

## Market View

Wall Street ended a choppy session on a flat note. But for the week, the benchmark indices finished with good gains. The Dow gained 3% for the week, while the Nasdaq added 4% and the S&P rose 2 percent.

In the economic data, the unemployment rate jumped to 9.4%, the highest in more than two decades and higher than the 9.2% expected. Non-farm payrolls however, declined much less than expected. Employers cut payrolls by 3,45,000 last month, well below the 525,000-drop expected.

In commodities, crude prices fell from a seven-month high after the dollar rose against the euro and yen. Crude prices climbed above USD 70 for the first time since November after the labor department's payroll report signaled that the worst of the economic slump may be over. Copper prices fell following the positive US job cuts numbers in May. The encouraging data boosted the dollar resulting in a drop in demand.

In Currencies, US dollar advanced the most against the euro since April and rose to a four-week high versus the yen after a US government report showed employers cut fewer jobs last month than economists forecast.

Indian ADRs ended mixed on Friday. Asia is trading mixed.

The BSE Sensex surged past the 15,000 mark, extending the rally to the thirteenth consecutive week. Government's plans to introduce a slew of market-oriented economic reforms and some signs of recovery in the domestic and global economies boosted the key indices. The BSE sensex rose 478 points or 3.3 per cent to 15,104, Nifty gained 138 points or 3.1 per cent to 4,587. Mid caps and small caps performed much better than broader indices, rising 7 per cent and 7.8 per cent, respectively.

FII remained net buyers but domestic institutions were heavy sellers. Sell offs pulled down the Bank Nifty but other sectors went up. This was one of those rare periods when the Nifty rose while the Bank Nifty dropped. The IT sector was surprisingly strong given the rupee's strength. Infosys, Satyam and TCS led the rally. However, there was a sell-off in IT stocks on Friday and the weakness could continue today.

The main northwards impetus came in real estate stocks and in infrastructure, especially in power stocks. Unitech and HDIL led the real estate sector while scrips like Suzlon, J P Hydro, Reliance Power and NTPC also did well. So did the engineering and construction sector scrips such as GMR, Punj Lloyd and HCC.

Technically, while Nifty breached the prior high at 4509 and traded with a positive bias touching a high of 4636, it was not able to close above the 4600 level. At 4636, Nifty has retraced back almost 100% of its fall from 4649 to 2252. As long as support at 4450 holds, Nifty can continue its uptrend towards 4800. Once the support at 4450 is breached, Nifty could witness correction towards 4250-4200. For the day, support at 4560 is crucial; a breach of same would lead to Nifty once again testing support at 4450 levels.

Resistance is at 4650/4700/4750 and support is at 4560/4500/4450.

As expected, Bank Nifty corrected towards 7000 levels before bouncing back to close at 7279. Bank Nifty seems to be consolidating sideways between two converging lines. Thus 7420 on the upside and 7000 on the lower side are the boundaries which are posing as strong resistance. A breach of either of the boundaries would lead to a move of about 400 points in the direction of the breakout. Above 7420, up move towards 7800 and below 7000, correction towards 6600. For the day, Bank Nifty is likely to trade in range bound manner with negative bias.

Resistance is at 7380/7420/7475 and support is at 7035/6900/6800.

Domestic Indices	Chg.%	Pt.	Close
SENSEX	0.6	94.9	15104
NIFTY	0.3	14.3	4587
MIDCAP	(0.4)	(21.1)	5683
SMLCAP	(1.0)	(66.5)	6459
BSE-500	0.3	17.0	5767
BSE-100	0.5	38.9	7913
NIFTY Junior	0.0	3.5	7901

Global Indices	Chg.%	Pt.	Close
Dow Jones	0.1	12.9	8763
NASDAQ	(0.0)	(0.6)	1849
FTSE	1.2	51.6	4439

Asian Indices	Chg.%	Pt.	Close
Nikkei	1.0	99.1	9768
Hang Seng	1.0	176.8	18680
Straits Times	1.4	33.6	2396
SGX CNX Nifty	0.4	17.5	4611
South Korea	1.2	16.6	1395
Taiwan	1.2	78.7	6844

Commodity Prices	Chg.%	Close	Chg.
Aluminium (USD/MT)	0.4	1320	5.0
Zinc (USD/MT)	(0.6)	1575	(10.0)
Gold (\$/oz)	(2.6)	980	(25.0)
Silver (\$/oz)	(3.8)	16	(0.6)
Light Crude (USD/bbl)	(0.5)	69	(0.4)
Sugar (USD/MT)	0.9	443	4.2
Copper (USD/MT)	(0.9)	5025	(45.0)

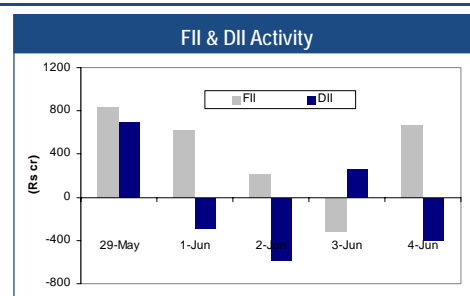
Net Inflow (Rs. cr.)	4 June	MTD	YTD
FIIs	671	1182	22657
DII	(403)	(1042)	406

Volatility Index	Close	Pr. Close	Chg. %
Volatility Index	40.6	41.3	(1.8)

PE Ratio	PE	Chg.*%	Chg.% <sup>^</sup>
SENSEX	16.1	(5.4)	96.2
NIFTY	16.7	(3.4)	103.6
Dow Jones	21.7	(30.5)	35.4
NASDAQ	28.2	(26.9)	46.1
FTSE	30.1	(26.9)	28.3
Nikkei	-	(33.1)	39.6
Hang Seng	16.8	(23.8)	75.0
Straits Times	12.7	(24.8)	64.6
South Korea	29.5	(23.9)	56.3
Taiwan	64.2	(22.3)	73.1

\* % change from 52 week high

<sup>^</sup> % change from 52 week low



## FQ Eye

- **HC order in RIL-RNRL case likely this week**
- **Indraprastha Gas Ltd (IGL) to invest INR 16 billion in expansion**

## Corporate/Industry Snapshot's

Reliance Communications intends to raise funds from qualified institutional investors either through a share sale or an issue of financial instruments.

Danone SA has received Government's permission for a solo entry into food, beverage, biscuits, cereal, and dairy businesses.

Raymond Ltd has closed down two overseas units of its denim JV and said that it has provided for diminution of INR 2.3bn in the value of its investments in the JV, as an exceptional item for FY09.

Apollo Hospitals Group has sealed a deal with International Finance Corporation for a funding of USD 50 mn speed up its ongoing INR14bn expansion programme.

Vardhman Textiles forms JV with Japan based Nisshinvo textile for setting shirt manufacturing facility with an investment of INR 300mn.

NMDC may negotiate export prices of iron ore by July.

## Economic Events

Govt plans OIL, NHPC IPOs & stake sales in MMTC, STCI; aims to raise INR 65 billion.

India's textile exports declined by about 2% in 2008-09 to USD 21.75 billion

Steel cos mulling price hike on firm global cues.

Vedanta to invest INR 250 billion on its aluminum units in Orissa over next 2 years.

Shipping Ministry to award INR 33 billion projects in 100 days for developing and upgrading container and cargo terminals at various ports in the country.

## Industry

### Defence signs deal to free 45 MHz of spectrum

A critical battle has been won for the telecommunications industry as the defence ministry has agreed to release 45 mega hertz (MHz) of spectrum, the radio frequency on which mobile phone signals travel. Out of this, 25 MHz is for 3G, or third generation of mobile services that enable high-speed data transfer, and the rest for 2G, the service prevalent in the country at present.

The defence ministry has signed a memorandum of understanding with the Ministry of Communications and Information Technology under which the armed forces will immediately release 10 MHz of 3G spectrum and 5 MHz of 2G spectrum. The rest will be released according to timelines agreed on by the two ministries, which are contingent upon DoT placing the supply order for setting up an optic fibre cable (OFC) network for the defence services, the supply of the equipment, its installation and commissioning. The release of this spectrum by the defence ministry will solve the immediate problems of telecom service providers, many of which are plagued with network congestion. To put things in perspective, Bharti Airtel, the largest mobile phone service provider, has about 9 MHz across the country, on which it services some 100 million subscribers.

The defence ministry had said security needs made it imperative for the armed forces to have a dedicated and exclusive OFC network. Microwave mobile links of the army operated through the country and catered to public emergency services such as natural disasters, counter-insurgency operations, etc. Therefore, it was essential to set up an exclusive and dedicated OFC network for the defence services if they were to give up spectrum.

Advances / Declines	BSE	NSE
Advances	1519	601
Declines	1318	666
Unchanged	54	16

Top 5 BSE 200 - GAINERS		
Company	Price (Rs)	% chg
MRPL	94	23.8
BEML LTD	908	13.2
BHUSH STEEL	840	11.2
M M T C LTD.	34208	10.0
BAJAJ HIND	200	8.9

Top 5 Nifty - GAINERS		
Company	Price (Rs)	% chg
HEROHONDA	1454	6.2
GRASIM	2513	5.7
TATAMOTORS	389	5.5
BHEL	2288	5.0
LT	1523	4.6

Top 5 BSE 200 - LOSERS		
Company	Price (Rs)	% chg
ESSAR SHIP	81	(7.7)
PATNI COMP	245	(7.2)
HDIL	304	(5.7)
LAKSHMI MA	1135	(5.6)
I T C LTD	191	(5.5)

Top 5 Nifty - LOSERS		
Company	Price (Rs)	% chg
ITC	191	(5.6)
SUZLON	131	(4.3)
RELINFRA	1227	(3.7)
SBIN	1818	(3.5)
RPOWER	184	(3.4)

Currency Rate	Close	Pr. Close	Net
USD / INR	47.11	47.21	(0.098)
EUR / INR	65.82	66.94	(1.121)
CNY / INR	6.89	6.91	(0.014)
JPY / USD	1.01	1.04	(0.021)
USD / EUR	0.72	0.71	0.011

ADR Price Movement				
Company	Price (US\$)	Volume	Pr. Day Price	Change (%)
HDFC Bank	102.5	428375	102.0	0.5
ICICI Bank	32.6	2682489	32.2	1.3
Dr. Reddy	14.2	256264	13.7	3.9
Satyam	2.7	6845488	2.9	(5.2)
Sterlite	14.2	1027319	14.0	1.4
Wipro	12.4	196775	12.4	0.2
Infosys	36.0	1670788	35.6	1.2
MTNL	5.0	79724	5.0	(1.2)
Patni	10.3	222261	10.7	(3.8)
Tata Comm	20.8	339052	21.2	(1.8)
Tata Motors	10.5	1841874	10.3	1.5

### **HC order in RIL-RNRL case likely this week**

The Bombay High Court is likely to deliver the final judgement on the legal tussle over the supply of gas from Reliance Industries (RIL) to Reliance Natural Resources (RNRL) this week when the court reopens after summer vacations. The judgement will be pronounced by the division bench of the Bombay High Court, comprising JN Patel and KK Tated.

The dispute dates back to the division of India's biggest corporate house, RIL, in June 2005, when Mukesh Ambani took control of RIL and Anil got financial services, communications and power business of the group through a series of demerger of firms. Under the family agreement, RIL was to supply gas from its Krishna Godavari basin to RNRL for its upcoming 7400 MW power project at Dadri in Uttar Pradesh.

In December 2006, RNRL moved the Bombay High Court asking it to compel RIL to honour the gas agreement. Justice Anup Mohta, who heard the case, asked the companies to settle the matter internally under the June 2005 family agreement. The judge also restrained RIL from selling gas to third parties till the final order.

Unable to agree on the price, terms and quantity of gas, both firms approached the division bench of the Bombay High Court against the order of the single bench in early 2008. The hearing of the matter continued till February 2009. Thereafter, the division bench came out with an interim order allowing RIL to sell gas to third parties. The interim verdict also mentioned that RIL's gas agreement with others would be subject to the court's final order.

The basic argument in the RIL-RNRL case pertains to the pricing and quantum of gas. During the course of hearing, RNRL made it clear that it wanted 28 million metric standard cubic meters per day of gas for 17 years for USD 2.34 per million metric British thermal unit (mmBtu), while RIL argued that it could not sell gas below the government-approved price of USD 4.2 per mmBtu.

### **Indraprastha Gas Ltd (IGL) to invest INR 16 billion in expansion**

Indraprastha Gas Ltd (IGL), the sole supplier of compressed natural gas (CNG) and piped natural gas (PNG) in Delhi, plans to invest INR 16 billion to expand its retail outlets and PNG network in and around the metropolis.

The company have embarked on a plan to expand our retail outlets to 240 before the commencement of the Commonwealth Games in October 2010. It has been allotted land for 18 outlets and more are in the process of being allotted. The expansion would require an investment of around INR 8 billion.

Another INR 8 billion would go towards expansion of the PNG network in Delhi and the national capital regions (NCR) of Noida and Greater Noida. The PNG network currently covers 140,000 households in Delhi and the NCR. The company plans to add 50,000 new PNG connections in the current financial year.

IGL has already signed up for a gas requirement of 0.2 million metric standard cubic metres a day (mmscmd) with GAIL and BPCL. The company is also scheduled to get around 0.3 mmscmd of gas from Reliance Industries' K-G basin.

### **Thought for the Day**

To know that you do not know is the best. To pretend to know when you do not know is disease.

**RESEARCH**

Name	Designation	Phone	E-mail ID
Chintan Mewar	Vice President - Research	4000 2665	cmewar@finquestonline.com
Sunny Agrawal	Analyst	4000 2667	sagrawal@finquestonline.com
Shruti Udeshi	Analyst	4000 2641	sudeshi@finquestonline.com
Dinesh Shukla	Analyst	4000 2669	dshukla@finquestonline.com
Rajesh Ghodke	Production	4000 2668	rghodke@finquestonline.com

**SALES**

Name	Designation	Phone	E-mail ID
Uday Kamat	Senior Vice President - Institutional Sales	4000 2660	ukamat@finquestonline.com
Jyoti Nanangani	Technical Analyst	4000 2617	jnanangani@finquestonline.com

**DEALING**

Name	Designation	Phone	E-mail ID
Paras Shah	Institutional Dealer	4000 2661	pshah@finquestonline.com
Jackie Gandhi	Institutional Dealer	4000 2663	jgandhi@finquestonline.com
Vikas Mandhanian	Institutional Dealer	4000 2662	vmandhanian@finquestonline.com

## FINQUEST Securities (P) Ltd.

602 Boston House, Next to Cinemax, Suren Road, Andheri (East) Mumbai 400 093  
 Tel.: 91-22-4000 2600 • Fax: 91-22-4000 2605 • Email: info@finquestonline.com  
 Website: www.finquestonline.com

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