

28 June 2010

## India Morning Bell



All the latest research and data

Sensex: 17575

Nifty: 5269

- India Oil & gas – EGOM meeting: Regulated de-regulation.**  
 With immediate effect, the government has de-regulated petrol prices; for diesel it would be gradual. As the impact of diesel on inflation is vast, prices have been hiked by just Rs2 a litre, with the promise of gradually de-regulating them in future.
- Core Projects & Technologies - Formative assessment order boosts Core.** US subsidiary, Core K12, bags a US\$24m order (a five-year deal) for 375 schools covering 700,000 students from the Los Angeles Unified School District (LAUSD).
- Derivatives view.** Expect short-term consolidation within the 5200-5400 range. On the downside, 5200 would act as a support as indicated by the strong Put OI built up at that level.

## Markets

	25 Jun 10	1 Day	YTD
Sensex	17575	-0.9%	0.6%
Nifty	5269	-1.0%	1.3%
Dow Jones	10144	-0.1%	-2.7%
S & P 500	1077	0.3%	-3.4%
FTSE	5046	-1.1%	-6.8%
Nikkei*	9705	-0.3%	-8.0%
Hang Seng*	20741	0.2%	-5.2%

## Volumes (US\$m)

	25 Jun 10	1 Day	Avg '10
Cash BSE	970	-10.7%	1,027
Cash NSE	2,906	-20.3%	3,078
Derivatives (NSE)	16,725	-50.0%	39,124

## Flows (US\$m)

	25 Jun 10**	MTD	YTD
<b>FI - Cash</b>			
Buy	280	9,609	69,341
Sell	347	7,601	62,733
Net	-66	2,008	6,608
<b>FI - Derivatives</b>			
Buy	1,813	46,680	243,360
Sell	1,844	43,290	231,236
Net	-31	3,186	11,946
<b>DII - Cash</b>			
Buy	281	2,078	16,693
Sell	474	2,204	18,305
Net	-193	-126	-1,613

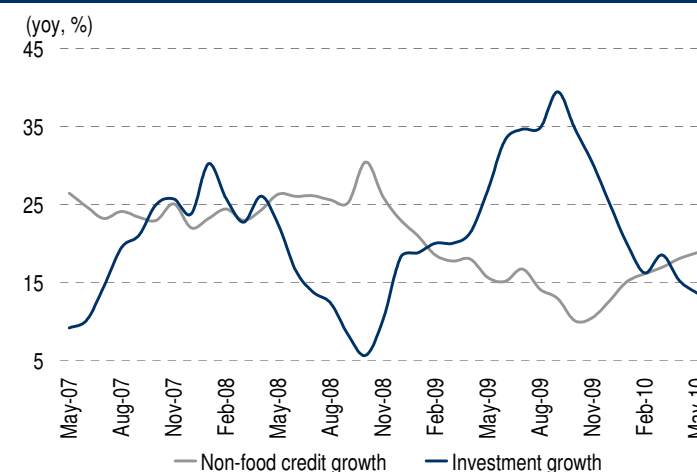
## Others

	25 Jun 10	1 Day	YTD
Oil Brent (US\$/bbl)*	78.5	0.5%	-3.8%
Gold (US\$/oz)*	1,256.6	0.1%	14.6%
Steel (US\$/MT)	625.0	0.0%	23.8%
Rs/US\$	46.29	0.0%	0.5%
US\$/Euro*	1.24	-0.1%	15.7%
Yen/US\$*	89.37	-0.2%	4.1%
Call Rate	5.30%	10bps	85.0bps
10-year G-Secs	7.65%	6bps	6bps
EMBI spreads	324bps	2bps	51bps

\*@7:30am \*\*Provisional Source: BSE, Bloomberg

## Chart of the day

## Non food credit growth vs Investment growth



Source: Bloomberg

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# Market Data

Large Caps (>US\$1bn)				Mid Caps (US\$250m-1bn)				Small Caps (US\$100m-250m)			
<b>Price Performance</b>				<b>Price Performance</b>				<b>Price Performance</b>			
<b>Top 5 Gainers</b>				<b>Top 5 Gainers</b>				<b>Top 5 Gainers</b>			
Company Name	CMP	1 W %	1 Mth%	Company Name	CMP	1 W %	1 Mth%	Company Name	CMP	1 W %	1 Mth%
GODREJ INDUSTRIE	167	9.4	14.8	EDELWEISS CAPITA	519	23.5	28.0	WELL PACK PAPERS	71	21.1	86.6
COROMANDEL INTER	470	9.2	24.0	REI AGRO LTD	33	17.3	21.0	VAKRANGEE SOFT	212	16.7	49.8
SHREE GLOBAL TRA	242	8.6	3.6	CORE PROJECTS &	231	16.7	12.7	OCL IRON AND ST	50	16.7	33.7
PIDILITE INDS	123	8.4	11.8	GODREJ PROPERTIE	615	13.8	19.3	VIP INDS LTD	319	16.1	34.7
GUJARAT STATE PE	100	6.5	13.0	SHOPPER'S STOP	529	13.2	40.7	AEGIS LOGISTICS	411	15.4	50.8
<b>Top 5 Losers</b>				<b>Top 5 Losers</b>				<b>Top 5 Losers</b>			
Company Name	CMP	1 W %	1 Mth%	Company Name	CMP	1 W %	1 Mth%	Company Name	CMP	1 W %	1 Mth%
BGR ENERGY SYS	700	(7.6)	24.3	KWALITY DAIRY	95	(20.5)	18.6	BHANSALI ENG PLY	30	(7.9)	4.8
PIPAVAV SHIPYARD	95	(6.8)	26.8	WNS HOLDINGS-ADR	492	(15.7)	(5.2)	GEODESIC LTD	90	(7.4)	(11.7)
CESC LTD	374	(2.8)	3.1	SKF INDIA LTD	456	(4.9)	7.7	ELANTAS BECK IND	625	(6.4)	15.6
FED BANK LTD	318	(2.8)	4.3	HONEYWELL AUTOMA	2,736	(4.7)	3.7	SWARAJ MAZDA LTD	325	(6.1)	11.6
JUBILANT ORGANOS	339	(2.6)	1.2	INDIA CEMENTS	108	(4.4)	(1.6)	AMTEK INDIA LTD	64	(5.7)	3.5
<b>Volume</b>				<b>Volume</b>				<b>Volume</b>			
<b>Volume Spurts</b>				<b>Volume Spurts</b>				<b>Volume Spurts</b>			
Company Name	CMP	1 W Avg	1 / 4 W%	Company Name	CMP	1 W Avg	1 / 4 W%	Company Name	CMP	1 W Avg	1 / 4 W%
GODREJ INDUSTRIE	167	1,804,037	145.6	EDELWEISS CAPITA	519	1,623,472	285.0	VIP INDS LTD	319	7,003,940	252.3
APOLLO HOSPITALS	789	114,758	76.0	SHOPPER'S STOP	529	422,002	219.4	AUTO AXLES LTD	422	23,764	213.7
PIDILITE INDS	123	289,799	74.1	STATE BANK MYSOR	640	16,108	192.5	STERLITE TECH LT	118	4,400,264	194.3
SHREE GLOBAL TRA	242	27,158	58.9	HT MEDIA LTD	151	362,651	188.0	NATCO PHARMA LTD	190	477,034	188.4
BIOCON LTD	321	1,103,085	58.3	GODFREY PHILLIPS	1,842	9,817	171.2	OCL IRON AND ST	50	453,130	180.9
<b>Technicals</b>				<b>Technicals</b>				<b>Technicals</b>			
<b>Above 200 DMA</b>				<b>Above 200 DMA</b>				<b>Above 200 DMA</b>			
Company Name	CMP	200D Avg	%	Company Name	CMP	200D Avg	%	Company Name	CMP	200D Avg	%
COROMANDEL INTER	470	285	64.8	BANK RAJASTHAN	170	86	97.9	INDIA SECURITIES	40	13	215.8
EMAMI LTD	781	556	40.5	WHIRLPOOL OF IND	264	157	68.3	WELL PACK PAPERS	71	25	180.2
BGR ENERGY SYS	700	527	32.8	ZYDUS WELLNESS	491	306	60.4	VAKRANGEE SOFT	212	98	117.1
UNITED BREWERIES	231	175	32.3	GKW LTD	612	385	58.9	TTK PRESTIGE LTD	917	468	95.9
TORRENT PHARMA	562	435	29.1	STRIDES ARCOLAB	428	271	58.0	AEGIS LOGISTICS	411	214	92.0
<b>Below 200 DMA</b>				<b>Below 200 DMA</b>				<b>Below 200 DMA</b>			
Company Name	CMP	200D Avg	%	Company Name	CMP	200D Avg	%	Company Name	CMP	200D Avg	%
EDUCOMP SOLUTION	543	727	(25.4)	ABAN OFFSHORE	754	1,221	(38.3)	REI SIX TEN RETA	61	108	(43.4)
INDIABULLS REAL	153	199	(23.1)	BAJAJ HINDUSTHAN	113	171	(33.8)	ANDREW YULE & CO	34	51	(32.4)
SHREE GLOBAL TRA	242	311	(22.2)	PUNJ LLOYD LTD	129	193	(33.2)	INDIABULLS SEC	27	36	(25.4)
KSK ENERGY VENTU	169	190	(11.3)	BALRAMPUR CHINI	79	112	(29.6)	APTECH LTD	141	186	(24.2)
VIDEOCON INDUSTR	203	227	(10.7)	BF UTILITIES LTD	692	979	(29.3)	GEODESIC LTD	90	119	(23.7)

Source: Bloomberg

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## India Oil & Gas

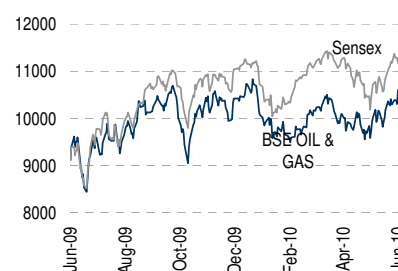
Nifty:5269

Sensex:17575

### EGOM meeting: Regulated de-regulation

- **Petrol de-regulated, diesel postponed.** With immediate effect, the government has de-regulated petrol prices; for diesel it would be gradual. As the impact of diesel on inflation is vast, prices have been hiked by just Rs2 a litre, with the promise of gradually de-regulating them in future. No time frame has been set. With mounting inflation, particularly in foodgrains, decontrolling diesel prices might be too much of a risk, in our view. As the share of petrol on the subsidy burden is only 10%, we believe that the non-immediate de-regulation of diesel, LPG and kerosene would restrict any upside.
- **Cooking fuel to continue to be heavily subsidised.** The government has categorically stated it would continue to heavily subsidise cooking fuel, suggesting no intent of a structural change in cooking fuel prices. The government has slightly hiked kerosene prices, by Rs3 a litre (against an Rs18.8 subsidy) and LPG prices, by Rs35 a cylinder (against a Rs262 subsidy).
- **Key decision on subsidy-sharing formula postponed.** The government has postponed the crucial decision on subsidy sharing between upstream companies, oil marketing companies and itself. Hence, the actual impact is difficult to predict now, given the adhoc nature of the subsidy-sharing formula followed in the past.
- **Rise in price of crude could be a dampener.** The government has said it would keep a close eye on the price of crude. Hence, we believe, the risk remains that the Government can, once again, go back on its decision if crude prices see a sustainable rally. Further, absence of any formula on refinery gate price could potentially lead to minor reduction in refining margins for independent refiners.
- **Positive for the sector, but subsidy-sharing formula would be the driver.** The decision on de-regulation of petrol prices and hike in prices of diesel, kerosene and LPG is positive for all in the sector. But absence of clarity on the subsidy-sharing formula would restrict any upside, in our view. We have kept our valuation and estimates unchanged, awaiting clarity regarding the subsidy-sharing formula. We are positive about the state-owned upstream companies, ONGC and OIL India. Further, the last two would be the key beneficiaries of the autofuel de-regulation, if last year's subsidy-sharing formula is retained. Among OMCs, we prefer Hindustan Petroleum, given its relatively higher exposure to marketing volumes. We continue to have a Sell on GAIL, on the absence of any clarity whether it would continue to bear a subsidy or not.

#### BSE Oil vs Sensex



Source: Capitaline

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## Core Projects & Technologies

### Formative assessment order boosts Core

- US\$24m order.** Core Projects and Technologies' US subsidiary, Core K12, bags a US\$24m order (a five-year deal) for 375 schools covering 700,000 students from the Los Angeles Unified School District (LAUSD).
- Details.** The order is to design and implement a comprehensive formative assessment program. This would be done under Core K-12's Assessment Centre V3 platform covering various subjects such as maths, english, arts, science and social Studies. The on-boarding of the software would begin from Jul '10 and revenue of US\$7m (licence and customisation fees) would be booked in FY11. The balance US\$17m would be spread evenly over the next four years. Prior to this, CPT won an order to deliver its formative assessment services to the state of Texas.
- Order book.** CPTL's Rs6.95bn order book is ~61% of FY11e sales. This includes the Rs1.19bn order for the 947-school ICT project in Maharashtra and the fresh US\$24m order from LAUSD. Orders worth Rs5bn would be executed in FY11 (44% of FY11 sales).
- Valuation.** At our target price of Rs325, the stock would trade at 16x FY11e earnings. At this valuation, it would trade at a ~20% discount to Educomp and the industry average.

Rating: Buy

Target Price: Rs325

Share Price: Rs220

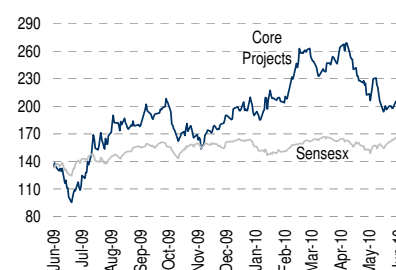
Key data	CPTL IN /CPTL.BO
52-week high/low	Rs280/Rs92
Sensex/Nifty	17730/5321
3-m average volume	US\$4.9m
Market cap	Rs23.3bn/ US\$500.9m
Shares outstanding	98.6m
Free float	53.4%
Promoters	46.6%
Foreign Institutions	15.6%
Domestic Institutions	2.9%
Public	34.9%

### Key financials

Year-end 31 Mar	FY08	FY09	FY10e	FY11e	FY12e
Sales (Rsm)	4,460	6,775	8,470	11,386	13,182
Net profit (Rsm)	847	1,430	1,731	2,419	2,765
EPS (Rs)	10.2	16.6	14.3	20.0	22.9
Growth (%)	120.2	62.3	(13.7)	39.7	14.3
PE (x)	21.5	13.3	15.4	11.0	9.6
PBV (x)	4.7	3.1	2.8	2.1	1.7
RoE (%)	34.2	28.4	22.2	21.8	19.6
RoCE (%)	30.1	24.9	22.7	21.2	19.8
Dividend yield (%)	0.1	0.3	-	0.4	0.5
Net gearing (%)	29.2	36.0	15.9	11.4	3.4

Source: Company, Anand Rathi Research.

### Relative price performance



Source: Capitaline

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## Derivatives

- Index.** The Nifty made a weak start to the July series as a fresh bout of selling caused Spot to close near the days low. Volumes were down in both the cash and F&O segments. Futures based long additions were seen in oil & gas PSU stocks (HPC, BPC and ONGC).
- Nifty Futures.** Nifty Futures saw little change in terms of OI. Both series (NM+MM) saw a substantial increase in futures basis.
- Nifty Options.** Option activity was skewed towards Put writing which led the PCROI to the 1.30 mark. Writing was noted at O-T-M 5200-5000-4800PE (+0.9m shares apiece), the 4700PE (+0.7m shares) and 5100PE (+0.6m shares) whereas Calls saw minor addition at the 5600CE (+0.3m shares). Significant OI was seen in the 5400CEs (5.1m shares) and the 5200PEs (6.1m shares).
- Institutional Activity.** Both FIIs and DFIs were net sellers in cash (-Rs3.1bn) and (-Rs4.5bn) in the cash segment respectively. FIIs were net sellers of (-3.1m shares) in index futures which was a culmination of fresh short (-1.8m shares) and long closures (-1.3m shares).
- Index View.** Expect short-term consolidation within the 5200-5400 range. On the downside, 5200 would act as a support as indicated by the strong Put OI built up at that level.

Futures Open Interest

Rs506bn

### Index Highlights

Nifty	25 June 10	24 June 10
Spot	5269.1	5320.6
Near Fut.	5283.7	5316.9
Mid Fut.	5285.4	5316.9
Near Basis	+14.6	-3.8
Mid Basis	+16.3	-3.8
Near OI (m sh)	29.4	29.6
Mid OI (m sh)	0.8	0.6

### Sentiment Indicators

Particulars	25 June 10	24 June 10
PCR OI	1.3	1.2
PCR Vol.	1.3	1.1
Historical Volt.	22.7	23.2
IV Call	17.1	16.3
IV Put	21.8	22.1

### Nifty Open Interest Gainers

Symbol	Price (%)	Fut OI (%)
BPCL	12.7	64.7
ONGC	6.2	45.6
GAIL	1.6	34.9
Jindal Steel	-2.4	13.7
RCom	2.3	12.4

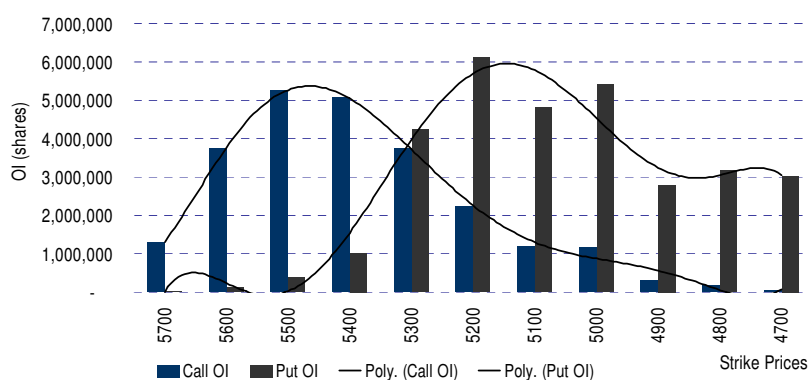
### Nifty Open Interest Losers

Symbol	Price (%)	Fut OI (%)
HCL Tech	-1.6	9.6
Rel Infra	0.4	6.7
Kotak Bank	-0.7	5.4
Maruti	0.7	4.5
PNB	-1.4	3.2

### FII F&O Net Activity (Rs bn)

Symbol	25 June 10	24 June 10
Ind. Futures	-16.0	2.2
Ind. Options	16.8	2.5
Stk. Futures	-2.4	-9.5
Stk. Options	0.2	-0.7
Net (Rs bn)	-1.4	-5.5

### Nifty Option O.I. Distribution



Source: BSE, Anand Rathi Research

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## Appendix 1

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Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US\$1bn) and Mid/Small Caps (<US\$1bn) as described in the Ratings Table below.

#### Ratings Guide

	Buy	Hold	Sell
Large Caps (>US\$1bn)	>20%	5-20%	<5%
Mid/Small Caps (<US\$1bn)	>30%	10-30%	<10%

#### Anand Rathi Research Ratings Distribution (as of 31 Mar 10)

	Buy	Hold	Sell
Anand Rathi Research stock coverage (118)	61%	12%	27%
% who are investment banking clients	8%	0%	0%

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