

Major indices movements

Major indices	Clsg	1d (%)	3m (%)	6m (%)
BSE Sensex	19,696	(1.2)	5.5	18.5
Nifty	5,904	(1.2)	5.3	18.4
Dow	11,372	0.1	9.5	14.4
Nikkei	10,254	0.2	12.7	8.6
Hang Seng	23,218	0.5	9.7	18.3
Brasil Bovespa	68,175	(1.7)	2.7	10.3
Mexico Bolsa	37,618	(0.7)	16.1	21.1

Turnover

Value Traded (Rs bn)	8 Dec 2010	% Chg	52 Wk Hi	52 Wk Lo
Cash BSE	35.1	(3.5)	105.2	19.1
Cash NSE	142.1	0.1	298.5	18.2
Total	177.2			
Del.(%)	39.9			
F&O	1067.9	9.8	2525.1	226.0
Total Trade	1245.1			

Fund Activity

Net Inflows				
(Rs bn)	Purch	Sales	Net	YTD
7 Dec 2010				
FII's	30.1	(34.3)	(4.2)	233.4
Domestic Funds	5.0	(7.7)	(2.7)	98.8
8 Dec 2010				
Cash Provisional			(1.3)	
F&O - Index	74.1	(82.3)	(8.2)	(27.6)
F&O - Stock	14.9	(17.0)	(2.1)	(11.6)

Advances/declines BSECash

8 Dec 2010	A	B1	B2	Total
Advance	35	349	80	464
Decline	168	1523	354	2,045

Commodity Prices

Commodity	9 Dec 2010	1d (%)	3m (%)	6m (%)
Crude (USD/Bbl)	91.1	0.2	19.0	24.1
Copper(usd/t)	9,015	1.5	17.5	46.2
Aluminum H.G.(usd/t)	2,373	3.0	9.9	23.6
Zinc(usd/t)	2,311	0.3	4.1	33.3

Debt/Forex Mkt	Clsg	1d (%)	3m (%)	6m (%)
Re/USD	45.09	(1.0)	3.5	4.1
10 yr Gsec Yield	8.11	0.3	2.1	8.9

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News clippings

- HCL Technologies** has entered into a multi-year partnership with Ricardo Eletro, a leading Electronic retailer in Brazil. Under this partnership, HCL will be responsible for supporting Oracle E-business and Oracle Retail systems, deployed in more than 200 stores of Ricardo Eletro.
- NTPC** has earmarked a whopping Rs 1,50,000 crore investment for sourcing equipment for its power projects in the next fiscal, the deliveries of which will be made over five years.
- Hero Honda** has hiked the prices of its models in the range of Rs 500-Rs 1500 to offset the rising input costs.
- Venus Remedies** has successfully completed Phase III clinical trials of a novel Aminoglycoside molecule, Etimicin sulphate. Venus had licensed this molecule in 2007 from an innovator company in China. Venus owns the exclusive manufacturing and marketing rights for this product in India.
- OnMobile** has entered into a partnership with Madison World to form a joint venture that will focus on mobile marketing and work towards opening up direct sales and revenue channels, leveraging the reach, infrastructure and telecom relationships of OnMobile and the market presence and marketing capabilities of Madison World.
- According to the figures released by the Society of Indian Automobile Manufacturers (SIAM), motorcycle sales in the country during the month grew by 15.61 per cent to 7,10,182 units from 6,14,274 units in the same month last year.
- India's exports in November rose an annual 26.8 per cent to \$18.9 billion, while imports for the month grew 11.2 per cent on the year to \$27.8 billion. India's trade deficit in November stood at \$8.9 billion compared with \$9.7 billion in October.

Research views

Allied Digital Services Ltd. (CMP: Rs. 183/- M. Cap Rs. 8,509 Mn, P/E 9x FY10, Not Rated)

We attended Allied Digital's Investor day on 06 Dec' 2010. Key highlights include:

- Allied is a midcap IT service player providing IT infrastructure services and solutions with key focus on Remote Infrastructure Management Services (RIMS). 70% of the revenues are domestic and 30% international (mainly US). Solution segment (nature: system integration & consulting) contributed 45% of the revenues in FY10 (V/s. 50% in FY09) and Infrastructure Management Services contributed 55% of the revenues (V/s. 50% in FY09).
- Allied has key strategic alliances with Lenovo, Intel, LANDesk and Presidio. All these alliances are in RIMS space and none of the deals are reflected in financials yet. Execution remains key challenge for these deals.
- Allied has tied-up with Intel as a Strategic Technology Partner for Remote Management Technology. Currently working with Intel Enterprise Sales team to address their large Enterprise customers and partners globally. Intel capital has made strategic investment in the company. Allied has entered into an agreement with Intel Capital in Sept 10 where the latter will invest in over 13 lakh warrants for Rs 320 Mn and buy up to three per cent in the company.
- Allied has recently introduced mobile ARM which will help Enterprises meet mobile user service expectations in a complex world. Per management, Blackberry (RIM) has recognized this solution and has added Allied as their Global technology partner.
- Company is expanding their capabilities towards cloud solutions and investing in leadership team, streamlined processes and smart technology.
- Key concerns include (1) low operating cash flow caused by higher debtor days of ~144 days (2) Execution challenges in new deals (3) Allied has done two dilutions post IPO (July 2007). It diluted about ~26% through QIP in Oct 2009 and ~ 2.8% through issue of convertible warrants to Intel in Sept 10.
- The management has guided for Rs. 8,700 Mn of Turnover (+29% YoY) and Rs. 1,250 Mn of PAT (+29% YoY) . The company has already done Rs. 4,131 Mn of Revenues (+30% YoY) and Rs. 499 Mn PAT (+36% YoY) in 1HFY11. The stock trades at P/E of 7x FY11 Guided EPS of Rs. 26/-.

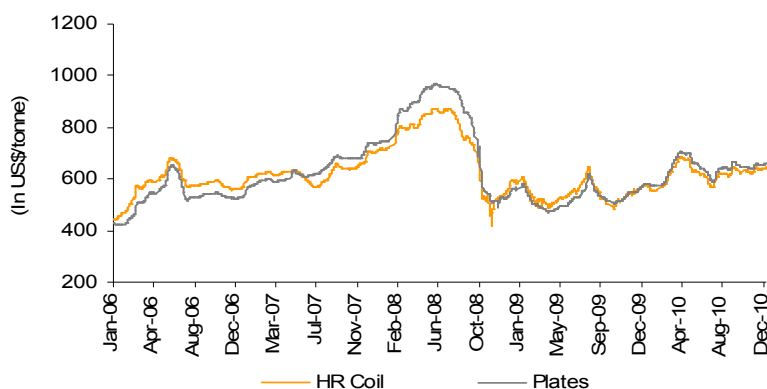
Y/E Mar (in Rs mn)	Net Sales	EBITDA	EBITDA %	PAT	Adj EPS (Rs)	ROE %	P/E(x) (x)	EV/ EBITDA	P/B (x)
FY07	1,560	330	21.2%	229	4.8	55	38.2	21.9	4.0
FY08	2,970	668	22.5%	436	9.1	36	20.1	10.8	1.8
FY09	5,558	996	17.9%	747	15.6	32	11.7	7.3	1.1
FY10	6,731	1,303	19.4%	970	20.3	20	9.0	5.6	1.3

Research views

Steel industry update

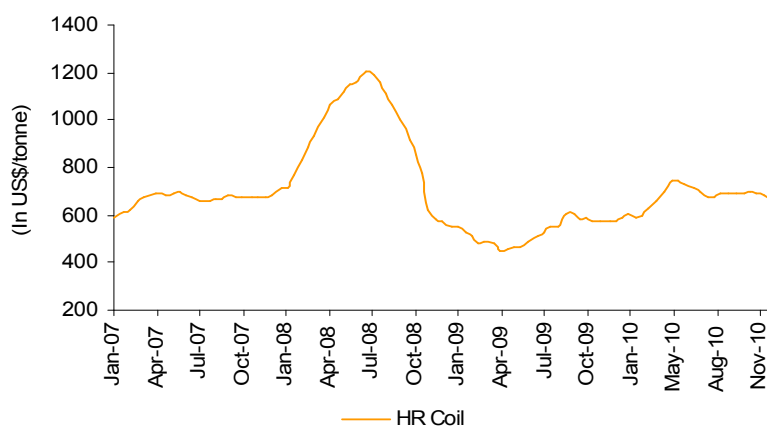
Steel prices remain firm both in the domestic markets as well as in the international markets. All the major global markets including North America, Europe and China have seen slight improvement in steel prices over the past 2-3 weeks despite overall bleak demand scenario during the current quarter. Chinese HRC prices have been hovering around US\$650/ tonne in the first week of December against US\$625/ tonne during late October. While, CIS Black Sea export prices (FoB) of HRC have been moving around US\$600/ tonne, the Western European HRC prices are stable at ~US\$670/ tonne.

Exhibit1: Chinese steel price movement



Source: Bloomberg, Emkay Research

Exhibit 2: Western Europe steel price movement



Source: Bloomberg, Emkay Research

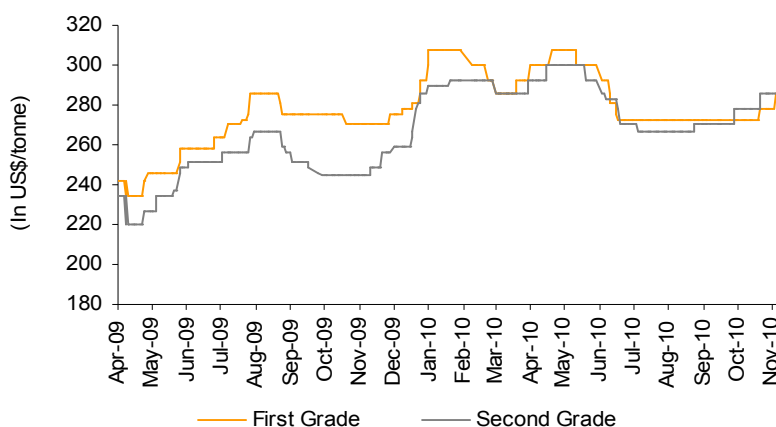
In India too prices have been stable after the 1- 1.5% cut during early Q3FY11. There have been talks of hike in steel prices by the producers in India at the beginning of the Q4FY11. Sentiment has been positive in the spot markets also across the country as far as the prices are concerned. According to some industry participants TMT bar prices in North Indian markets are hovering around Rs 32000/ tonne, while that of HRC are being quoted around Rs 34000 - 35000/ tonne.

Why steel prices are higher?

- This is mainly due to higher raw material costs. While, coking coal contract prices for Q4FY11 is reported to have settled at US\$225/ tonne between Japanese steel mills and BHP Billiton, iron ore contract prices also are likely to be settled at US\$130- 135/ tonne for the same period. On QoQ basis contract prices of coking coal and iron ore would be higher by ~12.5% and ~7-8% for Q4FY11

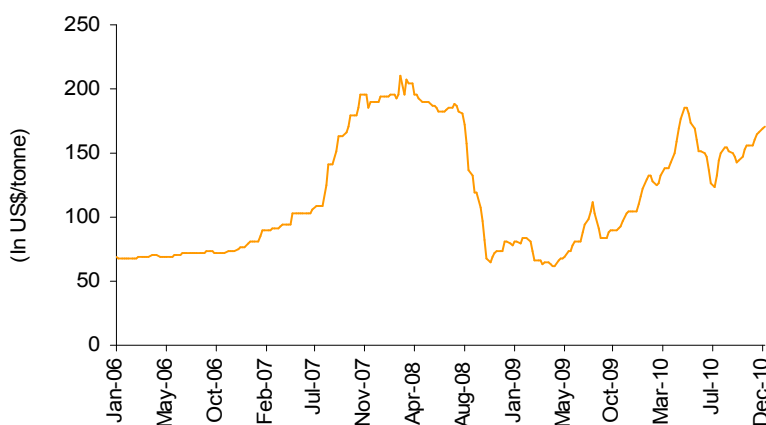
Steel industry update (Cont'd...)

Exhibit 3: China coking coal prices



Source: Bloomberg, Emkay Research

Exhibit 4: Chinese Import prices of 63% Fe Indian Iron ore



Source: Bloomberg, Emkay Research

- The middlemen and the consumers have started restocking as their inventory position came down during the past 2-3 months
- Normally due to seasonality, Q4 remains well for the industry in terms of demand

Reason for higher raw material prices

- China contributes ~45% of the global crude steel production. In recent month the production trend in China has been stable with improvement seen again in October numbers (50.3 million tonnes) after witnessing some decline during prior three months. According to the World Steel Association (WSA), during the first 10 months China has produced ~525 million tonnes of crude steel, (up ~11% YoY) out of ~1165 million tonnes produced by 66 countries reporting to WSA. Along with China, India's steel production also has been growing at a good pace. According to the WSA India's crude steel production in October remained at 57.5 million tonnes, up by ~9% on YoY basis. This also helped particularly coking coal prices to remain firm

Exhibit 5 : Global Steel production

	Oct'10	Sep'10	Oct'09	YoY %	MoM %	CY09	YTDCY10
USA	6.6	6.6	6.0	9.6	-0.6	58.4	67.5
EU	15.4	14.3	14.3	8.2	7.7	137.5	145.4
China	50.3	47.9	51.7	-2.8	4.9	567.1	524.8
India	5.8	5.6	4.9	16.6	3.4	58.3	55.1
Japan	9.5	9.2	8.8	8.0	2.9	87.5	91.4
World	117.6	112.3	113.4	3.7	4.6	1197.4	1164.7

Source: World Steel Association, Emkay Research

Steel industry update (Cont'd...)

- Tightening by some of the state governments (Orissa, Karnataka and Goa) and also the Central Government over the illegal mining along with ban on iron ore exports by the Karnataka government has made supply of iron ore from India lower. This is evident from the fact that China's iron ore import from India has fallen sharply to ~2.9 million tonnes in October from ~4.7 million tonnes in September. Thus, the reason for higher iron ore prices globally can also be attributed to some extent to the lower supply from India.

Concerns

- Sovereign debt crises in European zone has been posing a threat to the industry, as any stringent austerity measures by some of the countries would slow the demand growth
- Further tightening by China also would not auger well for the industry, as that would put pressure on demand and thereby the prices, as China contributes ~40% of the global steel consumption
- Higher exports from China may also be a threat to the steel prices if Chinese demand falls substantially

Our take

We believe that the challenges for the industry have not been over yet. Prices are likely to remain stable to firm on the back of higher raw material prices. Only a drastic fall in Chinese production could bring iron ore and coking coal prices down, however, as of now it does not seem to be the case. Demand situation in India is looking better than many other countries. Thus, companies with backward integration and major focus on the domestic markets should do better.

Dealer Comments

Market Summary: The markets started the day's session on a negative note with almost 80 odd points downward gap tracking weak to subdued cues from the global markets particularly the weaker Asian counterparts. Post weak opening markets continued to witness selling pressure and continued its south bound journey till the closing bells. Post noon markets saw a big slump mainly led by huge fall in the Asian counterparts on the back of concerns over China tightening interest rates again this weekend to curb excessive heating of their economy resurfaced when it will release its monthly November 2010 statistics including inflation. For the third consecutive day banking stocks saw good hammering and profit booking post RBI asking the banks to trim their interest margins with an all round selling across the space. Even profit booking in metal, realty, IT, power and fmcg stocks further aided the days fall. Broader markets continue to see huge selling pressure after a decent out performance recently. Now the next positive trigger for the markets is the announcement of the IIP nos and Advance tax figures for Q3 by corporates. Finally the markets once again closed the day on a negative note towards the end at almost day's lows with Sensex losing 238 points or 1.19% lower to settle at 19696 levels while Nifty lost 73 points or 1.22% lower to settle at 5903 levels. The overall market breadth indicating the strength of the market was extremely weak as broader markets witnessed selling good action with Midcap index and Smallcap index losing almost 2.7% each and was at almost - 4.5x. Among the sectoral indices all of them posted losses with Consumer Durables, Realty, Bankex, Metal, PSU and Capital Goods under performing the most. Among the index heavy weights which gained the most were ONGC, GAIL, BPCL, Dr Reddys and ACC while HDFC Bank, Infosys, HDFC, Axis Bank and Reliance Ind and ended as losers. Among the midcap space stocks, which saw good buying action despite weak markets were Amtek Auto, Sparsh BPO, Hexaware, Castrol, Inox Leisure, Zydus Wellness, Britannia, Moser Baer, Torrent Power and Voltamp and were up in the range of 2-9%.

The overall traded volumes were slightly higher compared to the earlier day by almost 10% and were at Rs 1246 bn. While delivery based volumes were also higher compared to the earlier day at 45.7% of the total traded turnover.

Among the Fund activities FII's were net sellers to the tune of Rs 4.17 bn on 7th December 2010. While on 8th December 2010 FII's were net sellers to the tune of Rs 14.85 bn in the cash segment while in the F&O segment FII's were net sellers to the tune of Rs 10.32 bn while Domestic Funds were net buyers to the tune of Rs 4.09 bn.

Indices

Indices	Today's close	% chg
Sensex	19,696.48	-1.19
Nifty	5903.70	-1.22
S&P CNX 500	4774.45	-1.44
BSE 500	7,707.47	-1.45
BSE Mid-Cap	7,600.43	-2.21
BSE Small-Cap	9,294.99	-3.22
BSE Auto	10,236.29	-0.94
BSE Health	6,682.66	-0.58
BSE FMCG	3,545.91	-0.59
BSE IT	6,231.87	-0.87
BSE PSU	9,331.98	-1.11
BSE Bankex	13,068.92	-2.03
BSE Oil & Gas	10,464.27	-0.40
BSE Metal	16,341.15	-2.01
BSE Cons Dur	6,150.01	-2.98
BSE Cap Good	15,294.20	-1.10
BSE Realty	2,840.02	-2.51
BSE Power	2,914.52	-0.79

Levels to watch

	Sensex	Nifty
Day's High	19,875	5,960
Day's Low	19,611	5,878
21 EDMA	19,903	5,975
55 EDMA	19,818	5,956

Trend Tracker

	Up/ Down	Sensex/ Nifty	Sensex/ Nifty
		Target	Reversal
Short Term*	↓	19253/5780	20300/6090
Mid Term*	↑	21110/6336	19,000/5700
ST: 0-14 Days		MT: 14-45 Days	

Nifty Intraday levels to watch

	Support	Resistance
Nifty	5850/5878	5932/5960

TechCheck

Demand creeps in at 50% retracement

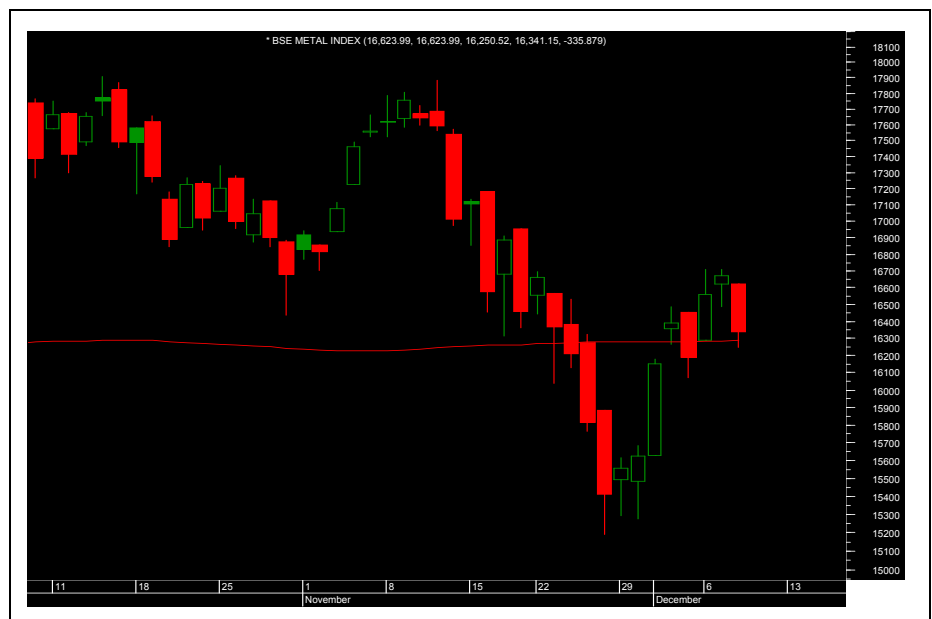
Nifty has fallen for the third consecutive day and shed more than 100 points in three days; it slipped below 5900 – psychologically important level - during the day but managed to claw back above that level at close. If we do a Fibonacci check of the rally which started from 5690.35 and terminated at 6069.45, we are at 50% retracement packed at 5880. Final retracement support is at 5835, which is the golden retracement i.e. 61.8%. Unless that is broken, we would not say that the bulls are totally under threat. This is basically a profit taking bout which we are seeing and still hope that 6200 odd levels can still be seen in future. Moreover, the current fall is quite mature and hence a positive close will mark its termination and we will be heading for 6200.



Sectoral Speak

BSE Metal:

BSE Metal index has formed an “Evening Star” candlestick pattern, due to which we may see some more fall upto 15950 level in the near future.



Technical Recommendations

EPT Calls

Date	Stocks	Action	Reco. Price	Stop-loss	Target	Current price	% change	Comment
30.11.10	L&T	Buy	1940.00	1978.40	2060/2149	1998.00	2.98	
01.12.10	Cipla	Buy	370.00	354.30	390/409	367.00	-0.81	
06.12.10	Jet Airways	Sell	822.00	874.60	771/721	787.00	4.25	
08.12.10	HPCL	Buy	403.00	378.40	427/457	409.00	1.48	

Note: Kindly note that all stop losses for EPT calls are on daily closing basis (DCL), unless specified.

EMT Calls

Date	Stocks	Action	Reco. Price	Stop-loss	Target	Current price	% change	Comment
06.12.10	Nifty Fut	Sell	6003.00	6115.00	5890/5800	5920.00	1.38	Profit booked

Note: Kindly note that all stop losses for EMT calls are on intraday basis, unless specified.

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