

Index	Closing	Chg	Chg (%)
Sensex	17570.8	505.9	3.0%
Nifty	5262.6	143.3	2.8%
Auto	8135.4	117.1	1.5%
Bankex	10880.1	132.1	1.2%
Cap Goods	14551.3	620.2	4.5%
Cons Durables	4469.8	45.5	1.0%
FMCG	3118.6	96.5	3.2%
Healthcare	5603.2	13.6	0.2%
IT	5401.0	239.5	4.6%
Metal	14822.2	390.8	2.7%
Oil & Gas	10293.2	121.0	1.2%
Power	3103.7	66.2	2.2%
Realty	3081.7	105.9	3.6%

World Index	Closing	Chg	Chg (%)
Dow	10434.2	261.6	2.6%
Nasdaq	2307.2	88.4	4.0%
Hang Seng	20286.7	414.3	2.1%
Nikkei	9995.0	289.8	3.0%
FTSE 100	5250.9	78.1	1.5%
Brazil	64540.9	1492.1	2.4%
Russia	1397.0	33.5	2.5%
Mexico	32775.3	865.1	2.7%
Singapore Strait	2833.4	37.1	1.3%
Taiwan	7493.1	193.6	2.7%

* As on Friday 4 pm

Top Gainers	Closing	Chg (Rs)	Chg (%)
RNRL	62.8	10.7	20.6%
MTNL	64.2	10.7	20.0%
JAI Corp Ltd	260.2	37.1	16.6%
MMTC Ltd	32049.5	3382.1	11.8%
Aban Offshore Ltd	730.5	73.8	11.2%

* As on 18th June'10

Top Losers	Closing	Chg (Rs)	Chg (%)
Bajaj Finserv Ltd	404.4	-59.0	-12.7%
Educomp Solutions Lt	515.6	-36.1	-6.5%
Areva T & D	289.2	-13.7	-4.5%
Petronet LNG Ltd	78.1	-3.1	-3.8%
Bharti Airtel Ltd	264.9	-9.7	-3.5%

* As on 18th June'10

Metal	Closing	Chg	Chg (%)
Gold (\$/oz)	1244.6	24.9	2.0%
Silver (\$/oz)	18.7	0.4	2.1%
Aluminium (\$/MT)	1935.5	17.8	0.9%
Copper (\$/MT)	6419.5	37.3	0.6%
Lead (\$/MT)	1741.5	77.0	4.6%
Zinc (\$/MT)	1731.8	42.5	2.5%

* As on 18th June'10

Date	DII (Cash)	FII (Cash)	FII (FO)
14-Jun-10	111.7	895.7	1348.2
15-Jun-10	-148.0	380.6	1814.0
16-Jun-10	NA	693.1	14.8
17-Jun-10	NA	858.3	1744.0
18-Jun-10	NA	NA	587.7

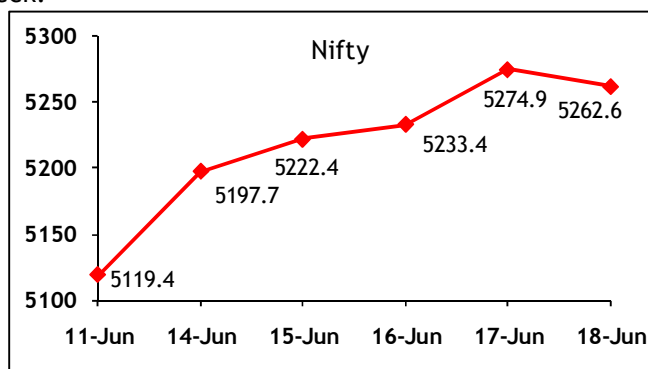
NA - Not Available

SNAP SHOT

Markets opened on a positive note on the back of stable global cues and strong domestic cues. The onset on monsoons has been satisfactory which instilled confidence in the investors. The corporate advance tax numbers have also been robust indicating strong quarter ahead. The Empowered group of Ministers (EGoM) have deferred the decision on fuel price hike to next week whereas the Cabinet Committee on Economic Affairs have cleared the decision of disinvestment of Hindustan Copper and Coal India which will help the government to bring down its fiscal deficit. On the global front, Spain and Ireland have been successful in raising funds through bond auction bringing about stability in the European market. We expect the markets to move sideways in the coming week. Any further movement in the market will be depend on the global cues, development in the monsoons and the upcoming quarterly results.

IT and Consumer Durable Index outperformed the markets, up by 4.6% and 4.5% WoW.

The primary articles inflation increased by 16.86% YoY in the week ended June 05, 2010 against 17.21% in the previous week.



Global Economic Update

United States:

- ⇒ Mortgage Bankers Association's (MBA) index increased 18% in the week ended June 11, 2010. The refinancing index rose 21% and the purchase index rose 7.3%.
- ⇒ Initial Jobless claims rose by 12,000 to 4,72,000 from its earlier revised claims of 4,60,000 in the week ended June 12, 2010.
- ⇒ Continuing claims rose by 88,000 to 4.571 million for week ended June 05, 2010 from the revised claims of 4.483 million of previous week.
- ⇒ US Consumer Price Index based inflation rose by 2% YoY in May 2010; however on MoM basis it fell by 0.2%.
- ⇒ US housing starts declined by 10% MoM to 5,93,000 and

ADR's	Closing	*Chg (\$)	Chg (%)
Infosys	63.2	4.3	7.3%
ICICI Bank	38.0	1.9	5.3%
HDFC Bank	151.3	7.2	5.0%
Tata Motors	17.9	0.7	4.1%
Satyam	5.1	0.1	2.6%
* As on Thursday			
GDR's	Closing	*Chg (\$)	Chg (%)
RIL	45.8	1.1	2.4%
SBI	102.3	2.7	2.7%
L&T	39.0	3.0	8.3%
Banking Data	28-May-10 (Rs in Cr)	Chg (Rs in Cr)	Chg (%)
Credit Growth	3243775	13597	0.4%
Deposit Growth	4562451	36231	0.8%
*Chg - Fortnightly			
Economic Calendar			
Date	Economic Data	Previous	
UNITED STATES			
22-Jun	Existing Home Sales	5.77M	
23-Jun	MBA Mortgage Applications	17.7%	
23-Jun	New Home Sales	504K	
24-Jun	Initial Jobless Claims	472K	
24-Jun	Continuing Claims	4571K	
25-Jun	GDP QoQ (Annualized)	3.00%	
JAPAN			
24-Jun	Merch Trade Balance Total	¥742.3B	
24-Jun	Merch Trade Exports YoY	40.4	
24-Jun	Merch Trade Imports YoY	24.2	

building permits fell by 5.9% MoM to 5,74,000 in May 2010.

⇒ US industrial production rose by 1.2% in May 2010 following a 0.8% growth in the previous month.

⇒ Empire Manufacturing Index rose from 19.11 to 19.57 in June 2010.

United Kingdom:

⇒ UK Consumer Price Index based inflation rose by 3.4% YoY and 0.2% MoM in May 2010.

⇒ UK jobless claims dropped 30,900 in May 2010 due to fall in unemployment.

Europe:

⇒ Germany's producer price index rose by 0.9% YoY and 0.3% MoM in May 2010.

⇒ Italy trade deficit stood at 829 Million Euros in April 2010 as compared to deficit of 1511 Million Euros in May.

⇒ Italy industrial sales rose by 0.5% MoM & 6.4% YoY in April 2010.

Asia:

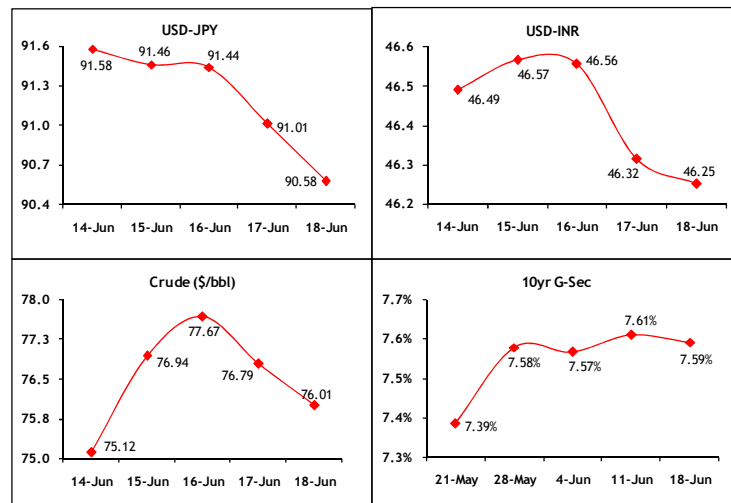
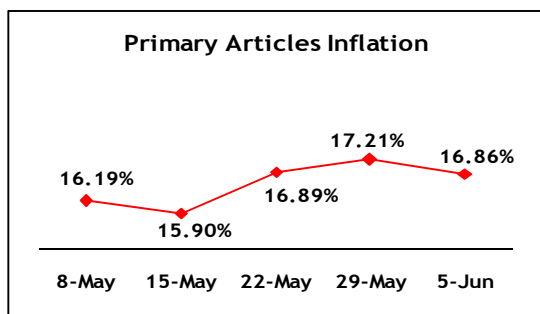
⇒ Japan's Industrial production rose by 25.9% YoY and 1.3% MoM in April 2010.

⇒ Japan's bank lending fell by 2% YoY in May 2010.

⇒ Japan's leading index remained same as March at 101.7 in April 2010. A reading above 100 indicates expansion.

⇒ Bank of Japan target rate stood at 0.1% for period ended June 15th 2010.

CURRENCY, CRUDE & G-SEC



KALE CONSULTANTS LTD

Kale Consultants Limited (KCL) is an end-to-end technology solutions provider to the global Airline, Logistics and Travel (ALT) industry. Kale delivers world-class software products, technology, managed process outsourcing services (MPS), hosting and consulting services.

KCL's solution suite includes solutions for passenger and cargo revenue accounting, ticket proration, air cargo management, cargo ground handling, and e-travel technologies.

The company has 3 software development centers and 4 MPS centers and employs over 1600 professionals who focus on delivering quality service to over 120 clients across 30 countries.

Products / Platforms

Passenger Revenue Accounting (PRA) solutions:

- (i) **APEX:** APEX is an industry leader in automated proration. It accurately prorates large volumes of tickets with highly complex Proviso and Special Prorate Agreements (SPAs). APEX has the flexibility to capture multiple conditions, like sales, travel, routing based condition, gateway condition, multilateral, fare basis conditions, etc.
- (ii) **REVERA:** REVERA is a component-based, highly scalable system that empowers the customer to transform revenue accounting function from a transaction processing environment to a strategic tool, enabling them to devise competitive strategies to succeed in the market place.
- (iii) **PRISM:** PRISM is a user friendly tool which provides the users with great analytical capabilities to analyse data in required format helping in timely decision making.
- (iv) **BillCard:** Under Billcard service, daily collection and processing of airlines' all credit card sales is provided with settlement done in currency of airline's choice.
- (v) **AuditXtra:** AuditXtra, a product of Zero Octa (A Kale Group company) focuses on identifying and eradicate the ticketing errors of Airlines.

Cargo solutions:

- (i) **CSP:** CSP is a modular solution that provides seamless integration of data and processes across platforms. It can be delivered either as a complete suite or in modules that provide solutions to specific areas of the airline cargo business.
- (ii) **AMBER:** AMBER minimizes the costs associated with cargo revenue accounting operations, reduces the cost of Air Way Bill (AWB) processing and shorten the time-span to billing. It is designed to process large volumes of AWB while at the same time requiring low maintenance and support.

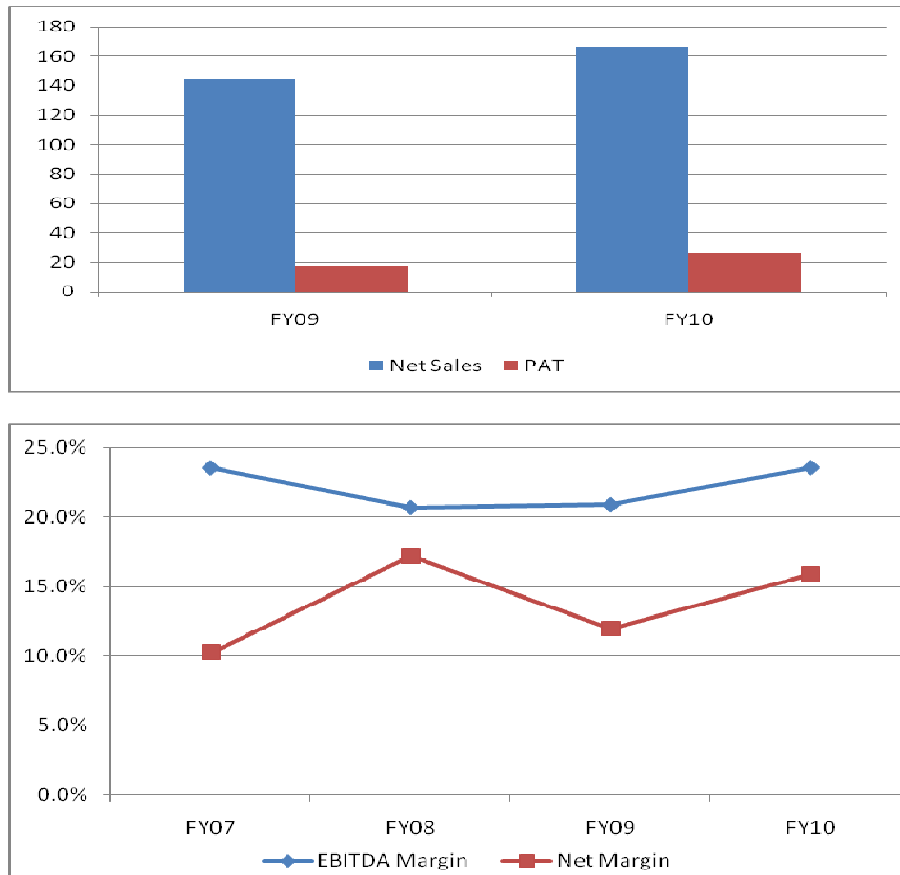
Travel Solution:

- (i) **RAINBOW:** Integrated offering for travel companies and also available as independent functional modules including Hotel contract management, Air fare contract management, Multi-supplier connectivity, Internet booking engine, Profile management systems etc.

Investment Positives

- Global leaders in PRA solutions with industry acclaimed products, largest pool of expertise, widest solution portfolio and biggest customer base. 15 out of 20 Airlines uses KCL' solutions
- KCL's Industry Solutions are driven by active partnerships with industry bodies and customers, and unparalleled domain knowledge. Its customised approach in deploying these solutions supports clients with best fit solutions to match to their requirements.
- KCL has premium partnerships & alliances with Industry bodies including IATA, Airline Tariff Publishing Company (ATPCO) and The International Air Cargo Association (TIACA). The company has alliance with ATPCO to promote industry proration solutions.
- The Logistics & Transportation Industry is under constant pressure to improve on-time customer service, while keeping the cost structure low. Due to intense competition between travel & transportation service providers, firms are surviving on low margins. KCL's deep domain experience in the industry combined with its customised solutions allows firms in this sector to increasingly use the power of analytics to gain insights so as to rapidly respond to the dynamic competitive environment and control costs, increase productivity thereby increasing profitability.
- The International Air Transport Association (IATA) has chosen KCL as the prime technology supplier for the development of its industry-wide interlines settlement platform Simplified Interline Settlement (SIS) initiative.
- Recently, Vietnam Airlines has selected KCL's **REVERA** & **AMBER** solutions for its passenger & cargo revenue accounting requirements respectively. The airline will deploy these solutions on license basis.
- KCL's **APEX** and **REVERA** solutions intended for the larger airlines and have some good reference accounts in this segment. Totally it has over 30 airlines as clients, with customers in each continent.
- KCL recently introduced **TRAVEL SHOP** - a rate shopping tool - that empowers travel agencies to benchmark their own rates against those of competitors on various days or periods in the future and gives a quick insight over how the market and competitors are behaving and accordingly assists to set their rates.
- KCL has entered into a partnership with the travel company *eToursCRS*, wherein the contents on *eToursCRS* will be distributed through Kale's **RAINBOW** platform. As per the memorandum of understanding (MoU) signed between the parties, this relationship will enable a direct connect between *eToursCRS* interface and **RAINBOW** platform. This distribution associated aspects will be managed by *eToursCRS* directly with the customers.
- **REVERA**'s enhanced capabilities make it one of the most comprehensive and advanced passenger revenue accounting solutions available in the market today. Features like dashboard, integration with refund management, enhanced reporting capabilities give a definite edge to the airlines in these difficult times. It transforms the revenue accounting function from a transaction processing environment to a strategic tool, thus empowering airlines to devise competitive strategies to succeed in the marketplace.

- KCL's revenue and profit has been grown at a CAGR of 24% and 43% over FY05-10 respectively. Despite the slowdown in the economy, the company successfully maintained its EBITDA and net margin.



Concerns:

In Passenger Revenue Accounting, KCL faces competition from few domestic and international companies. Domestically it faces competition from WNS, NIIT, IBS and on international front it faces competition from Mercater, Rene Perez & Associates and Paladin Systems - to name the significant players.

Valuation & Outlook:

Presently, the Logistics & Transportation industry is under constant pressure to improve on-time customer service, while keeping the cost structure low. Due to intense competition between travel & transportation service providers, firms are surviving on low margins. KCL's deep domain experience in the industry combined with its customised solutions allows firms in this sector to increasingly use the power of analytics to gain insights so as to rapidly respond to the dynamic competitive environment and control costs, increase productivity thereby increasing profitability.

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The Stock at Rs.129 quotes at P/E multiple of 4.4x FY'11e EPS of Rs.29.47 and 3.5x FY'12e EPS of Rs.36.58. We recommend BUY on the stock with a price target of Rs.165, an upside of 28% from the current levels over a period of 12 months.

Financials:

P&L Statement - Consolidated - Rs. In Crs		FY07	FY08	FY09	FY10
Net Sales		87.68	120.78	144.66	165.92
Total Expenditure		67.02	95.77	114.41	126.8
Employee Expenses		46.2	66.55	76.74	80.45
Selling & Adm. Expenses		19.72	29.05	32.29	37.68
Other Expenses		1.1	0.17	5.38	8.67
EBITDA		20.66	25.01	30.25	39.12
Margin		23.6%	20.7%	20.9%	23.6%
Depreciation		11.45	12.8	11.87	13.97
EBIT		9.21	12.21	18.38	25.15
Interest		0.6	0.61	0.44	0.26
Other Income		1.47	11.45	1.47	3.21
PBT		10.08	23.05	19.41	28.1
Tax		0.76	2.26	2.12	1.8
Fringe Benefit Tax		0.39	0.42	0	0
Deferred Tax		-0.02	-0.39	0	0
PAT		8.95	20.76	17.29	26.3
Margin		10.2%	17.2%	12.0%	15.9%
EPS (Rs.)		6.77	15.55	12.94	19.04

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