Infosys' wealth management product expertise and application development and integration capabilities in streamlining its product development, enhance product offerings and reduce time-to-market for releases.

Infosys already has a team for NorthStar in San Francisco, New York and Pune and the deal further cements the relationship into a long-term client vendor and also an alliance partner relationship.

We believe that for Infosys, this partnership will enhance its industry expertise by providing the opportunity to work with one of the leading solution providers to wealth management firms. This is very much in line with the company's objectives of raising its range of services for its consulting business, which is already developing into a brand globally. The partnership also provides downstream revenues for application development and probably maintenance, in the future.

### **Future prospects**

We maintain our earnings estimates for FY07E and FY08E.

<b>Future prospects</b>						
<b>(Rs.mn)</b>	<b>FY06</b>	<b>% Chg</b>	<b>FY07E</b>	<b>% Chg</b>	<b>FY08E</b>	<b>% Chg</b>
<b>Turnover</b>	<b>95,215</b>	<b>33.5</b>	<b>130,275</b>	<b>36.8</b>	<b>167,607</b>	<b>28.7</b>
Expenditure	64,298		89,389		116,245	
<b>EBIDTA</b>	<b>30,917</b>	<b>32.4</b>	<b>40,886</b>	<b>32.2</b>	<b>51,363</b>	<b>25.6</b>
Depreciation	4,371		5,450		6,200	
<b>EBIT</b>	<b>26,546</b>	<b>29.6</b>	<b>35,436</b>	<b>33.5</b>	<b>45,163</b>	<b>27.5</b>
Interest	0		0		0	
Other Income	1,386		2,185		2,540	
<b>PBT</b>	<b>27,932</b>	<b>28.6</b>	<b>37,621</b>	<b>34.7</b>	<b>47,703</b>	<b>26.8</b>
Tax	3,132		5,267		8,109	
Minority interest	200		0		0	
<b>PAT</b>	<b>24,600</b>	<b>33.2</b>	<b>32,354</b>	<b>31.5</b>	<b>39,593</b>	<b>22.4</b>
Provisions	1		0		0	
PAT after provisions	24,600		32,354		39,593	
<b>EPS (Rs)</b>	<b>89.1</b>		<b>117.2</b>		<b>143.5</b>	
EBIDTA (%)	32.5		31.4		30.6	
EBIT (%)	27.9		27.2		26.9	
Net Profit (%)	25.8		24.8		23.6	

Source : Company, Kotak Securities - Private Client Research

- We have assumed a rupee dollar exchange rate of 43 per US dollar by FY08 end.
- EBIDTA margins are expected to fall due to the expected salary hikes and the expected rupee appreciation to 43 per US dollar by FY08 end. Offshore salaries and on-site salaries are expected to go up by 14% and 3%, respectively wef 1QFY07.

### Concerns

- Rupee appreciation beyond our assumed levels of 43 per US dollar by FY08 end could provide a downward bias to our earnings estimates.
- A steep deceleration in the economies of major global economies could impact revenue growth of Indian vendors.

## Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
7-Jun	Alembic Limi	The Master Trust Bank Of	S	417,550	307.00
7-Jun	Atlas Copcol	Atlas Copco Ab	B	2,054,124	1,291.00
7-Jun	Atlas Copcol	Chicago Pneumatic Interna	S	2,054,124	1,291.00
7-Jun	Cinerad Comm	Porinju V. Veliyath	S	99,632	8.62
7-Jun	HB Portfol L	Rohit Khullar	B	100,000	33.30
7-Jun	HB Portfol L	Rajesh Jain	B	70,025	33.37
7-Jun	HB Portfol L	Vijay Agarwal	S	70,354	33.30
7-Jun	HB Portfol L	Delhi Iron And Steel Co P	S	68,806	33.30
7-Jun	Karuturi.Com	BSMA Limited	B	120,000	90.80
7-Jun	Karuturi.Com	M M Trading	S	37,500	90.80
7-Jun	Lakshmi Over	Citigroup Global Markets	B	70,500	899.56
7-Jun	Lanco Indust	Lanco GroupLtd	B	756,180	35.95
7-Jun	Lanco Indust	Lanco Infratech Ltd	S	751,791	35.95
7-Jun	Libords Secu	Mamta Ramgarhia	B	25,000	3.82
7-Jun	Mefcom Agr I	I S F Securities Limited	B	105,720	14.46
7-Jun	Shilpa Medic	Pivotal Securites Pvt. Ltd	B	20,000	381.85

Source: BSE

## Forthcoming events

COMPANY/MARKET	
Date	Event
8-Jun	Indian Hotel Company, Cummins India to announce earnings and dividend; Larsen & Toubro holds press conference; Titan Industries holds press conference to launch new product
9-Jun	Wyeth, Neyveli Lignite Corporation to announce earnings and dividend; Larsen & Toubro Infotech holds press conference;
11-Jun	Castrol India holds press conference to launch new product
15-Jun	Shipping Corporation of India, Container Corporation to announce earnings and dividend
16-Jun	Exide Industries to consider stock split
22-Jun	ONGC Corporation to announce earnings and dividend
27-Jun	Corporation Bank holds shareholders meeting; Reliance Industries holds annual shareholders meeting
30-Jun	State Bank of India holds shareholders meeting

Source: Bloomberg

## Gainers & Losers

Nifty Gainers & Losers				
	Price (Rs)	% change	Index points	Volume (mn)
<b>Gainers</b>				
Bharti Airtel	352.9	2.1	2.9	1.0
Tata Tea	649.2	2.1	0.2	0.3
Shipping Corp	126.6	0.9	0.1	0.6
<b>Losers</b>				
ONGC	993.7	(4.4)	(14.1)	3.1
SAIL	67.0	(14.5)	(10.1)	24.1
TCS	1,704.0	(2.6)	(4.6)	0.7

Source: Bloomberg

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