

Major indices movements

Major indices	Clsq	1d (%)	3m (%)	6m (%)
BSE Sensex	10,742	2.0	14.2	(5.2)
Nifty	3,343	2.7	16.4	(4.9)
Dow	7,837	0.6	(8.9)	(8.6)
Nikkei	8,753	1.8	(0.9)	(4.4)
Hang Seng	14,710	1.6	2.3	(7.7)
Brasil Bovespa	44,182	0.8	6.3	19.2
Mexico Bolsa	20,531	(0.4)	(5.6)	1.1

Turnover

Value Traded (Rs bn)	8 Apr 2009	% Chg	52 Wk Hi	52 Wk Lo
Cash BSE	54.4	15.9	74.7	6.8
Cash NSE	176.1	18.6	204.2	15.6
Total	230.4			
Del.(%)	31.1			
F&O	634.7	31.0	827.0	103.5
Total Trade	865.1			

Fund Activity

Net Inflows (Rs bn)	Purch	Sales	Net	YTD
6 Apr 2009				
FII's	26.2	(24.5)	1.7	233.3
Domestic Funds	5.7	(7.9)	(2.2)	102.3
8 Apr 2009				
Cash Provisional			(1.3)	
F&O - Index	53.3	(45.9)	7.4	(27.6)
F&O - Stock	6.5	(12.3)	(5.9)	(11.6)

Advances/declines BSECash

8 Apr 2009	A	B1	B2	Total
Advance	163	1401	331	1895
Decline	35	287	85	407

Commodity Prices

Commodity	9 Apr 2009	1d (%)	3m (%)	6m (%)
Crude (USD/Bbl)	51.6	(0.5)	18.2	(35.5)
Copper(usd/t)	4,400	0.5	37.7	(16.0)
Aluminum H.G.(usd/t)	1,492	1.2	(4.1)	(33.8)
Zinc(usd/t)	1,375	1.5	11.3	(3.8)

Debt/Forex Mkt

Debt/Forex Mkt	Clsq	1d (%)	3m (%)	6m (%)
Re/USD	50.27	(0.1)	(4.0)	(4.5)
10 yr Gsec Yield	6.92	(1.5)	12.5	(14.2)

Contents

■ Research Views

NTPC - Flash Results for the period Q4FY09 and FY09

■ Research Update included

Goodwill @ Risk

■ Dealer Comments

■ Technical Comments

■ Derivative Comments

News clippings

- **NTPC Ltd** has reported 5.6 per cent increase in its provisional net profit for 2008-09 to Rs 7,827.4 crore compared with Rs 7,414.8 crore the year before.
- Venture capital arm of **Reliance Enterprises** has entered into an equal joint venture with private equity firm Milestone Capital for managing a Rs 600-crore healthcare and education fund.
- According to the figures released by the Society of Indian Automobile Manufacturers (SIAM), motorcycle sales in the country during the month was up by 2.98 per cent at 5,22,000 units as against 5,06,884 units in the corresponding period a year ago.
- The total passenger car sales in the domestic market increased marginally in March to 1,29,358 from 1,28,098 units in the same month last year.

Reco	CMP	TP
UR	196	UR

Financials

In Rs Million	Q4FY09	Q4FY08	YoY Gr (%)
Net Sales	117,045	107,436	8.9
Reported PAT	17,395	13,395	29.9
Adjusted PAT	17,395	16,847	3.3
EPS (Rs)	2.1	2.0	3.3

Amit Golchha

amit.golchha@emkayshare.com

+91 22 66242408

Research views

NTPC - Flash Results for the period Q4FY09 and FY09

Yesterday, NTPC announced flash results for the period Q4FY09 and FY09. Overall the numbers are slightly below ours as well as consensus expectation. The adjusted net profit growth at 3% (YoY) was lower than our expectation of 13% growth as well as consensus expectation of 7% growth. The revenues were up by 9% YoY, higher than our expectations of 7% and lower than consensus expectation of 11%. The reported net profit growth was higher at 30% with a net profit of Rs17.4bn during Q4FY09 versus Rs13.4bn during Q4FY08. During Q4FY08 - 1) the company carried out prior period adjustments based on opinion of expert committee of ICAI to the tune of Rs2.7bn and 2) it reversed previous period booked sales of Rs0.7bn. Adjusting for these two items the net profit during Q4FY08 stood at Rs16.8bn, thus the adjusted net profit growth of just 3% during Q4FY09.

For the full year FY09, the company has reported revenues of Rs422bn, up 14% and in line with ours as well as consensus expectations. It reported a PAT of Rs78bn, up 6% and below our expectation of Rs80bn. The EPS for the full year reported is Rs9.5, up 6% and below our expectation of Rs9.7.

Press conference highlights

- NTPC's standalone installed and commercial capacity stands at 27850 Mw each, which includes 1000 Mw and 2000 Mw added during the year respectively.
- The gross generation during the year stood at 207bn units, up 3.03%.
- The company has incurred a Capex of Rs127bn (Rs87bn during FY08) during FY09 and guided for a capex of Rs177bn for FY10E.
- The overall PLF for the year stood at 91.14%.
- The company has guided of a capacity addition of 3300 Mw during FY10E.

The recent global meltdown in equities along with adverse economic conditions has triggered off a spate of goodwill impairments by most US companies. We did an analysis of recent goodwill impairments in the US market and found that 18 out of 22 have argued that impairment is due to bad capital market conditions and erosion on the market cap of the company, while 13 have indicated economic downturn as the cause. Only 3 have indicated that the impairment is due to adverse industry scenario and NONE have reasoned that it is due to their acquiring target companies at unreasonably high prices during boom time.

Given the hectic pace of M&A activity in India over FY03-07 period, we conducted a study on companies having high goodwill on their books. Our study universe of Indian companies has an aggregate goodwill size of Rs1275bn with goodwill to networth ratio of 27.3% and goodwill to assets ratio of 14.4%. The top industries are Oil and Gas (23.6%), Metal and Mining (23.5%), IT (10.5%), Pharma (6.9%) and Telecom (5.2%).

While goodwill impairment is not compulsory as per Indian AS, we have compiled a universe of companies having goodwill on their balance sheets and assessed the impact on their financials due to impairment of goodwill.

Empirical study of goodwill impairment in the US suggests that a) goodwill impairment is complicated and subjective and not much financial information is available to predict goodwill write-offs, b) impairment indicates a change in earnings potential and increased risk of solvency of the firm, c) market reacts negatively to the unexpected portion of impairment d) analysts generally revise their short-term and long-term earnings forecast post the announcement, and e) acquirer would prefer to trade higher post-acquisition EPS over volatility in EPS earnings as write-offs are treated by analysts as non-recurring items.

318 companies of S&P 500 have goodwill in their balance sheets with an aggregate amount of US\$1285 bn. Goodwill constituted 7.2% (7.4% in CY01) of assets and 41% (35.9% in CY01) of net worth in CY08. Top industries are Financial Services (23.6%), Healthcare (13.2%), FMCG (10%), Media and Entertainment (6.9%) and IT Services (6.1%). This proportion is quite similar to our Indian universe. It should also be noted that goodwill impairments are a regular feature in the US markets.

We believe that creative accounting may help companies delay goodwill impairment but will fail to stop markets from discounting the same. We believe that while such goodwill impairment will temporarily result in lower earnings and negative sentiment, the longer term benefits in terms of better ratios and higher transparency far outweigh the negatives. With India moving towards the IFRS from 1st April 2011, which will make goodwill impairment compulsory, we believe that earlier implementation of this would result in healthier financials for the companies.

Top 10 Companies: How they stack up on goodwill

Company Name	Goodwill to Total Assets (%)	Company Name	Goodwill to Networth (%)	Company Name	Goodwill (Rs mn)
Subex	129.5%	Aban Offshore	874.7%	Cairn India	253193
Firstsource Solution	94.5%	Strides Arcolab	292.4%	Tata Steel	180500
Cairn India	85.4%	Subex	291.7%	Hindalco Inds.	88329
United Spirits	58.9%	United Spirits	256.4%	United Spirits	53260
Rain Commodities	51.5%	Firstsource Solution	255.1%	Tata Chemicals	46492
3i Infotech	48.8%	Rain Commodities	200.9%	Aban Offshore	44289
Advanta India	47.8%	Thomas Cook (I)	159.7%	Tata Power Co.	42274
Tata Tea	41.9%	3i Infotech	155.7%	Wipro	39398
Wockhardt	40.0%	Wockhardt	131.1%	Reliance Comm	35654
Strides Arcolab	39.2%	Tata Chemicals	124.5%	O N G C	33402

Source: Capitaline, Company, Emkay Research

Dealer Comments

Company	No. Of Shares	% Change
	(In lacs)	In price
BHEL	16.49	-1.0
GAIL	23.25	7.8
HCL Tech	33.20	10.7
NTPC	89.26	6.7
Tata Motors	30.64	6.3

Nifty movers

Top Gainers	Price	Index Points
NTPC	196.90	16.2
Reliance Ind	1725.15	13.5
ONGC	905.25	6.3
ITC	18985.00	6.1
HUL	241.30	4.8

Losers

Rcom	214.25	-1.3
HDFC Bank	1046.75	-1.2
BHEL	1517.00	-1.1
Hidalco	58.20	-0.5
M & M	448.20	-0.5

Index- volatility

Indices	Sensex	Nifty
High	10778	3357
Low	10171	3149
Close	10742	3342
Volatility	607	208
(in %)	5.63	6.20

Market Summary: The markets opened the session on a significant negative note with 250 odd points downward gap tracking extremely weak cues from the global markets, data showing fall in exports for the sixth month in a row and consistent buying by FII's since past couple of weeks. After opening on a weaker note markets drifted further downward and lost almost 350 odd points in early morning trades and continued to languish in the red till almost noon trades. However active participation by from local traders in last hour of trade staged a sharp recovery in the markets to close in the positive zone. Long only funds alongwith FII's were active buyers mostly in large cap stocks in the fog end. The day's rally was mainly led by buying in realty, capital goods, fmcg, oil & gas, auto, metal and IT stocks. Once again the broader indices out performed the benchmark indices as is evident from the overall strong market breadth. The overall market breadth was extremely positive as broader indices continues to witness extremely good buying action with Midcap index up by 3.11% and Smallcap index up by 4.47% respectively and was at 4.2 x. Aggressive short covering and fresh buying at lower levels led the bounce back on the bourses. Finally the Sensex closed 207 points or 1.97% higher to settle above the psychological 10500 barrier at 10742 levels while Nifty jumped 86 points or 2.65% higher to close much above the psychological barrier 3250 levels to settle at 3342 levels. Among the sectoral indices except for the Bankex index all of them ended in the positive territory with Realty, Consumer Durables, FMCG, PSU, Oil & Gas, Healthcare, Capital Goods and Power out performing the most. Among the index heavy weights, which gained the most were NTPC, Reliance Ind, ONGC, ITC and Hind Unilever while Rel Comm, HDFC Bank, BHEL, Hindalco and M&M were weak and ended as losers. Among the midcap space stocks which saw good buying action in extremely strong markets were RIIL, Jet Airways, Triveni Engg, DCB, Marico, ABG Shipyard, Emco Ltd, Piramal Health, Maharashtra Seamles, JP Hydro, I-Bulls Real Estate, Jindal Saw, Bajaj Hind, ICSA and Titan Ind and were up in the range of 10-30%.

The overall traded volumes were extremely higher compared to earlier day by almost 27% and were at Rs 865 bn. Delivery-based volumes were slightly lower compared to earlier day at 31.1% of the total turnover.

Among fund activities, FII's were net buyers to the tune of Rs 1.73 bn while Domestic Funds were net sellers to the tune of Rs 2.23 bn respectively on 6th April 2009. While on 8th April 2009, FII's bought shares worth Rs. 5.73 bn in cash segment (provisional) while in the F&O segment they were net buyers to the tune of Rs 1.51 bn whereas Domestic Funds sold shares worth Rs. 3.78 bn (provisional).

Movement of indices

Indices	Previous close	Today's close	% chg
Sensex	10534	10742	1.97
Nifty	3256	3342	2.65
S&P CNX 500	2473	2537	2.60
BSE 500	3809	3900	2.39
BSE Mid-Cap	3203	3302	3.11
BSE Small-Cap	3547	3705	4.47
BSE Auto	3280	3323	1.31
BSE Health	2862	2948	3.04
BSE FMCG	1989	2078	4.47
BSE IT	2454	2498	1.78
BSE PSU	5539	5735	3.54
BSE Bankex	4926	4915	-0.22
BSE Oil & Gas	7747	7998	3.24
BSE Metal	6451	6557	1.65
BSE Cons Dur	1817	1901	4.62
BSE Cap Good	7062	7275	3.02
BSE Realty	1848	1936	4.74
BSE Power	1959	2014	2.81

Levels to watch

	Sensex	Nifty
Day's High	10778	3357
Day's Low	10171	3149
13 DMA	9735	3066
34 DMA	9366	2926

Manas Jaiswal

Technical Analyst

manas.jaiswal@emkayshare.com

+91 22 66121274

Suruchi Kapoor

Junior Technical Analyst

suruchi.kapoor@emkayshare.com

+91 22 66121275

Technical Comments



Market Perspective

The markets slipped sharply in the early trade following negative global cues, but after making a low of 3149, Nifty started making **“Higher Tops and Higher Bottoms”** and it recovered all its morning losses and started trading in green, in last hour of trade it broke the Monday’s high of 3303 and lot of short covering was witnessed, it made a high of 3357 and finally closed at 3342 with a gain of 2.65%. On the sectoral indices front, BSE Realty index (+4.74%) followed by BSE CD index (+4.62%), BSE FMCG index (4.47%) were the top-gainers, while BSE Bankex index closed slightly negative. The Advance Decline ratio was almost 11:2.

Yesterday Nifty opened weak but took support near to 50% retracement level of the recent upmove from 2962 to 3303 and made a low of 3149, after that it started making **“Higher Tops and Higher Bottoms”** and broke the Monday’s high of 3303 and made a high of 3346, it finally closed at 3342 with a gain of 2.65%. We maintain bullish view with the target of 3396, which is the **200 DEMA** and if it sustains above that then it can even test 3451, which is 50% retracement level of the fall from 4649 to 2252. Downside the level of 3149 will play as a support for immediate term. However, the level of 2962 remains as a short term support.

Today's Strategy:

For Intra-day, Nifty is having resistance at 3396 and it has support at 3303 and below that 3270.

Technical Comments (contd..)

Sectoral Speak



BSE Realty :

Yesterday, The **BSE Realty** index continued its northbound journey and outperformed the broader markets; it made a high of 1946 and finally closed at 1936 with a gain of 4.74%. It is still looking strong on the charts, we have a target of 1983, which is the 50% retracement level of the fall from 2670 to 1297, But if it sustains above 50% retracement level then it can test 2145, which is 61.80% retracement level of the above mentioned fall.



BSE Power:

On Monday, the **BSE Power** index broke the Jan'09 high of 1953, yesterday also the rally continued and it made a high 2027 and finally closed at 2014 with a gain of 2.81%. Now it can test the 200 DEMA, which is placed at 2149 and above that 2326. For short term it has support at 1813.

Nifty

	29.01.09	08.04.09	Chg	% Chg
Spot	2823.95	3342.95	519	
Apr.Fut	2796.15	3355.5	559.35	
May Fut	2795.1		-2795.1	

Nifty Cost of Carry

	29.01.09		08.04.09	
	Basis	COC %	Basis	COC %
Mar.Fut.	-27.8		12.0	

Nifty open interest

	No of Shares ('000)			
	29.01.09	08.04.09	Chg	%Chg
Apr.Fut	29565	40926	11361	
May Fut.			0	
Total	29565	40926	11361	

Nifty put call ratio

	No of Shares ('000)			
	29.01.09	08.04.09	Chg	%Chg
Call OI	23810	22479	-1331	
Put OI	18801	43423	24622	
PCR	0.83	1.6	0.77	

Babita Sharma

babita.sharma@emkayshare.com

Tel: +91 22 6612 1333

Derivative Comments

Nifty witnessed one of its finest moves in recent past where it has moved up more than 200 points intraday and finally closed at 3343 with a gain of 87 points. The entire Nifty counter participated in the rally except for some of the Banking stock, Metal and Telecom stocks. F&O volume jumped to \$ 12.44 bn.

Nifty April Future closed with 12 points premium and open interest of Nifty future has actually seen an addition of 2.75 mn to 40.92 mn.

PCR Analysis:

Nifty PCR ratio remained at 1.60. Implied volatility of Nifty call option slightly declined to 35 from 35.95 while put option to 35.05 from 36.35. On call option front, addition witnessed in 3400, 3500 and 3600 call by 0.29 mn, 0.63 mn and 0.20 mn respectively. On put option front, addition witnessed in 3200 and 3300 put by 0.72 mn and 0.86 mn.

On stock option front, Straddle traded witnessed in Tata Steel 240 strike, SBI 1110 strike and Reliance Capital 400 strike. Some other active call options were Bharti 640 call, ICICI Bank 370,380 call, NTPC 180, 190 Put.

Cost of carry (March):

Arbitrage level of the market increased to 65 bps in the counters like Rpower, Reliance, NTPC. Discount of many counter narrowed down like DLF, Unitech, Tata Motors.

Open interest analysis:

Though Nifty witnessed a good rally but Banking witnessed short position while long witnessed in Oil and Gas counter. Some other long witnessed in Tata Steel, SAIL, Escorts, LT.

[Home](#)

DISCLAIMER: This document is not for public distribution and has been furnished to you solely for your information and may not be reproduced or redistributed to any other person. The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions. This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. No person associated with Emkay Global Financial Services Ltd. is obligated to call or initiate contact with you for the purposes of elaborating or following up on the information contained in this document. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon. Neither Emkay Global Financial Services Ltd., nor any person connected with it, accepts any liability arising from the use of this document. The recipient of this material should rely on their own investigations and take their own professional advice. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. We and our affiliates, officers, directors, and employees world wide, including persons involved in the preparation or issuance of this material 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 a market maker in the financial instruments of the company (ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) 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. The same persons may have acted upon the information contained here. No part of this material may be duplicated in any form and/or redistributed without Emkay Global Financial Services Ltd.'s prior written consent. No part of this document may be distributed in Canada or used by private customers in the United Kingdom. In so far as this report includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

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