Emkay
Your success is our success

# 9am with Emkay

22 June, 2010

Morning meeting notes

## Major indices movements

| Major indices | Clsg | 1d (%) | 3m (%) | 6m (%) |
|---|---|---|---|---|
| BSE Sensex | 17,877 | 1.7 | 2.7 | 7.1 |
| Nifty | 5,353 | 1.7 | 2.8 | 7.4 |
| Dow | 10,442 | (0.1) | (3.2) | (0.2) |
| Nikkei | 10,175 | (0.6) | (6.0) | (2.0) |
| Hang Seng | 20,861 | (0.2) | (0.3) | (1.1) |
| Brasil Bovespa | 64,829 | 0.6 | (6.1) | (3.8) |
| Mexico Bolsa | 32,882 | 0.2 | (0.8) | 2.0 |

## Turnover

| Value Traded (Rs bn) | 21 June 2010 | % Chg | 52 Wk Hi | 52 Wk Lo |
|---|---|---|---|---|
| Cash BSE | 41.1 | (8.0) | 94.0 | 29.3 |
| Cash NSE | 127.9 | (10.7) | 241.6 | 18.2 |
| **Total** | **169.0** | | | |
| Del.(%) | 39.9 | | | |
| F&O | 1197.7 | 21.4 | 1661.9 | 425.6 |
| **Total Trade** | **1366.7** | | | |

## Fund Activity

| Net Inflows (Rs bn) | Purch | Sales | Net | YTD |
|---|---|---|---|---|
| **18 June 2010** | | | | |
| FII's | 21.3 | (14.4) | 7.0 | 233.4 |
| Domestic Funds | 5.1 | (5.6) | (0.5) | 98.8 |
| **21 June 2010** | | | | |
| Cash Provisional | | | (1.3) | |
| F&O - Index | 111.3 | (96.1) | 15.2 | (27.6) |
| F&O - Stock | 58.2 | (60.2) | (2.0) | (11.6) |

## Advances/declines BSECash

| 21 June 2010 | A | B1 | B2 | Total |
|---|---|---|---|---|
| Advance | 180 | 1245 | 272 | 1,697 |
| Decline | 23 | 706 | 185 | 914 |

## Commodity Prices

| Commodity | 22 June 2010 | 1d (%) | 3m (%) | 6m (%) |
|---|---|---|---|---|
| Crude (USD/Bbl) | 77.2 | 0.2 | (3.3) | 6.2 |
| Copper(usd/t) | 6,604 | 2.6 | (11.2) | (4.8) |
| Aluminum H.G.(usd/t) | 1,961 | 0.9 | (13.2) | (13.6) |
| Zinc(usd/t) | 1,775 | 2.6 | (22.7) | (27.2) |

| Debt/Forex Mkt | Clsg | 1d (%) | 3m (%) | 6m (%) |
|---|---|---|---|---|
| Re/USD | 45.75 | 0.9 | (0.4) | 2.4 |
| 10 yr Gsec Yield | 7.58 | (0.2) | (3.9) | (0.5) |

## Contents



## News clippings

- **Jyothy Laboratories** has announced that its board has approved raising upto Rs 3 billion via a qualified institutional placement (QIP).
- **Zydus Cadila** has received phase I clinical trial permission from the DCGT for ZYOG1- a novel GLP-1 agonist, designed and developed at its research centre using a unique platform technology.
- The commodity market regulator, the Forward Markets Commission (FMC) plans to allow sugar futures trading by October. The trading in the commodity is banned till September 31 due to a rapid rise in the commodity's prices in the recent past.
- The Union government is yet to make up its mind on the freeing of petrol prices, it has written to the state governments to switch over to specific rates for value added tax on petrol and diesel instead of the current ad-valorem (percentage) structure.
- After winning the turf war with market watchdog SEBI on ULIPs, insurance regulator IRDA said it would frame new guidelines for these products to make them more attractive for policy holders.
- According to the India Meteorological Department (IMD), after a vigorous phase in some regions, the southwest monsoon current had weakened, but there was no cause for worry, with rains a lot better than last year.

Emkay

Your success is our success

# Emkaynomics

## Fortnightly round up of key banking and economic indicators

Economy Update

June 21, 2010

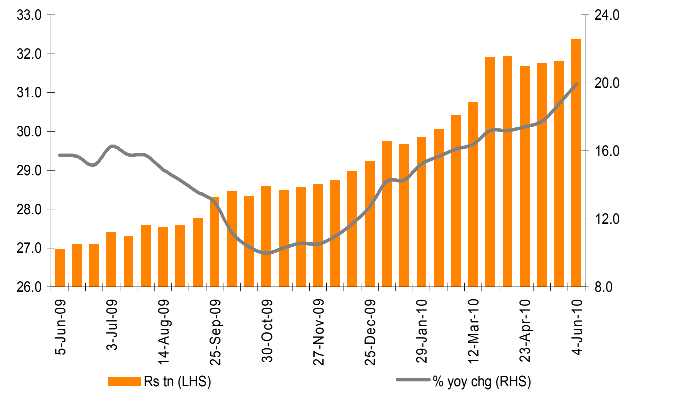
- The growth in non food credit improved to 19.9% in the week ending June 4, 2010, while growth in the deposit mobilization picked up to 14.3%.
- As a result incremental CD ratio improved to 87.2% during the week ending June 4, 2010.
- Call money rate have moved up to 5.24%, very close to the upper end of the LAF band, i.e., repo rate. The spread between call money and reverse repo rates was 149bps as on June 18, 2010.
- The squeeze on liquidity persists and the expectation of a further policy rate hike, higher inflation and commodity prices kept the bond yields elevated. The 10 year bond yields stood at 7.59% as on June 18, 2010, while 1 year bond yield stood at 5.32%.
- The narrowing spread between the long and short end OIS remains, suggesting that a 50-75 bps policy rate increase has been factored in.

### Econometer

| | Mar-10 | Dec-09 | Sep-09 | Jun-09 | Mar-09 | Dec-08 | Sep-08 | Jun-08 |
|---|---|---|---|---|---|---|---|---|
| GDP# (% yoy chg) | 8.60 | 6.50 | 8.60 | 6.00 | 5.76 | 5.80 | 7.75 | 7.90 |
| IIP (% yoy chg) | 15.05 | 13.10 | 9.10 | 3.74 | 0.52 | 0.77 | 4.69 | 5.20 |
| Trade Balance (US$ bn) | (27.15) | (28.63) | (22.14) | (15.50) | (15.05) | (30.15) | (39.53) | (30.40) |
| Current account balance (US$ bn) | NA | (12.03) | (12.60) | (5.80) | 4.70 | (14.60) | (12.54) | (10.70) |
| Fiscal balance (US$ bn) | (22.28) | (24.06) | (15.18) | (25.54) | (23.24) | (23.71) | (3.78) | (20.69) |
| Inflation (%) | 9.45 | 4.50 | -0.62 | 0.48 | 3.05 | 8.54 | 12.47 | 9.52 |
| 10-year bond yield (%) | 7.83 | 7.14 | 7.14 | 6.60 | 7.01 | 5.26 | 8.63 | 8.20 |
| INR/$ (avg) | 45.92 | 46.63 | 48.41 | 48.67 | 49.76 | 48.76 | 43.75 | 41.62 |
| INR/$ (quarter end) | 45.14 | 46.20 | 47.98 | 47.87 | 50.95 | 48.45 | 43.27 | 42.85 |

# *Base: 2004-2005*

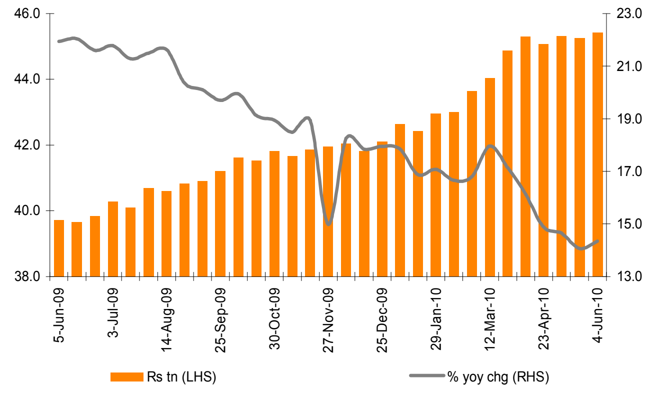
## Non food credit




- The growth in the non food credit improved to 19.9% in the week ending June 4, 2010.

*Source: RBI, Emkay Research*

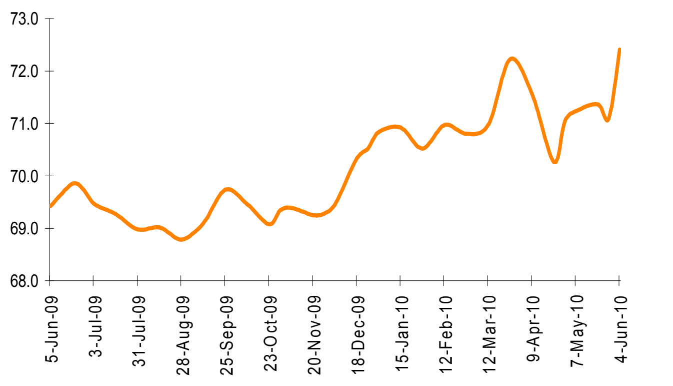
## Deposits




- The growth in the deposit mobilization picked up to 14.3% in the week ended June 4, 2010, from 14.1% in the preceding fortnight.

*Source: RBI, Emkay Research*

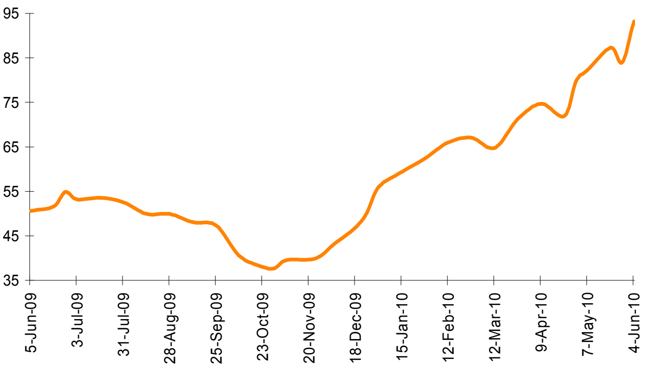
## CD Ratio (%)




- The CD ratio climbed up to 72.4% during the week ending June 4, 2010.

*Source: RBI, Emkay Research*

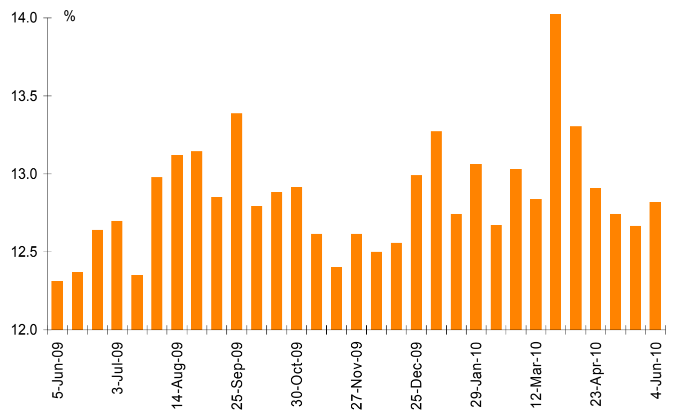
## TTM CD Ratio (%)




- The TTM CD ratio improved further to 93.2% during the week ending June 4, 2010, from 87.3% the previous fortnight.

*Source: RBI, Emkay Research*

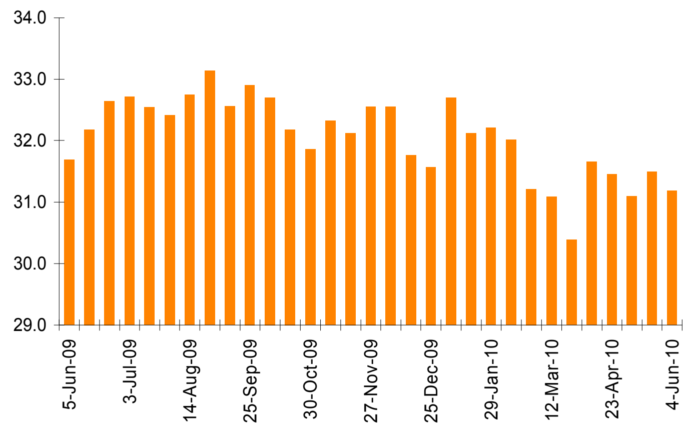
## CASA as % of total




- The demand deposits marginally improved to 12.8% of the total deposits for week ended June 4, 2010 as against 12.7% average in last month.

*Source: RBI, Emkay Research*

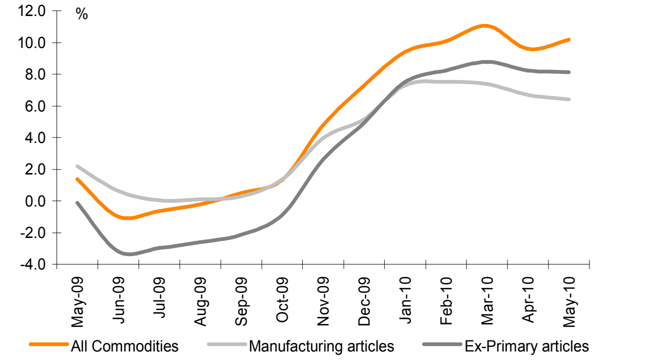
## SLR as % of NDTL




- SLR ratio stood at 31.2% for the week ended June 4, 2010.

*Source: RBI, Emkay Research*

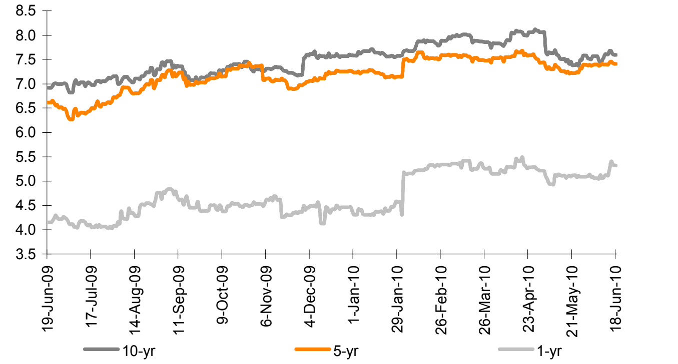
### Inflation (%)




- The inflation has risen steeply over last few months to 10.2% in May 2010 driven by sharp rise in the prices of non-food articles and manufactured products.

*Source: RBI, Emkay Research*

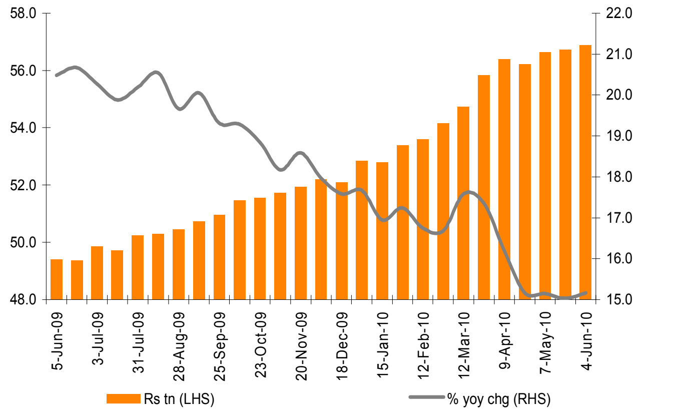
### Government bond yields (%)




- From the previous fortnight, 10 year bond yields inched up to 7.59% as on June 18, 2010 from 7.49% and 1 year bond yields moved up to 5.32% from 5.06%.

*Source: RBI, Emkay Research*

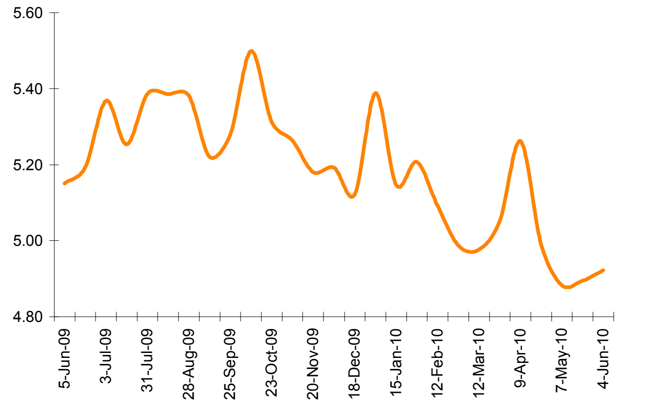
### M3




- The growth in M3 marginally picked up to15.2% for the week ended June 4, 2010, from 15.0% last fortnight.

*Source: RBI, Emkay Research*

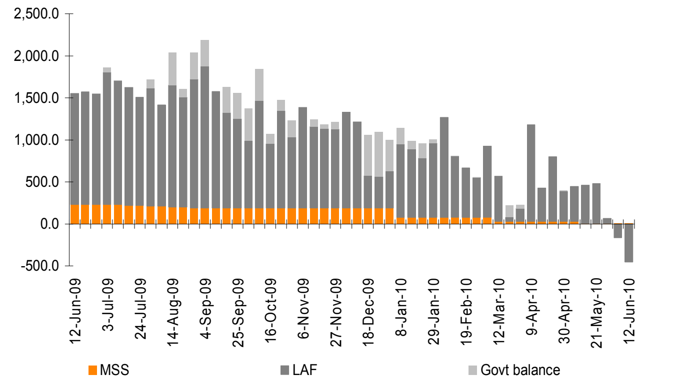
### Money multiplier (x)



- The money multiplier has inched upwards to 4.92 for week ended June 4, 2010 suggesting a slight pickup in the velocity of money.

*Source: RBI, Emkay Research*

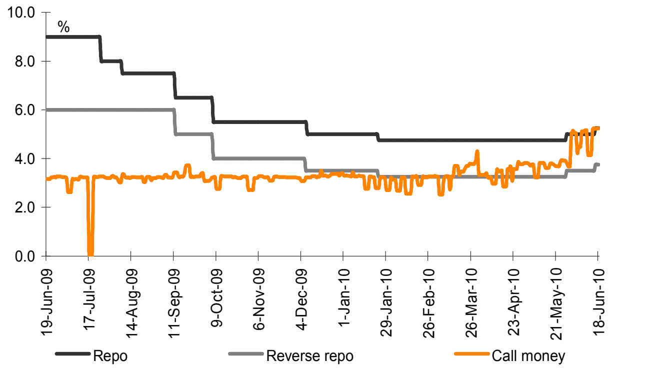
### Excess liquidity (Rs bn)




- The excess liquidity in the system dried up and repo balances stand at Rs454bn. for the week ended June 12, 2010.

*Source: RBI, Emkay Research*

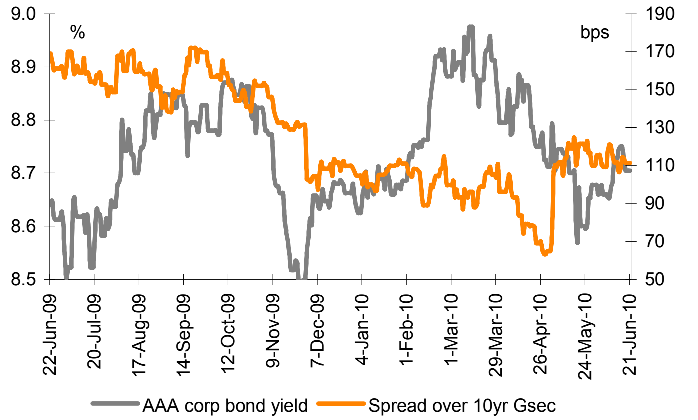
### Call money borrowing rate (%)




- Call money rate stands at 5.24% and has moved very close to the upper end of the LAF band, i.e., repo rate.
- The spread between call money and reverse repo rates was 149bps as on June 18, 2010

*Source: RBI, Emkay Research*

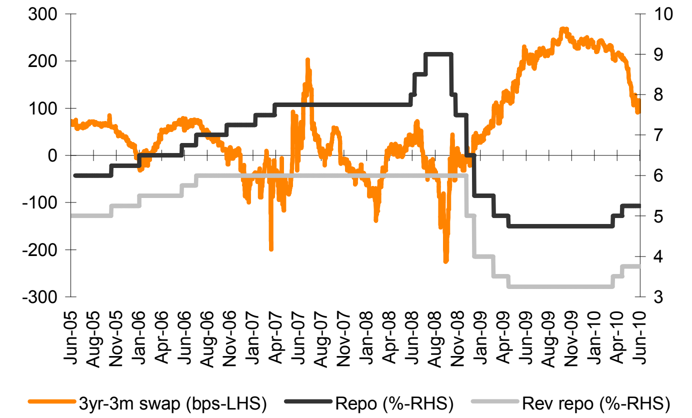
**10-year AAA corporate bond yield**




- The spread between yield on 10-year AAA corporate bonds and similar tenure G-Sec, remains range bound and stands at 111bps on June 21, 2010.

*Source: Bloomberg, Emkay Research*

**3-month commercial paper rate**




- The narrowing spread between the long and short end OIS remains, suggesting that a 50-75 bps policy rate increase has been factored in.

*Source: Bloomberg, Emkay Research*

**Government auction calendar**

| Period of auction | Amount (Rs bn) | Term of the Security |
|---|---|---|
| June 21- 25, 2010 | 150 | i) 5-9 year security for Rs.6,000-7,000 crore |
| | | ii) 10-14 year security for Rs.5,000-6,000 crore |
| | | iii) 15-19 year security for Rs.2,000-3,000 crore |
| | | iv) 20-year and above security for Rs.2,000-3,000 crore |
| June 28- July 2, 2010 | 130 | i) 5-9 year security for Rs.5,000-6,000 crore |
| | | ii) 10-14 year security for Rs.5,000-6,000 crore |
| | | iii) 20-year and above security for Rs.2,000-3,000 crore |
| July 5- 9, 2010 | 120 | i) 5-9 year security for Rs.5,000-6,000 crore |
| | | ii) 10-14 year security for Rs.4,000-5,000 crore |
| **Total** | **400** | |

## Synopsis

**Demand for passenger vehicles is likely to accelerate over the next five years (20% CAGR during FY10-FY15) to 4.9 mn units, with an upward bias. More importantly, the demand will be healthy enough to absorb reasonable price hikes. However, it remains to be seen whether OEMs share our optimism and undertake price hikes.**

**Our confidence stems from low penetration levels and sharp increase in the > Rs 200,000 income population, the key target audience. Vehicle penetration in this segment has declined from 150 per 1000 in 2005 (pop'n size – 55mn) to 108 per 1000 in 2010 (pop'n size – 148mn). This indicates that passenger vehicle demand lagged income growth. More importantly, the size of this income group is expected to reach 268mn by 2015, presenting huge growth potential.**

**Another important factor is the abysmally low penetration level in the rural segment and limited geographical spread. We attribute this to the hitherto nascent size of the industry as well as limited competition. However, over the last few years, established players like Maruti Suzuki (MSIL), Hyundai, Tata Motors and M&M have increased their geographical reach, given the rising competition and industry size.**

**We are confident that profitability can be maintained given sharp increase in the population of first time buyers (FTB). FTB shall prefer established brands given their low maintenance cost and higher resale value. We believe that players like MSIL, Hyundai,Tata Motors and M&M are best placed to tap new demand while losing market share in the urban areas.**

**Given the pricing of the recent launches, we do not expect any further price cuts. Infact, expect price increases in order to ensure healthy resale value – one of the key determinants of buying a car in A2 and A3 segment.**

**Given our outlook on demand and the source of demand, we believe that MSIL is best placed to capitalize on the same. We believe that the concerns over MSIL's loss of market share are overdone. Currency rather than competition is the biggest risk for MSIL. Despite factoring in 490 bps market share decline to 47.6% over FY10-FY12 (A1 and A2 segment), we find MSIL attractive on valuations.**

## Demand – Acceleration begins

*Expect demand to grow at 20% CAGR during FY10-FY15*

We expect the demand for passenger vehicles to accelerate over the next 5 years, surpassing initial expectations. We expect this surge in demand to be fuelled by a number of structural enablers. After analyzing each underlying structural enabler, we conclude that demand for passenger vehicles is set to take off in a big way. We expect the demand to be healthy enough to absorb reasonable price increases. However, it remains to be seen whether OEMs undertake price increases. Considering the cyclical nature of the industry, we do not rule out intermittent periods of subdued and strong demand.

| Vehicles Sales | FY95 | FY00 | FY05 | FY10 | FY15E |
|---|---|---|---|---|---|
| Rural | 5,873 | 44,021 | 92,863 | 199,852 | 974,423 |
| CAGR (10 year) | | | 31.8% | 16.3% | 26.5% |
| CAGR (5 year) | | 49.6% | 16.1% | 16.6% | 37.3% |
| Urban | 287,777 | 689,664 | 968,427 | 1,749,924 | 3,917,828 |
| CAGR (10 year) | | | 12.9% | 9.8% | 15.0% |
| CAGR (5 year) | | 19.1% | 7.0% | 12.6% | 17.5% |
| **Total** | **293,650** | **733,685** | **1,061,290** | **1,949,776** | **4,892,251** |
| CAGR (10 year) | | | 13.7% | 10.3% | 16.5% |
| CAGR (5 year) | | 20.1% | 7.7% | 12.9% | 20.2% |

*Source: NCAER, Emkay Research*

We expect passenger vehicle demand to grow at a healthy 20% CAGR over FY10-15E to 4.9mn units. While this growth appears to be on the higher side given historical trends, we have sufficient reasons to believe that the sharp rise in income levels is likely to result in huge demand for passenger vehicles. In fact, we expect passenger vehicle demand to supersede our growth estimates. Our confidence stems from the following factors:

## Doubling penetration levels every five years

*Penetration in key target population has declined from 150/1000 to 108/1000*

As can be seen from the table below, the penetration levels of passenger vehicles have been almost doubling every five years. As a result, we can safely assume that by 2015, penetration level will double to 26.1 per thousand.

| Penetration/1000 | FY95 | FY00 | FY05 | FY10 | FY15E |
|---|---|---|---|---|---|
| All income class | 1.8 | 4.2 | 7.5 | 13.1 | 26.1 |
| Income >Rs 90K | 8.9 | 13.1 | 16.3 | 24.0 | 40.7 |
| Income >Rs 200K | 88.7 | 140.1 | 150.3 | 107.8 | 124.1 |

*Source: MGI, Emkay Research*

## Sharp jump in > Rs 200,000 income group - the key target population

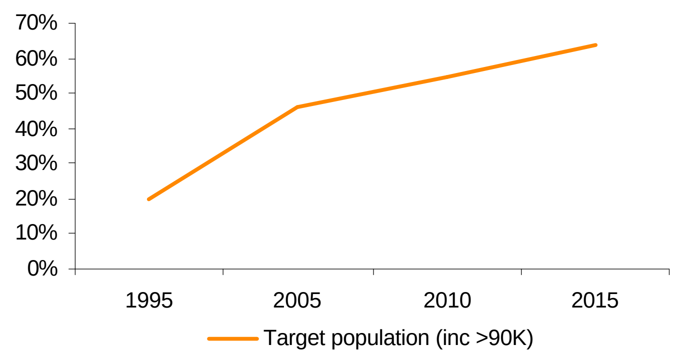
The >200,000 income group has seen a sharp jump over the past decade, resulting in a burgeoning target population for passenger vehicles (first time buyers). It has taken a decade for the share of this income group to increase by 900 bps to 12% in FY10 (population of 148mn). It is expected that a similar growth will be achieved in just another five years. With 268mn as the target population by 2015 and low penetration levels, demand for passenger vehicles is set to explode.

*Sharp jump in key target population over last 5 years. Expected to reach 268mn in FY15 from 148mn in FY10*

| Population mix (%) | 1985 | 1995 | 2000 | 2005 | 2010 | 2015 |
|---|---|---|---|---|---|---|
| <90k | 93.0 | 80.0 | 67.5 | 54.0 | 45.3 | 36.0 |
| 90-200 | 6.0 | 18.0 | 29.5 | 41.0 | 42.6 | 43.0 |
| 200-500 | 1.0 | 2.0 | 3.0 | 4.0 | 10.4 | 19.0 |
| 500-1000 | 0.0 | 0.0 | 0.0 | 1.0 | 1.0 | 1.0 |
| >1000 | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 | 1.0 |
| **Total Pop'n (mn)** | **755** | **928** | **1,008** | **1,107** | **1,210** | **1,278** |

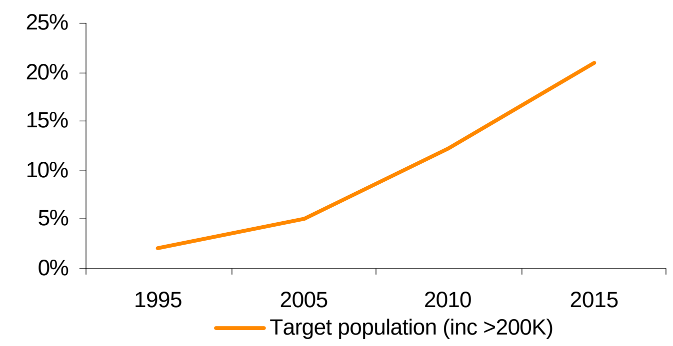
*Source: MGI, Emkay Research*

**Rising share of people with income group > Rs 90K**




*Source: MGI, Emkay Research*

**Rising share of people with income group >Rs 200K**




*Source: MGI, Emkay Research*

## Decreased penetration for > Rs 200,000 income group - points at huge pent up demand

*Decline in penetration level in the key target group indicates huge pent up demand*

Despite > Rs 200,000 income group increasing from 5% to 12% of total population during last five years, the penetration of vehicles has decreased from 150 per 1000 to 108 per 1000. We attribute this to the general buoyancy in the economy resulting in income growth being faster than vehicle demand. This indicates a huge pent up demand.

## Geographical spread - indicates huge untapped demand

There exists huge demand in smaller towns/cities/rural areas, which has not been fully exploited due to limited presence of the OEMs in these areas. The hitherto nascent size of the industry as well as limited competition was the key reason for lack of geographical spread. Over the last few years, rising competition has driven established players like MSIL and to some extent, Hyundai and Tata Motors to widen their geographical presence. We are of the opinion that established players like MSIL, Hyundai and Tata Motors are better placed to tap the growing demand from these smaller towns/cities/rural areas, while the new players will continue to increase their presence in larger cities.

*Established players best placed to capture the untapped demand*

**Penetration based on geographical reach (size of town/village)**

| Penetration/1000 | FY95 | FY05 | FY10 |
|---|---|---|---|
| **Rural** | | | |
| Size >2K | 0.1 | 1.1 | 2.6 |
| Size >5K | 0.2 | 2.8 | 6.5 |
| Size >10K | 0.6 | 7.0 | 16.4 |
| **Urban** | | | |
| Size >10K | 6.9 | 25.6 | 42.8 |
| Size >10K | 8.5 | 31.8 | 53.2 |
| Size >10K | 9.7 | 36.4 | 60.7 |

*Source: GOI, NCAER, Emkay Research*

## Rural/small town demand - the key growth driver for the next five years

While our above mentioned analysis indicates a strong demand outlook, it is pertinent to understand the key source of demand especially, when the industry is undergoing a supposed transformation due to entry of new players/new products. Our analysis indicates that rural/semi urban demand will be the key growth driver over the next five years, addressing the profitability concerns of established players.

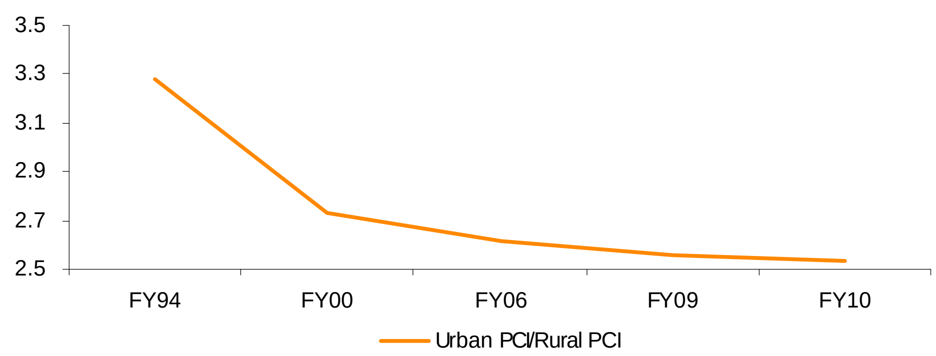
## Rural per capita income growth outpacing urban per capita income

There has been a faster increase in the rural per capita income vis-à-vis that of urban economy. We attribute this to increasing government focus on rural economy with respect to agricultural as well as non agricultural development (infrastructure and manufacturing). Despite a faster rise in the rural per capita income, it is still significantly below the urban per capita income. Given the rising government focus on rural economic growth -both direct as well as indirect, we expect rural economy to continue to grow at a faster pace. The increasing migration to urban India is also adding to the rural per capita income as India is still witnessing single person migration from rural to urban. Hence, the income generation in urban India gets remitted to rural India.

| Per Capita Income (Rs) | FY94 | FY00 | FY06 | FY09 | FY10 |
|---|---|---|---|---|---|
| Rural | 8,579 | 11,999 | 15,882 | 19,362 | 20,298 |
| Urban | 28,158 | 32,757 | 41,480 | 49,442 | 51,424 |
| **Total** | **13,737** | **17,729** | **23,176** | **28,073** | **29,362** |

*Source: GOI, Emkay Research*

**Urban PCI/Rural PCI (x)**




*Source: Emkay Research*

## Penetration levels - abysmally low

The car penetration levels are abysmally low in the rural populace vis-à-vis the urban penetration levels, thereby affecting the overall penetration levels. We expect a sharp increase in demand from rural/semi urban areas, going forward.

*Low penetration levels across the income class provides for huge opportunity*

| Penetration/1000 - all income class | FY95 | FY00 | FY05 | FY10 | FY15E |
|---|---|---|---|---|---|
| Rural | 0.1 | 0.2 | 0.6 | 1.4 | 4.6 |
| Urban | 6.6 | 14.9 | 24.7 | 41.7 | 72.6 |
| Total | 1.8 | 4.2 | 7.5 | 13.1 | 26.1 |

| Penetration/1000 - income >90K | FY95 | FY00 | FY05 | FY10 | FY15E |
|---|---|---|---|---|---|
| Rural | 0.5 | 1.0 | 1.7 | 3.1 | 8.6 |
| Urban | 13.7 | 22.5 | 33.7 | 52.8 | 84.7 |
| Total | 8.9 | 13.1 | 16.3 | 24.0 | 40.7 |

| Penetration/1000 - income >200K | FY95 | FY00 | FY05 | FY10 | FY15E |
|---|---|---|---|---|---|
| Rural | 4.8 | 10.5 | 15.0 | 26.4 | 66.2 |
| Urban | 137.4 | 247.0 | 330.2 | 144.3 | 141.2 |
| Total | 88.7 | 140.1 | 150.3 | 107.8 | 124.1 |

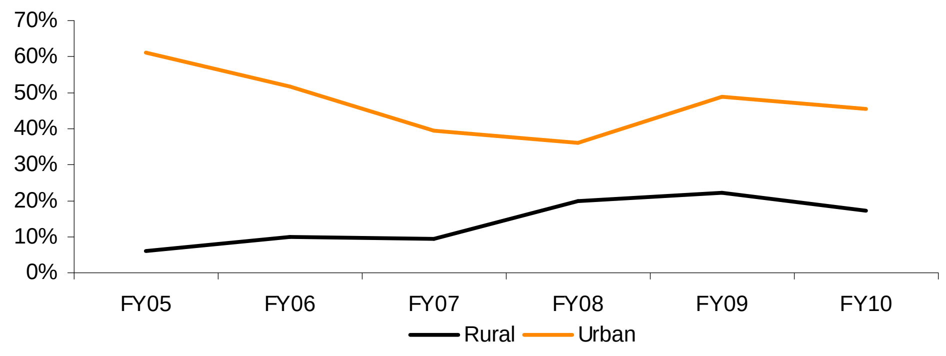
*Source: MGI, NCAER, Emkay Research*

## Rural demand- lesser dependence on replacement demand

A large part of urban demand is characterized by replacement demand as indicated by the table below (replacement age assumed at 5 years and 8 years for urban and rural respectively). In fact, the dependence would be higher given the shortening replacement cycle in urban India. However, demand from rural India is still nascent and hence, dependence on replacement demand is lower. We believe that currently, rural India is experiencing a shift from second hand vehicle to new vehicle, given the size of used car market equivalent to that of new car market. With rising per capita income, improvement in road connectivity and higher penetration of media as well as the OEM, we expect this shift to gain pace.

*The share of replacement in rural demand is only 17% as compared to that of 45% for urban demand*

**Share of replacement demand in total demand**




*Source: Emkay Research*

## Interest rates - importance to get diluted

With higher share of demand originating from rural and semi urban areas, we believe that the importance of interest rates (from demand as well as OEM profitability perspective) will be diluted given the high cash component in the purchase decision.

## Expect gradual price hikes rather than further price cuts by new players

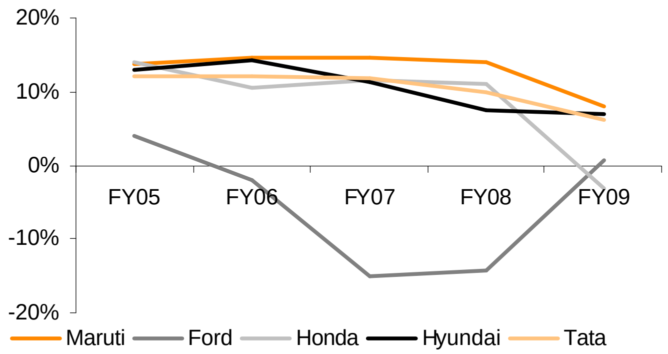
*Gradual price hikes are necessary to protect the resale value - a key determinant for FTB*

Our analysis of current pricing of some of the competitors indicates that it is very aggressive considering the indigenization levels, current production levels and profitability. We do not foresee any further risk of aggressive pricing. In fact, we do not rule out price hikes by competitors in order to ensure healthy resale value - one of the key determinants of buying a car in A2 and entry level A3 segment in India. Our interaction with the industry players indicates that one of the many mistakes they made earlier, was to price the product higher and then reduce the prices as and when indigenization/volume benefit started filtering in. This affected the resale value for the product and hence, affected their sales.

| Model | Engine size | Price (Rs lacs) | Localisation (%) |
|---|---|---|---|
| GM Beat | 1.2 | 2.3-3.9 | 60 |
| Ford Figo | 1.2- Petrol | 3.5 | 60 - Petrol |
| | 1.4- Diesel | 4.5 | 85 - Diesel |
| Eeco | | 2.6-2.9 | 90 |
| Wagon R | 1.2 | 3.4-4.0 | 80 |
| Grande Punto | 1.2 | 4.5 - 4.9 | 70 |
| Polo | 1.2 | 4.5-5.5 | 50 |

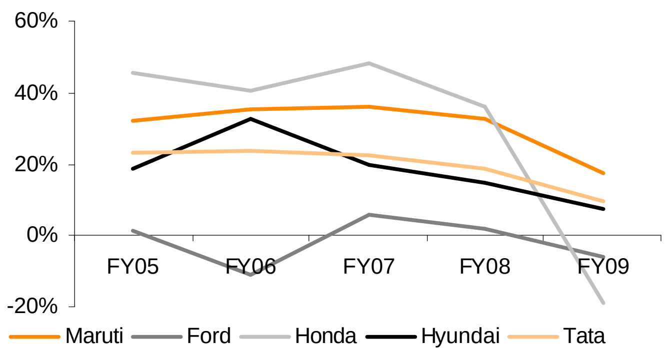
*Source: Emkay Research*

**EBIDTA margins trend**




*Source: Capitaline, Emkay Research*

**ROCE trend**




*Source: Capitaline, Emkay Research*

## Taking a cue from success stories - Give what the customer wants.

The reason for the success of products across segments (two wheelers, UVs, cars) is because the product is best suited to the customer's needs instead of a best in class product.

***Splendor*** - A dull product for many bike enthusiasts but the most successful product in the Indian auto industry. Bajaj Auto failed to break the stronghold of Splendor despite various innovative efforts (higher power, styling, etc). The re-entry of BAL in 100cc motorcycles vindicates our view.

***Indica*** - Despite being one of the most critcised products, it has been growing due to its utility value in the personal transportation segment, given its ample space, fuel efficiency and low maintenance

***Santro, Wagon R, Alto , Swift*** - Despite low quality of interiors, these cars have become successful as compared to other products of GM, Ford due to better fuel efficiency, low maintenance cost and more importantly, better resale value.

Given the fact that there is a huge increase in first time buyers, these aspects will continue to have relevance for a foreseeable time. While customer preference will witness upgradation, we expect the move to be gradual. Therefore, the incumbent players will continue to do well.

## Nifty movers

| Top Gainers | Price | Index Points |
|---|---|---|
| ICICI Bank | 899.80 | 11.7 |
| LT | 1836.35 | 6.9 |
| Reliance | 1065.65 | 6.6 |
| Tata Steel | 504.80 | 6.5 |
| HDFC | 2985.45 | 4.9 |
| **Losers** | | |
| HDFC Bank | 1990.10 | -0.2 |
| HCL Tech | 388.25 | -0.1 |
| Gail | 472.15 | 0.0 |
| Bharti Artl | 264.85 | 0.0 |
| Power Grid | 103.40 | 0.1 |

## Index- volatility

| Indices | Sensex | Nifty |
|---|---|---|
| High | 17920 | 5367 |
| Low | 17655 | 5267 |
| Close | 17877 | 5353 |
| Volatility | 265 | 100 |
| ( in %) | 1.48 | 1.87 |

# Dealer Comments

**Market Summary:** The markets started the day's session on a very strong note with almost 130 odd points upward gap mirroring positive overseas markets particularly the firm Asian markets aided by China's decision to allow its currency more freedom to move against the US dollar which could spur the economic growth. Even positive news on ULIP front at domestic front further added spark to already strong market sentiments. Post strong opening markets continued its north bound journey supported by good all round buying across the board. Today's limelight was hogged by heavy short covering and fresh buying in the metal space post china's Yuan's flexibility move leading to increase in demand for commodities going ahead. Finally after a solid opening the markets closed the day on a positive note towards the end at almost day's highs with Sensex gaining 306 points or 1.74% higher to settle at 17877 levels while Nifty jumped 91 points or 1.72% higher to settle at 5353 levels. The overall market breadth indicating the strength of the market remained positive as broader markets witnessed good buying action with Midcap index and Smallcap gaining almost 1.30% each and was at 1.8 x. Among the sectoral indices all of them posted gains with Metal, Realty, Bankex, Capital Goods, Auto, Power and FMCG out performing the most. Among the index heavy weights which gained the most were Tata Steel, Hindalco, Reliance Capital, Unitech and Tata Power while HCL Tech, Bharti Airtel, HDFC Bank and GAIL were weak and ended as losers. Among the midcap space stocks which saw good buying action in an extremely positive markets were Edelweiss Capital, Kalyani Steel, FCH, Sesa Goa, Dabur Pharma, ICRA, Mahindra Lifespace, VIP Ind, Supreme Infra, Elecon Engg, Madhucon Projects, Panacea Bio, JSW Steel, Petron Engg, India Info and Bhushan Steel and were up in the range of 6-17%.

The overall traded volumes were quite higher compared to the earlier by almost 16% and were at Rs 1367 bn. While delivery based volumes were also quite higher compared to the earlier day at 42.9% of the total traded turnover.

Among the Fund activities FII's were net buyers to the tune of Rs 6.96 bn while Domestic Funds were net sellers to the tune of Rs 0.46 bn respectively on 18th June 2010. While on 21st June 2010, FII's bought shares worth Rs. 15.64 bn in cash segment (provisional) while in the F&O segment they were net buyers to the tune of Rs 13.21 bn whereas Domestic Funds sold shares worth Rs. 5.61 bn (provisional).

**Home**

### Indices

| Indices | Today's close | % chg |
|---|---|---|
| Sensex | 17,876.55 | 1.74 |
| Nifty | 5353.30 | 1.72 |
| S&P CNX 500 | 4388.70 | 1.39 |
| BSE 500 | 7,092.90 | 1.61 |
| BSE Mid-Cap | 7,065.72 | 1.29 |
| BSE Small-Cap | 8,953.83 | 1.22 |
| BSE Auto | 8,257.34 | 1.50 |
| BSE Health | 5,657.48 | 0.97 |
| BSE FMCG | 3,161.94 | 1.39 |
| BSE IT | 5,436.44 | 0.66 |
| BSE PSU | 9,256.42 | 0.57 |
| BSE Bankex | 11,102.36 | 2.04 |
| BSE Oil & Gas | 10,383.89 | 0.88 |
| BSE Metal | 15,586.45 | 5.16 |
| BSE Cons Dur | 4,525.64 | 1.25 |
| BSE Cap Good | 14,808.15 | 1.77 |
| BSE Realty | 3,163.70 | 2.66 |
| BSE Power | 3,146.96 | 1.39 |

### Levels to watch

| | Sensex | Nifty |
|---|---|---|
| 21 EDMA | 17162 | 5145 |
| 55 EDMA | 17095 | 5125 |
| Swing High | 17919 | 5366 |
| Swing Low | 17654 | 5266 |

### Trend Tracker

| | Up/ Down | Sensex/ Nifty | Sensex/ Nifty |
|---|---|---|---|
| | | Target | Reversal |
| Short Term* | ↑ | 18050/5400 | 17050/5110 |
| Mid Term* | ↓ | 15651/4675 | 17693/5345 |
| ST: 0-14 Days. | MT: 14-45 Days | | |

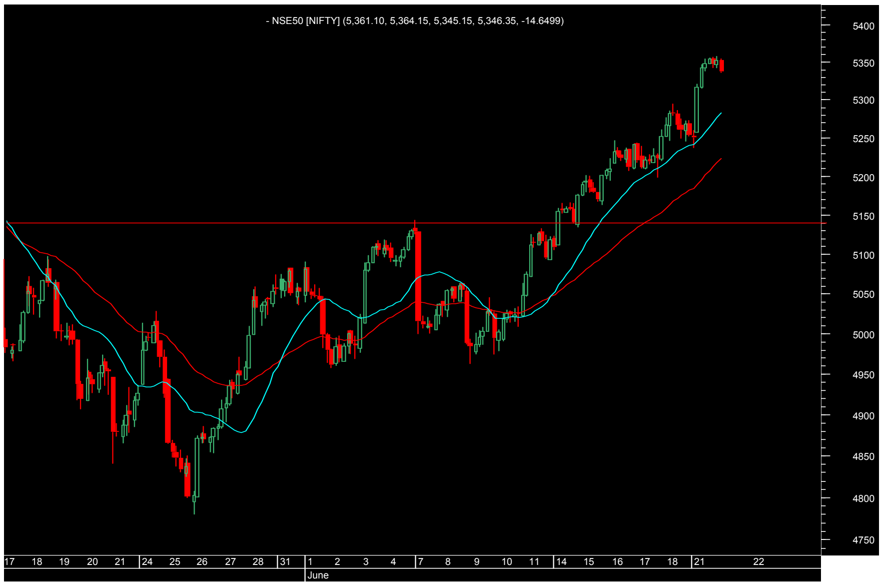
### Nifty Intraday levels to watch

| | Support | Resistance |
|---|---|---|
| Nifty | 5320/5302 | 5370/5400 |

# Tech*Check*

## Rally across the board

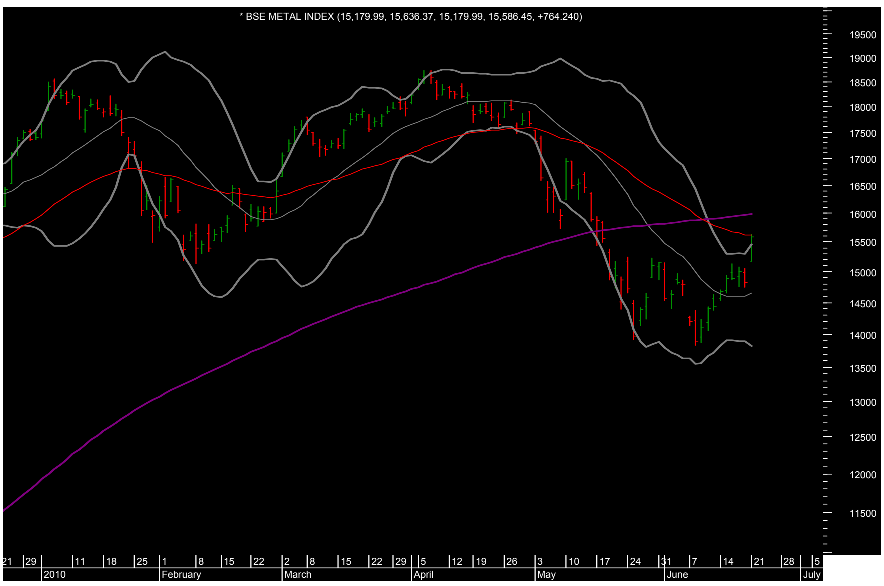
Equity benchmarks rallied sharply on the back of uptrend across the globe. Nifty closed in green with a gain of almost 2% on daily basis. All sectoral indices ended positive led by metal pack, which ended with a gain of 5.16%. Nifty continued its upward journey with the formation of higher highs and higher lows. Since Nifty has cleared the Friday's swing high of 5302; 5400 seems to the likely scenario as of now. If Nifty manages to sustain above 5400 then we may see higher targets in the near future.




## Sectoral Speak

**BSE Metal Index:**

Today the metal index (currently @ 15586) has surpassed the previous three days of consolidation range with a bullish gap, which makes it an attractive counter going forward. Secondly, the index has a hurdle of 200-DSMA valued at 15840. Once its closes above the hurdle of 15840, it can see the level of 16300 in the near future.



## Technical Recommendations

### *EPT Calls*

| Date | Stocks | Action | Reco. Price | Stop-loss | Target | Current price | % change | Comment |
|---|---|---|---|---|---|---|---|---|
| 04.06.10 | **Herohonda** | Sell | 2002.70 | 2123.60 | 1881/1751 | **2021.25** | -0.92 | |
| 07.06.10 | **ONGC** | Sell | 1179.00 | 1230.30 | 1130/1080 | **1205.25** | -2.22 | |

### *EMT Calls*

| Date | Stocks | Action | Reco. Price | Stop-loss | Target | Current price | % change | Comment |
|---|---|---|---|---|---|---|---|---|
| 18.06.10 | **Nifty June** | Sell | 5253.00 | 5300.00 | 5165/5115 | **5327.00** | -1.40 | Stoploss triggered |
| 18.06.10 | **Videoind** | Buy | 208.15 | 200.00 | 216/200 | **205.35** | -1.34 | |

**Home**

**Home**

**Emkay Global Financial Services Ltd.**
Paragon Center, H -13 -16, 1st Floor, Pandurang Budhkar Marg, Worli, Mumbai – 400 013. Tel No. 6612 1212. Fax: 6624 2410