

Dealer's Diary

The market belled the day on a downbeat note as the key benchmark indices witnessed a gap-down opening on the back of negative cues from global markets. The indices traded range bound in the negative terrain thereafter, ahead of the scheduled release of the GDP data for the September quarter. Soon the market witnessed a strong upsurge in afternoon session and the benchmark indices traded in the positive terrain on the back of better-than-estimated GDP figures for the September quarter. The Indian economy grew by robust 8.9% yoy during 2QFY2011, maintaining the same pace of expansion as the previous quarter, boosted by farm output and the manufacturing sector. The positive opening for the European market further supported the upmove post the afternoon session. Though the indices pared some gains, they still managed to close in the green, with the Sensex and Nifty up 0.6% each, respectively. BSE mid-cap and small-cap indices outperformed the broader market, closing with gains of 1.4% and 1.9%, respectively. Among the front liners, DLF, Bharti Airtel, Tata Motors, SBI and RCOM gained 3–7%, while Tata Steel, Reliance Ind. (RIL), ICICI Bank, Tata Power and L&T lost 0–2%. Among mid caps, Core Projects, Kwality Dairy, Berger Paints, Prakash Ind. and Cholamandalam Inv. gained 8–17%, while Money Matters, Shree Ashtavinayak, Den Network, Wockhardt and Blue Dart lost 2–10%.

Markets Today

The trend deciding level for the day is 19450/5840 levels. If NIFTY trades above this level during the first half-an-hour of trade then we may witness a further rally up to 19682 - 19842/5915 - 5968 levels. However, if NIFTY trades below 19450/5840 levels for the first half-an-hour of trade then it may correct up to 19289 - 19057/5787 - 5711 levels.

Indices	S2	S1	R1	R2
SENSEX	19,057	19,289	19,682	19,842
NIFTY	5,711	5,787	5,915	5,968

News Analysis

- RIL's gas output from eastern offshore fields drops 15%
- HCL Tech signs multiyear IT infrastructure management deal with Purdue

Refer detailed news analysis on the following page

Net Inflows (November 29, 2010)

₹ cr	Purch	Sales	Net	MTD	YTD
FII	3,374	3,102	272	18,293	131,216
MFs	1,392	1,157	235	253	(28,899)

FII Derivatives (November 30, 2010)

₹ cr	Purch	Sales	Net	Open Interest
Index Futures	2,639	2,109	530	18,424
Stock Futures	2,349	1,774	575	34,020

Gainers / Losers

Gainers			Losers		
Company	Price (₹)	chg (%)	Company	Price (₹)	chg (%)
REC	350	9.5	Chambal Fert.	91	(2.7)
HCC	43	8.5	GMDC	133	(2.6)
Indiabulls Real	154	8.4	Ultratech Cem.	1,126	(2.4)
Deccan Chron.	110	7.1	Tata Chemicals	355	(1.8)
DLF	307	7.0	United Breweries	382	(1.7)

Domestic Indices	Chg (%)	(Pts)	(Close)
BSE Sensex	0.6%	116.2	19,521
Nifty	0.6%	32.7	5,863
MID CAP	1.4%	106.3	7,764
SMALL CAP	1.9%	181.9	9,745
BSE HC	0.5%	35.7	6,583
BSE PSU	1.7%	157.9	9,291
BANKEKX	1.1%	154.7	13,619
AUTO	1.4%	136.7	10,100
METAL	0.4%	69.1	15,626
OIL & GAS	-0.6%	(56.3)	10,062
BSE IT	0.2%	12.9	6,094
Global Indices	Chg (%)	(Pts)	(Close)
Dow Jones	-0.4%	(46.5)	11,006
NASDAQ	-1.1%	(27.0)	2,498
FTSE	-2.5%	(140.4)	5,528
Nikkei	-1.9%	(188.9)	9,937
Hang Seng	-0.7%	(158.2)	23,008
Straits Times	-0.4%	(13.5)	3,145
Shanghai Com	-1.6%	(46.2)	2,820

Indian ADRs	Chg (%)	(Pts)	(Close)
Infosys	-0.4%	(0.2)	\$66.2
Wipro	0.0%	0.0	\$13.7
ICICI Bank	-1.4%	(0.7)	\$50.0
HDFC Bank	0.0%	(0.0)	\$176.4

Advances / Declines	BSE	NSE
Advances	804	1,076
Declines	1,153	358
Unchanged	57	23

Volumes (₹ cr)

BSE	4,680
NSE	20,250

RIL's gas output from eastern offshore fields drops 15%

RIL's prolific D1 and D3 gas fields off the east coast have seen a 15% drop in production to about 45–46mmscmd from 53–54mmscmd achieved in mid-2010 because of reservoir complexities. D1 and D3 are the largest among the 20 oil and gas finds that RIL and its Canadian partner Niko Resources have made in the Krishna Godavari basin KG-DWN-98/3 or KG-D6 block off the Andhra coast. Lower production is due to the complex nature of the reservoir and as it did not behave as previously modeled. Besides D1 and D3, D-26 or MA oilfield in the same block is producing about 8mmscmd as associated gas. Together, the output from KG-D6 block currently stands at around 54mmscmd. KG-D6 block had earlier this year hit a peak of 60mmscmd after which the output has fallen. RIL has also been forced to restrict production of crude oil from the MA field to under 20,000bpd due to high water and gas output. In fact, the field is yielding more water than oil, and even 8mmscmd of gas in comparison to 20,000bpd of oil is considered quite high. RIL had previously stated that it is carrying out further optimisation exercises at the MA oilfield in view of increasing water production levels. The field has five oil-producing wells and one gas injection-cum-gas producer well. Regards gas production, RIL will have to drill more wells to boost output to the approved peak of 80mmscmd. Currently, 18 wells on D1 and D3 have been completed and hooked to production system, but only 17 are producing. The company is not drilling any production well at the moment as it is concentrating on completing the mandatory appraisal of other discoveries it has made in the block. RIL is yet to complete four out of the total 22 approved wells for phase-1 of the D1 and D3 field development plan.

RIL is currently selling 14.5mmscmd of gas produced from KG-D6 to fertiliser plants, 26.5mmscmd to power plants and remaining 13mmscmd to other sectors such as sponge iron plants, LPG, CGD, petrochemical plants and refineries.

We have lowered our volume assumptions to 53mmscmd of gas output for the remaining period of FY2011, considering the fall in gas production. As per our estimates, this will result in mere 55paise fall in earnings for FY2011 numbers. However, we are currently not changing our FY2012 earnings estimates as we await more clarity on the ramp-up of gas output going ahead. **Hence, we continue to maintain our Buy rating on RIL with a Target Price of ₹1,260.**

HCL Tech signs multiyear IT infrastructure management deal with Purdue

HCL Tech has signed a multiyear end-to-end IT infrastructure management deal with pharmaceutical company Purdue Pharma LP. The scope of this contract covers management of two data centres and all remote locations of the client in the U.S. HCL Tech will also be responsible for transforming Purdue's IT environment by implementing its world-class processes as per ITIL V3 and MTaaS platform, which is HCL Tech's award-winning business-ready hosted platform for enterprise tools. HCL Tech will also be implementing its shared Remedy V6 ITSM ticketing platform, which is based on the MTaaS reference architecture. This deal would augur well for HCL Tech as the healthcare vertical contributes 8.4% to the company's revenue and now the vertical is gaining good traction.

At the current CMP of ₹404, the stock is trading at 12.7x FY2012E EPS of ₹31.9. **We recommend Accumulate on the stock with a Target Price of ₹462.**

Economic and Political News

- Indian economy grows 8.9% yoy in September quarter
- FY2011 GDP growth seen between 8.5–8.75%: Finance Minister
- Tax collection up 26.4% to ₹3.8lakh cr during April-October 2010
- ₹15,000cr road projects will roll out by 2011: Kamal Nath
- Core infrastructure output up 7% yoy in October 2010
- Government to set up ₹2,000cr venture capital fund to support drug discovery

Corporate News

- Maruti is working on developing a diesel engine for mid-size sedans
- Suzlon arm REpower Systems bags 43.05MW order from a U.K. firm
- Redington India completes acquisition of 49.4% stake in Arena
- Spanco bags ₹160cr order from Bihar State Electricity Board
- Artson Engineering wins an order worth ~₹106cr from Petrofac International, UAE

Source: *Economic Times, Business Standard, Business Line, Financial Express, Mint*

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Ratings (Returns) :	Buy (> 15%)	Accumulate (5% to 15%)	Neutral (-5 to 5%)
	Reduce (-5% to -15%)	Sell (< -15%)	

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