

India Technical Research Weekly

Push To New All-Time High Above 4245

- **Nifty** — The index exhibited strength toward the opening session of the week; it consolidated for a day and saw strength for the rest of the week. The index closed on a positive note; it ended the week with gains of 138 points.
- **Moving Averages** — The index is trading above the (10 and 20) Daily – Weekly Moving Averages. The 10 dma = 4127, 20 dma = 4118; 10 wma = 3953, 20 wma = 3986. The index trading above the “Moving Averages” is considered positive. Intra-week dips should find support around the 10 dma at 4127. [dma = Daily Simple Moving Average; wma = Weekly Simple Moving Average]
- **Triple Bottom - 60 Minute Chart** — The index has posted a “Triple Bottom” at the 4029 level. On the upside, Nifty should move toward 4303 levels. The # 4303 is derived by adding 137 to the breakout level at 4166. The # 137 is derived as the distance between the Triple Bottom around the 4029 level to the previous high around 4166 (4 May 2007).
- **Support** — The Index has support around 4166 and the 10 dma (4127); intra-week declines should find support around these levels.
- **Conclusion** — Nifty can move toward the 4303 level.

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See Appendix A-1 for Analyst Certification and important disclosures.

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Figure 1: India Technical Research — Index Snapshot

Indices	Last Week Close	Current Week Close	WeeklyChange(Points)
Sensex	13796	14303	+507
Nifty	4077	4215	+138
Nifty Futures: Current Month	4079	4224	+145

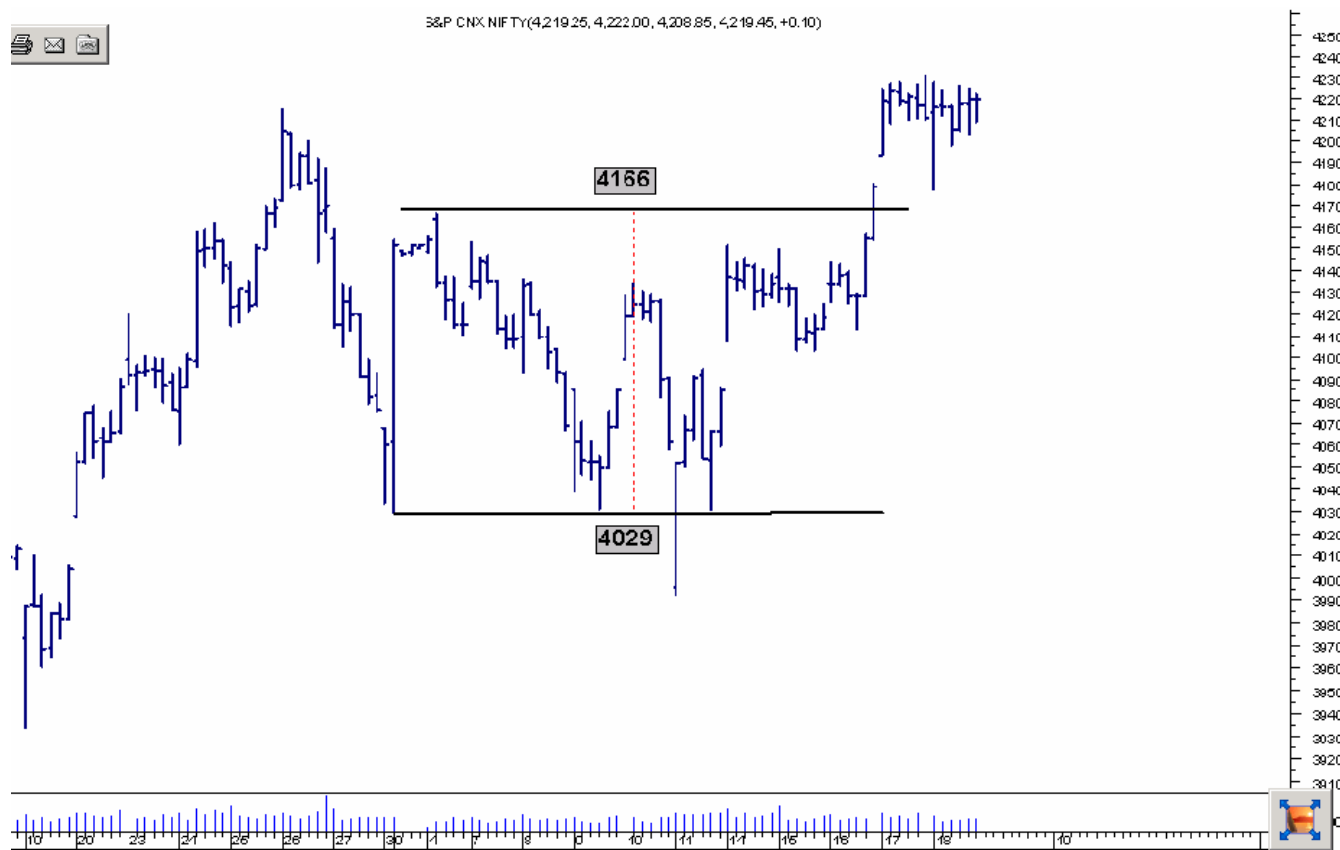
Source: Citigroup Investment Research

Figure 2: India Technical Research — Support and Resistance

Indices	Support	Resistance
Sensex	14160-13972-13864	14384-14479-14724
Nifty	4151-4127-4073	4245
Nifty Futures: Current Month	4187-4131-4101	4245

Source: Citigroup Investment Research

Figure 2. India Technical Research Daily:Nifty 60 Minute Chart



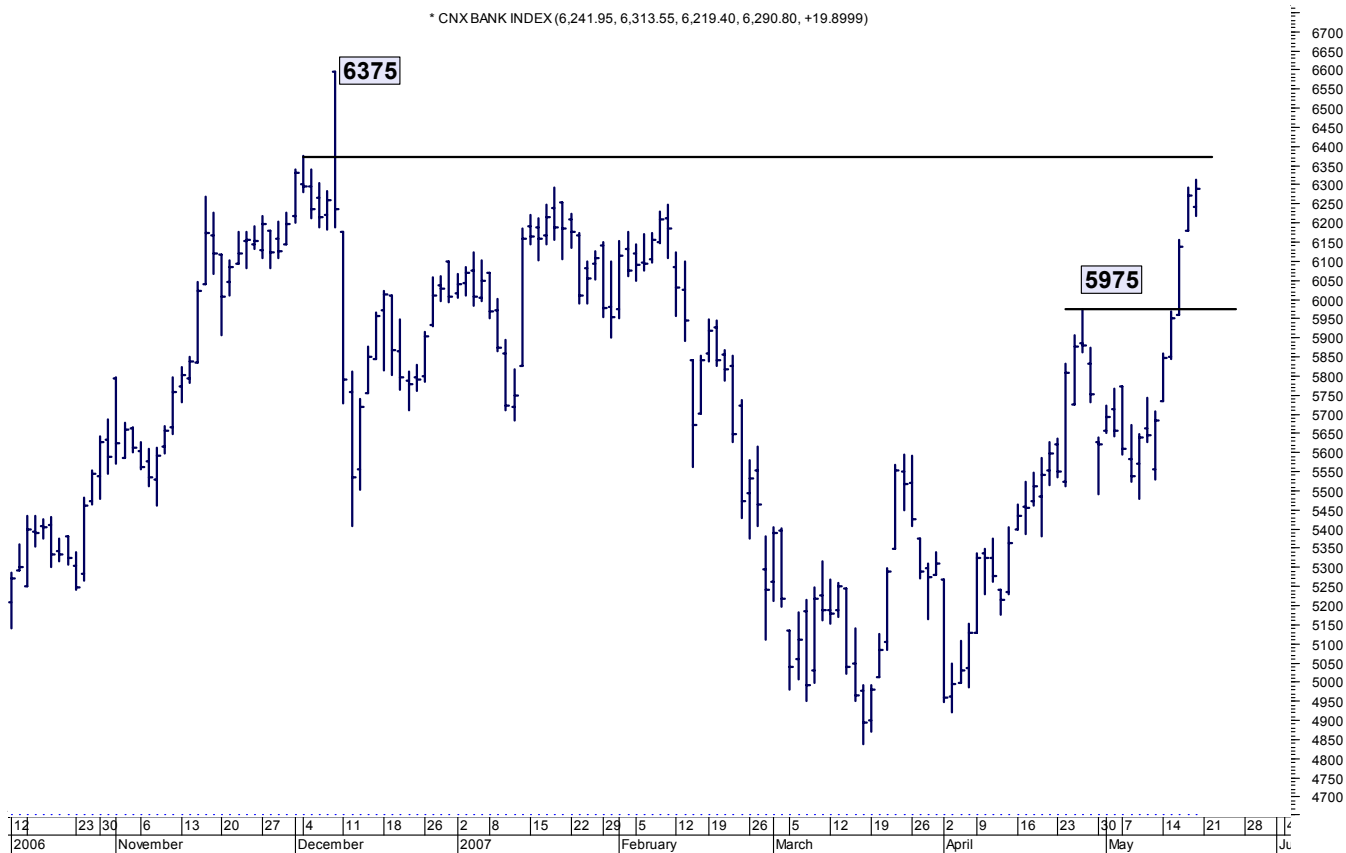
Source: Reuters Metastock

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CNX BANK INDEX: (6291)

- The CNX Bank Index closed with a weekly gain of 608 points. The index can test 6375 (high of 4 December 2006), where resistance can be expected. The index has support around the gap in the 6179-6155 range. The Relative Strength Index RSI (14) on the daily chart is exhibiting a reading of 74 (a reading above 70 signifies overbought). The index can see upside till it maintains above the gap area of 6179-6155 on a closing basis. Close below the 6155 level can see it pull back toward the breakout level at 5975.
- **Conclusion:** Upside can be seen while price holds above 6155.

Figure 4. India Technical Research :CNX Bank Index



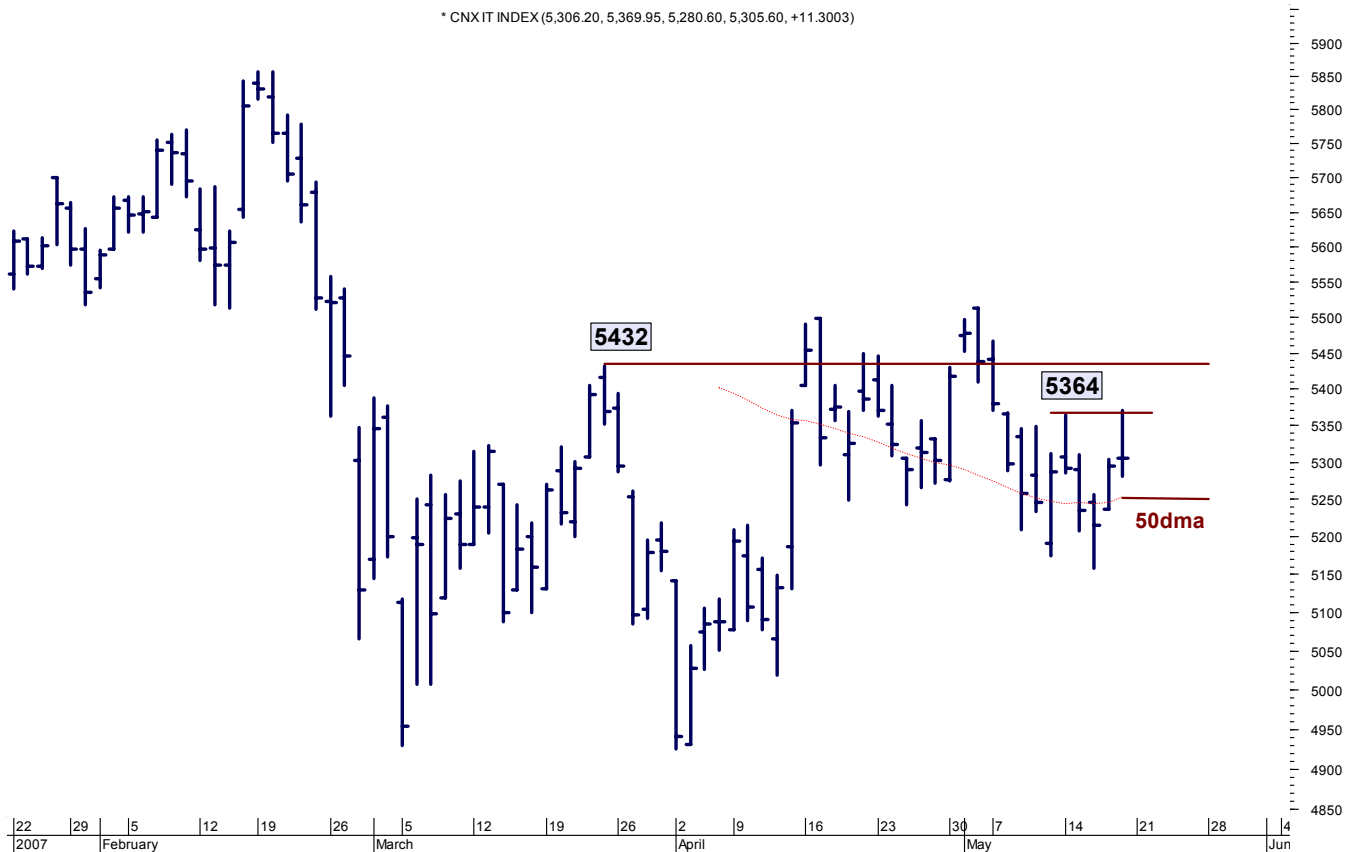
Source: Reuters Metastock

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CNX IT INDEX: (5306)

- The CNX IT index closed with a weekly gain of 19 points. The index is facing resistance around 5364 and 5432 (high of 23 March 2007). The index is facing price congestion from the 10 dma (5281), 20 dma (5323) and 50 dma (5253). Close below the 50 dma (5253) can see the index drift down toward the 5159 (low of 16 May 2007) or 5019 (low of 12 April 2007).
- **Conclusion:** Close below 5253 can see the index drift down toward 5159-5019 levels.

Figure 5. India Technical Research :CNX IT Index



Source: Reuters Metastock

This Week's Terminated Coverage

Ticker	Rating	Stock Price 18-05-2007	Target Price	Stop Loss Price	Recommendation Expiration Date	Stock Price on Date of Expiration	Coverage Status
Target Price Achieved							
Reliance Communications	Short Term Buy(1B)	Rs495.85	491	427	23 – July-07	490.75	Terminated
Stop Loss Price Reached							
Recommendation Expired							

Source: Citigroup Investment Research

CIR Fundamental Research has a Buy /Medium Risk (1M) rating on Reliance Communication shares with a target price of Rs510.

Reliance Communications (RLCM.BO - Rs495.85; 1M)**Valuation**

We value Indian wireless plays on DCF given the back-ended nature of profits and cash flow. For RCOM, however, we use EV/EBITDA in the absence of a detailed balance sheet. Our 12-month target price of Rs510 is based on 9.7x FY09E EV/EBITDA, a 15% discount to Bharti's target multiple (ex- towerco) to reflect the uncertainty on the timing of the GSM rollout and the associated challenges. We expect RCOM's valuation multiples to be determined by Bharti's due to the liquidity overflow from the latter, notwithstanding the risk of technology transition. A potential IPO of FLAG would also act as a likely trigger to the stock over the next 3-6 months. Meanwhile, higher-than-average earnings growth (CAGR of 39.0% over FY07-09E) and low sensitivity of wireless demand to interest rates should continue to support premium valuations for the sector.

Risks

Our risk-rating system, which tracks 260-day share price volatility, assigns a High Risk rating to RCOM, but we believe Medium Risk is more appropriate. RCOM has been de-merged from Reliance Industries, and its shareholding at the time of listing mirrored the holding of RIL. The stock is therefore unlikely to have risks that are typical of newly listed companies. Besides, growth in the telecoms sector gives visibility to RCOM's prospects. But we believe its evolving financial history and risks pertaining to GSM overlay warrant a risk rating higher than the Low Risk assigned to Bharti. Downside risks to our target price include smaller-than-expected market share, lower-than-anticipated operating leverage (especially in FY07), cost-overruns n GSM overlay, regulatory and competition risks, un-remunerative capex, delays in the ongoing re-organization and more telecom-related paper.

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Appendix A-1

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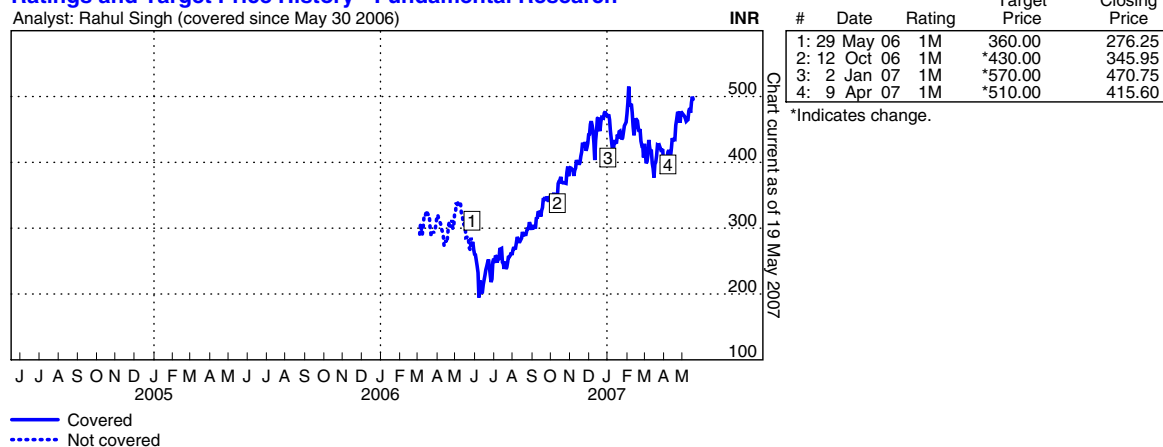
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Reliance Communications (RLCM.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Rahul Singh (covered since May 30 2006)



A member of Ratnesh Kumar's household holds a long position in the shares of Reliance Communications.

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Data current as of 31 March 2007

	Buy	Hold	Sell
Citigroup Investment Research Global Fundamental Coverage (3215)	45%	40%	15%
% of companies in each rating category that are investment banking clients	45%	42%	32%
India -- Asia Pacific (130)	58%	14%	28%
% of companies in each rating category that are investment banking clients	42%	50%	42%
Citigroup Investment Research India Technical Equity Research Coverage (0)	0%	0%	0%
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