

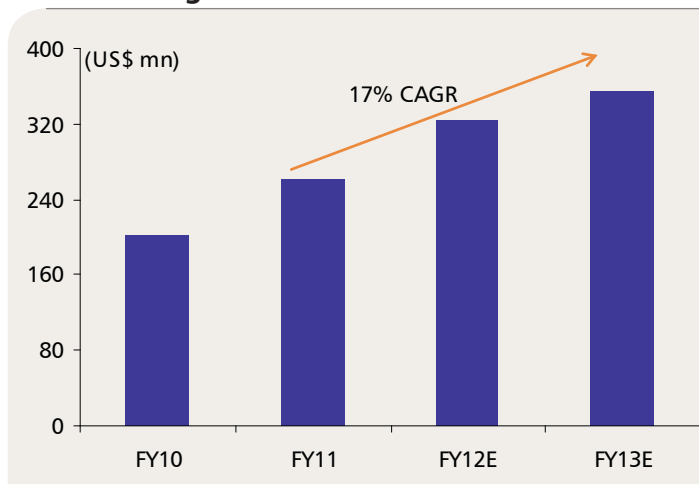
### Infotech Enterprises

Our discussions with Infotech Enterprises indicate steady business momentum, especially its engineering business which is experiencing continued demand traction. Its Network & Communications (N&CE) business too is on an improving trajectory with ramp downs in key client largely over and services mix improving favourably. Strong annuity-based revenues (~70% of total revenues) coming from long term service agreements lends decent visibility in times of uncertainty. OPM appears to have bottomed out in Q1 FY12 and its outlook remains sanguine with INR depreciation being a major lever followed by increased offshoring and improving employee pyramid. Valuations remain attractive. **Maintain BUY.**

### Engineering demand remains robust; Service mix improving

Infotech's key business segments of Engineering and N&CE continue to perform well. Its key aerospace clients (55% of Engineering business) continue to involve the company in long term design/engineering programs. On the other hand, its N&CE business too has transformed incrementally moving away from its low-end services. Focused approach towards top clients, proven delivery (strong referrals) and high renewal rates adds to the comfort.

### Revenues to grow at 17% CAGR over FY11-13E



Source: Company, India Infoline Research

### Margins likely to have bottomed out

Implementation of wage hikes, integration of low margin acquisitions and ramp down in key clients had led to strong margin erosion in FY11. Going forward, reduced exposure to low margin data conversion business, higher offshoring in key subsidiaries and improving employee mix along with a weak rupee are expected to expand margin.

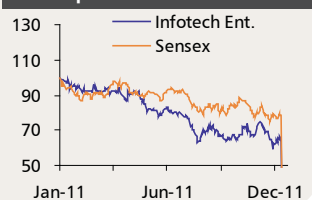
### Valuations provide an attractive entry point

Infotech's revenue traction has been consistent in past 6-8 quarters as it continued to benefit from its well entrenched position as an engineering services provider for its top clients. OPM which was a concern over FY11 has shown decent improvement in Q2 FY12 and should improve going forward. Sustained demand in Engineering segment (70% of total revenues), improving N&CE

**BUY**  
**CMP ₹112**

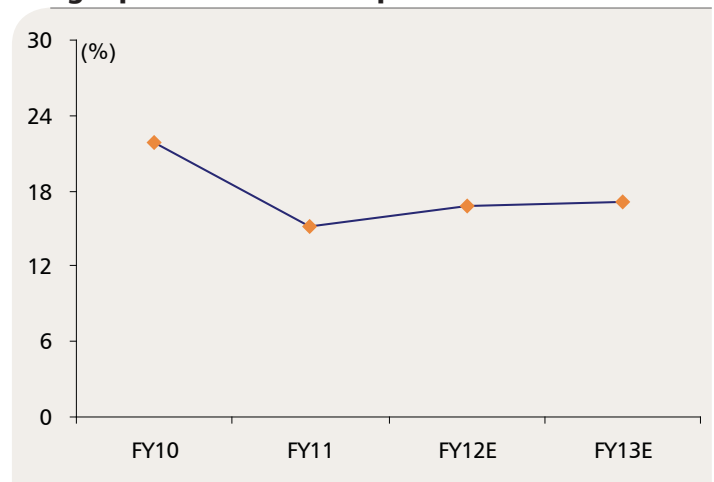
Sector: Information Technology		Shareholding pattern	
BSE code:	532175	September'11	(%)
NSE code:	INFOTECENT	Promoters	23.0
52 Week h/l (₹):	176 / 100	Institutions	29.7
Market cap (₹cr):	1,297	Non promoter corp	8.6
FV (₹):	5	Public & others	38.8

Performance rel. to sensex				Share price chart	
(%)	1m	3m	1yr		
Infotech Ent.	(4.7)	4.9	(10.3)		
KPIT Cumm	(0.7)	2.1	23.2		
Hexaware	(0.5)	(4.4)	53.0		
Mind Tree	3.2	18.3	(5.8)		

segment and protected margin makes us positive on the company. We incorporate weaker rupee assumptions in our estimates and maintain BUY.

### Margin performance to improve over FY11-13E



Source: Company, India Infoline Research

### Valuation summary

Y/e 31 Mar (₹ m)	FY10	FY11	FY12E	FY13E
Revenues	9,531	11,880	15,647	17,754
yoy growth (%)	7.1	24.6	31.7	13.5
Operating profit	2,083	1,807	2,625	3,049
OPM (%)	21.9	15.2	16.8	17.2
Reported PAT	1,708	1,398	1,468	1,937
yoy growth (%)	84.7	(18.2)	5.0	32.0
EPS (₹)	15.4	12.6	13.2	17.4
P/E (x)	7.3	8.9	8.9	7.1
P/BV (x)	1.4	1.2	1.1	1.0
EV/EBITDA (x)	4.9	5.0	3.7	2.9
ROE (%)	20.6	14.5	13.5	15.7
ROCE (%)	25.1	16.7	19.6	22.4

Source: Company, India Infoline Research

# India Infoline Weekly Wrap

## Market Outlook

The start to 2012 was promising, but the feel-good proved to be short lived. The indices consolidated after Tuesday's stellar rally. Friday afternoon was volatile based on unconfirmed rumours about a joint press conference of the Ambani brothers. However, the same was later denied.

World markets were looking forward to the US monthly payrolls data amid signs of strength in the American economy. But, concerns still prevail on the eurozone credit crisis with focus turning to larger members like Spain, Italy and France.

For India, the coming week will be very important. IIP (Nov.), inflation (Dec.) and Infosys results are due next week. Lot more results are scheduled in the coming weeks. And, although FY12 earnings have been discounted, corporate commentary will be examined to gauge the mood at India Inc.

IIP and inflation could have a bearing on the RBI's policy meeting. The RBI may opt for some easing (read CRR cut) but a rate cut is still not on the cards given the weak rupee and high crude oil prices. So, tread cautiously and take a measured approach.

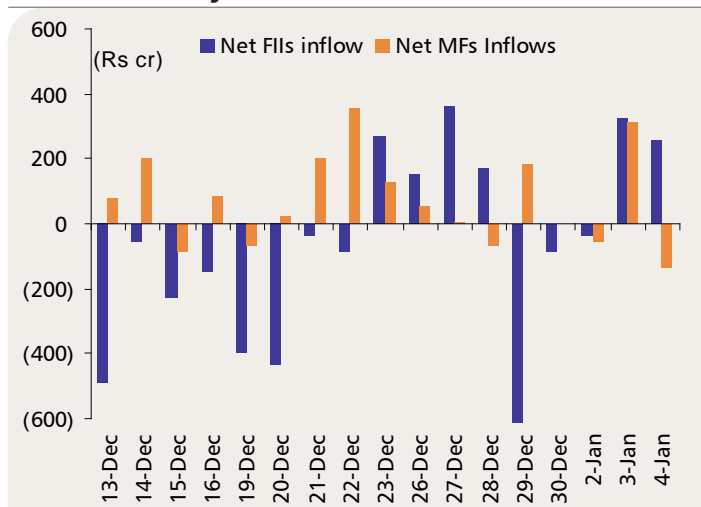
## Technical View

Nifty has very strong support at 4,670 and unless that is broken down decisively, Nifty is likely to move higher from current levels with a closing of above 4,800. The make or break level is placed at 4,850 and next strong down move would only come after it completes a move towards 4,820. In the past, Nifty has failed to cross above 4,840 and we would advocate profit booking near 4,820 and fresh long to be initiated only above 4,850.

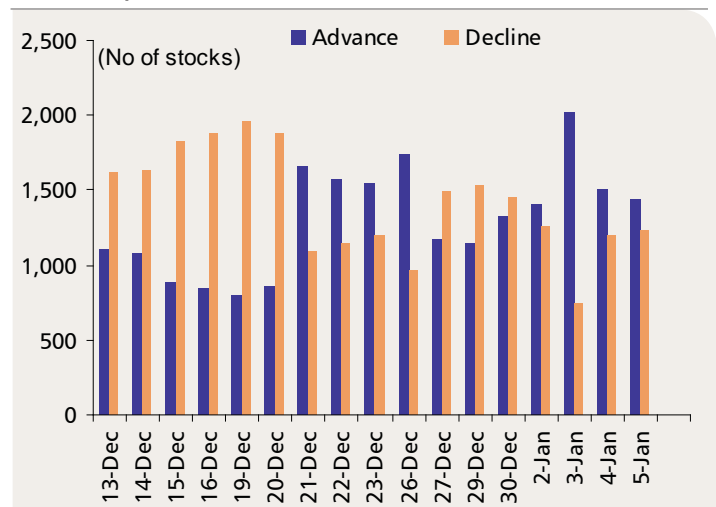
## F&O View

Nifty closed at 4760 for the week which on the higher note on back of short covering. For the week, FIIs remained net buyers in both Index future and Cash segment. Nifty took support at 4700 levels, which also coincidentally is the VWAP level for the month. Also on option side put writing was intact at 4700 strike which we feel might act as support in coming trading session. We expect nifty may trade with positive bias and Banking and Metal counter may lead the rally.

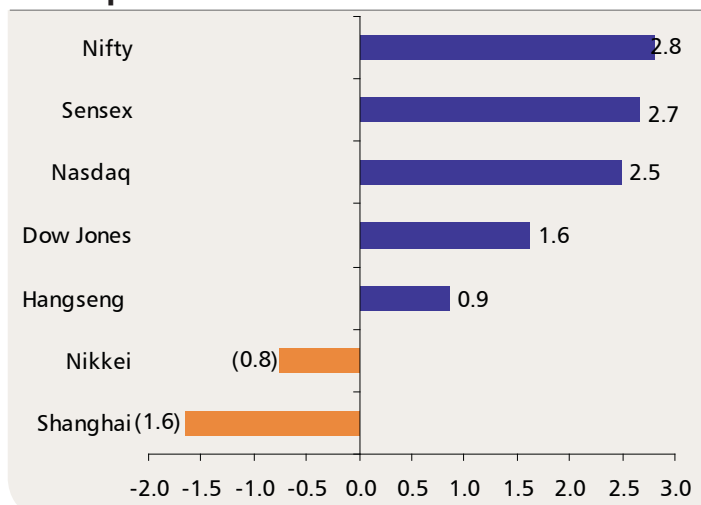
## FIIs/MFs activity



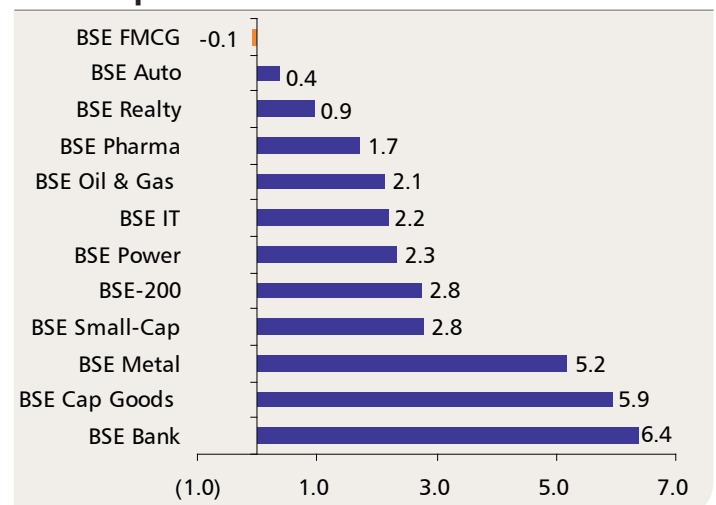
## Advance/Decline



## Global performance



## Sectoral performance



# India Infoline Weekly Wrap

## Technical Check

### Nifty 50 & CNX 500 top 10 gainers

NSE Nifty			CNX 500		
Company	CMP (₹)	% Chg	Company	CMP (₹)	% Chg
Tata Motors	204	13.9	STC	199	12.0
Reliance Infra	378	11.0	NFL	68	25.9
RCOM	78	10.8	Dredging Corp	279	24.0
Reliance Capital	260	10.5	RCF	56	22.2
ICICI Bank	752	9.8	Welspun Corp	101	19.7
LT	1,082	8.7	Himatsingka	28	19.3
Tata Steel	364	8.4	Orissa Minerals	34,453	17.9
Ranbaxy Labs	439	8.3	Ksb Pumps	170	17.0
Cairn India	339	7.9	KEC Int	41	16.7
HCL Tech	418	7.6	Orbit Corp	32	16.4

### Nifty 50 & CNX 500 top 10 Losers

NSE Nifty			CNX 500		
Company	CMP (₹)	% Chg	Company	CMP (₹)	% Chg
Hero Motocorp	1,735	(8.9)	Sterling Biotech	17	(22.2)
Bajaj Auto	1,457	(8.5)	TVS Motor	47	(10.2)
DLF	175	(4.7)	Hero Motocorp	1,735	(8.9)
M&M	656	(3.8)	ENIL	202	(8.5)
Bharti Airtel	331	(3.8)	Bajaj Auto	1,457	(8.5)
ACC	1,103	(3.0)	Lakshmi Vilas	86	(6.9)
HUL	397	(2.6)	Whirlpool	147	(6.3)
NTPC	157	(2.4)	Dynomatic	930	(6.3)
Grasim Ind	2,431	(2.3)	Oil India	1,116	(6.1)
Ambuja Cem	154	(1.1)	Gammon Infra	12	(5.6)

### Technically strong

Company	CMP (₹)	10 days Moving Average (₹)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Aurobindo	90	88	1.6	0.8
Reliance Power	73	72	23.2	8.4
PNB	815	797	0.6	0.5
BHEL	250	244	4.9	4.7
NMDC	166	161	1.7	1.5

### Technically weak

Company	CMP (₹)	10 days Moving Average (₹)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
Suzlon Energy	18	19	46.5	36.8
M&M	656	679	3.4	3.1
United Spirits	525	541	1.9	1.5
Hero Motocorp	1,735	1,868	1.5	0.6
IRB	125	134	2.2	1.7

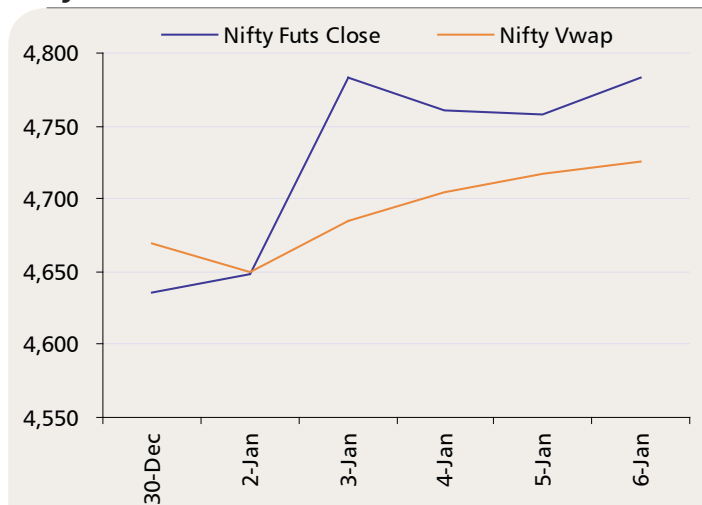
### Bulk deals

Date	Institution	Script name	B/S	Qty (lacs)	Price
3-Jan	IDBI	Prithvi Info	S	1.1	11.09
4-Jan	Macquarie Bank	Stan Chart PLC	S	14.5	82.5
5-Jan	Axis Bank	JK Paper	S	7.0	35.37
-	-	-	-	-	-
-	-	-	-	-	-

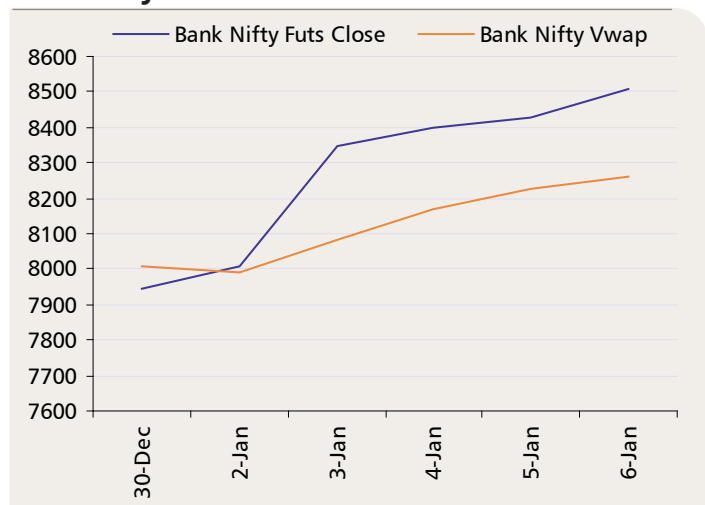
### Book closure and record date

Company	Date	Purpose
Automotive Axle	12 Jan 2012	Final Dividend
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-

### Nifty Future VWAP



### Bank Nifty Future VWAP



# India Infoline Weekly Wrap

## Commodity Corner

### Base metals

Non-ferrous metals traded subdued, suppressed by a stronger US dollar index and effectively a weaker Euro. However, better macroeconomic numbers on US and China front restricted the downside in certain metals. In this regard, China's official purchasing managers' index (PMI) rose to 50.3 in December from 49 in November. This indicated a slight expansion in the manufacturing sector. Similarly in US, ISM reported that its manufacturing survey rose to 53.9 in December, as compared with 52.7 in November. Copper prices continued to derive support from never-ending supply constraints, where workers at Freeport McMoran Copper & Gold Inc's Indonesia unit have delayed their return after a three-month strike because 500 employees of sub-contractors lack job security. Aluminium prices top performed the base metals pack, underpinned by relatively higher crude oil prices. Energy costs constitute literally 40% of the total production costs of the light metal.

Base metals are still restrained by persistent debt concerns in Europe, where investment appetite has been dented due to poor economic growth prospects. Over the short-term, weaker tone in base metals complex is still intact. With no tangible solution to European debt crisis, bulls will continue to be suffered by growing trepidation regarding the enormity of European sovereign debt.

*Note: This market commentary is written at 12:30 PM IST*

### LME prices

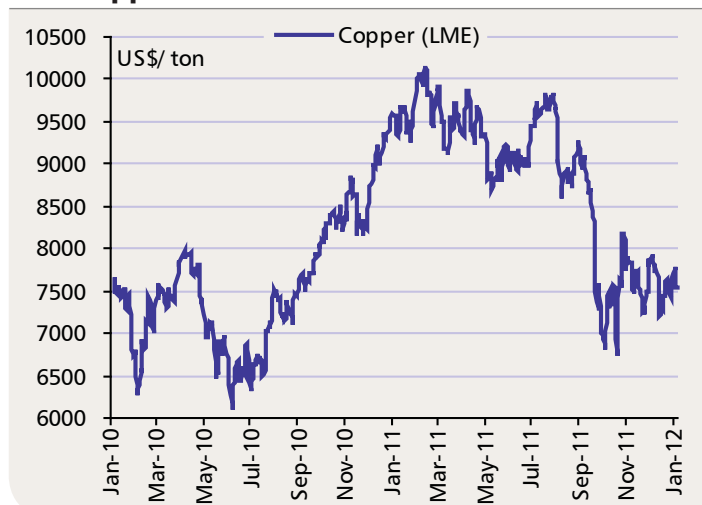
Base Metals (US\$/ton)	High	Low	LTP*	Chg(%)
Copper	7,790	7,449	7,561	(0.5)
Nickel	18,950	18,110	18,630	(0.4)
Zinc	1,900	1,824	1,850	0.3
Aluminium	2,087	1,990	2,049	1.4
Lead	2,100	1,986	2,007	(1.4)

Precious Metals (US\$/ounce)	High	Low	LTP*	Chg(%)
COMEX Gold	1,629	1,546	1,622	3.5
COMEX Silver	30	27	29	4.8

\* Last Traded Price

### LME Copper



### Precious metals

Precious metals traded with healthy gains this week, aided by short covering and a relatively weaker US dollar index. Gold prices managed to trade steady above the key psychological levels of US\$1,600/ounce, recuperating from the breach of the 200 day moving average. On European debt front, Germany sold about 4bn euros of government bonds, much better than the November auction, where the government had to buy part of the issue itself. Portugal also sold 1bn euros of bonds, with yields falling sharply as compared with previous auction. France successfully held its debt auction of sovereign bonds with yields rising only slightly despite fears for its AAA rating. On sovereign investment front, IMF reported that Central banks bought nearly 350 tons of gold in the first 11 months of 2011, with Turkey making its largest single increase to its reserves on record in November. Turkey's holdings increased to 5.758mn ounces from 4.429mn in October. On US macroeconomic front, market participants anticipate US non-farm payroll numbers to reveal a healthy addition of 150,000 jobs during December.

On the price front, US nonfarm payroll numbers will be a crucial indicator, which could provide an impetus to the gold prices for the next few days. We gauge gold prices to hold support at US\$1,600/ounce and register near term upside of US\$1,660/ounce.

### Weekly inventory update

	Tons	Abs Chg.	Chg (%)
Copper (LME)	368,125	(2,775)	(0.7)
Nickel (LME)	89,838	(210)	(0.2)
Zinc (LME)	820,075	(3,450)	(0.4)
Aluminium (LME)	4,975,600	5,200	0.1
Lead (LME)	349,775	(3,300)	(0.9)
Tin (LME)	11,335	(855)	(7.0)
Shanghai Copper	105,258	12,039	12.9
Shanghai Zinc	365,763	1,577	0.4
Shanghai Aluminium	221,624	13,658	6.6

### COMEX Gold



# India Infoline Weekly Wrap

## Mutual Fund Round-up

### India Infoline picks

Mutual Funds	Assets (₹ Cr)	NAV (₹)	Absolute return (%) as on Jan 06, 2012							
			1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
HDFC Top 200 Fund (G)	10,692	176.12	3.1	(6.1)	(2.1)	(17.1)	(20.4)	(3.8)	80.5	59.0
ICICI Prudential Dynamic - (G)	4,130	92.84	4.4	(4.4)	1.3	(14.4)	(15.9)	(0.4)	73.0	40.1
IDFC Sterling equity Fund (G)	1,061	15.16	1.2	(8.2)	(10.7)	(19.8)	(20.7)	(3.2)	104.4	N.A
Fidelity Tax Advantage (G)	1,203	18.83	2.1	(6.2)	(3.6)	(14.8)	(19.1)	1.9	84.5	49.6
HDFC Prudence Fund (G)	6,356	185.23	(1.0)	(4.5)	(9.3)	(14.4)	(15.1)	6.8	100.0	62.8
Reliance equity opportunities(G)	3,193	30.86	2.6	(6.1)	(4.1)	(16.7)	(18.0)	2.5	107.5	40.8
IDFC Premier Equity-A(G)	2,345	28.98	1.6	(6.2)	(7.2)	(11.9)	(15.4)	6.9	110.0	114.3

### Funds this week: HDFC Top 200 Fund

Fund snapshot		Asset allocation (%)	
Fund Manager	Prashant Jain	Equity	94.9
Latest NAV	₹176.1	Debt	3.1
NAV 52 high/low	₹236/187	Cash/call	2.0
Latest AUM (cr)	₹11,065	Top 5 holdings (%)	
Type	Open-ended	State Bank Of India	6.7
Class	Equity - Diversified	Infosys Ltd.	5.4
Options	Growth & dividend	ICICI	5.4
Min investment	₹5,000	RIL	4.7
Benchmark	BSE 200	ITC Ltd.	4.7
No. of stocks	66	Top 3 sectors (%)	
No. of sectors	30	Banks	22.4
Expense ratio	1.8%	Consumer Non Durables	10.7
Exit load	1% before 1 year	Software	10.0

### Reliance Equity Opportunity Fund

Fund snapshot		Asset allocation (%)	
Fund Manager	Shailesh Raj Bhan	Equity	90.9
Latest NAV	₹30.9	Debt	0.0
NAV 52 high/low	₹39.86/31.80	Cash/call	9.2
Latest AUM (cr)	₹3,032	Top 5 holdings (%)	
Type	Open-ended	Divi's Laboratories Ltd.	4.8
Class	Equity - Diversified	Aventis Pharma Ltd.	5.0
Options	Growth, Dividend & Bonus	Infosys Technologies Ltd.	6.0
Min investment	₹5,000	Trent	4.2
Benchmark	BSE 100	Maruti	4.2
No. of stocks	34	Top 3 sectors (%)	
No. of sectors	21	IT	15.3
Expense ratio	1.85%	Auto	10.2
Exit load	1% before 1 year	Healthcare	12.7

### NFO update

Fund Name	Close	Type	Class
SBI Tax Advantage Series II	21-Mar	CE	ELSS
Kotak Hybrid FTP Series I	12-Jan	CE	Debt-Hybrid
ICICI Prudential Capital Protection Oriented Series VI	17-Jan	CE	Debt-hybrid
ICICI Prudential FMP Series 60-27M Plan I	09-Jan	CE	Debt-FMP

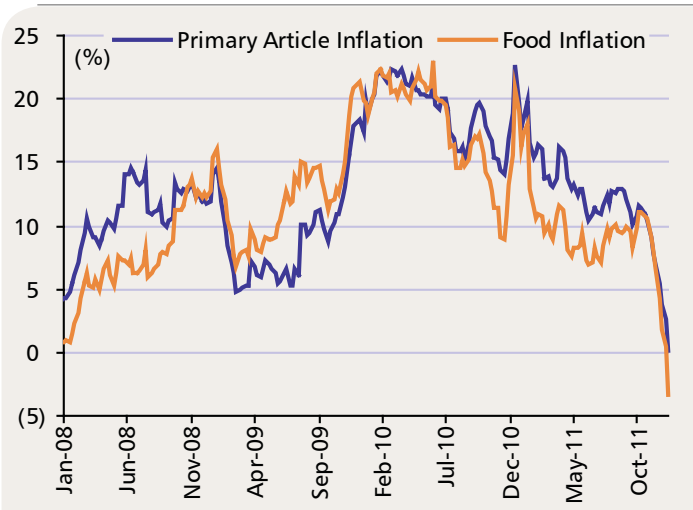
### Dividend update

Mutual Fund	Dividend %	Record date	Class
Kotak FMP Series 30	Entire appreciation in NAV	10-Jan	Debt-FMP
DSP Blackrock FMP-6M-series9	1.80	09-Jan	Debt-FMP
SBI Debt Fund Series - 90 Days - 50	Entire appreciation in NAV	09-Jan	Debt

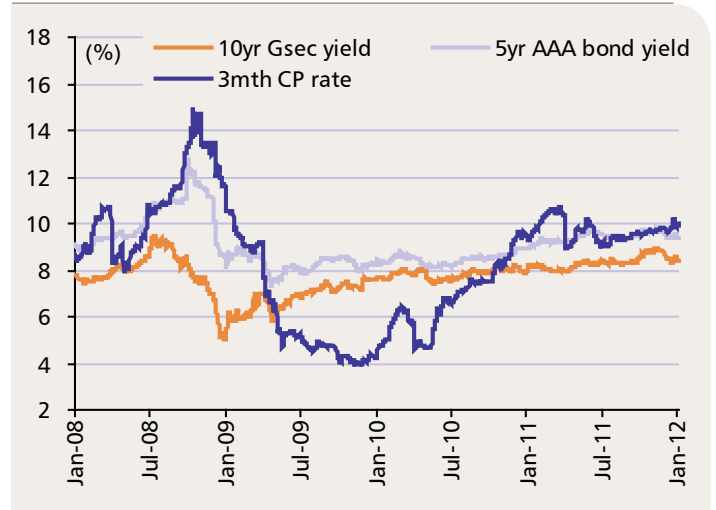
# India Infoline Weekly Wrap

## Chartbook

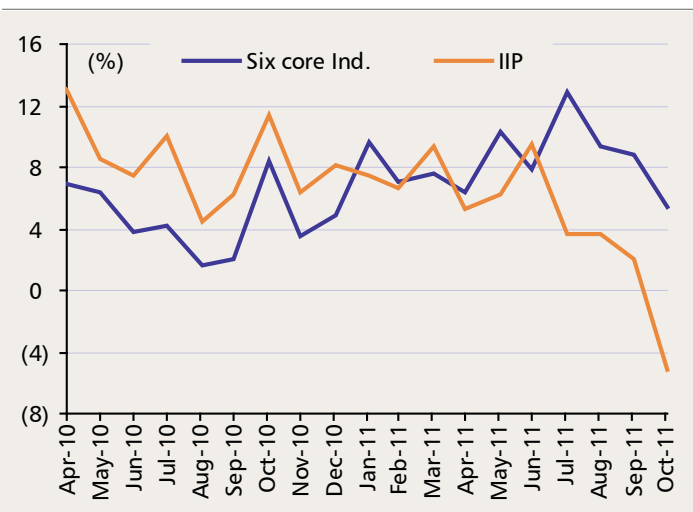
### Weekly Inflation



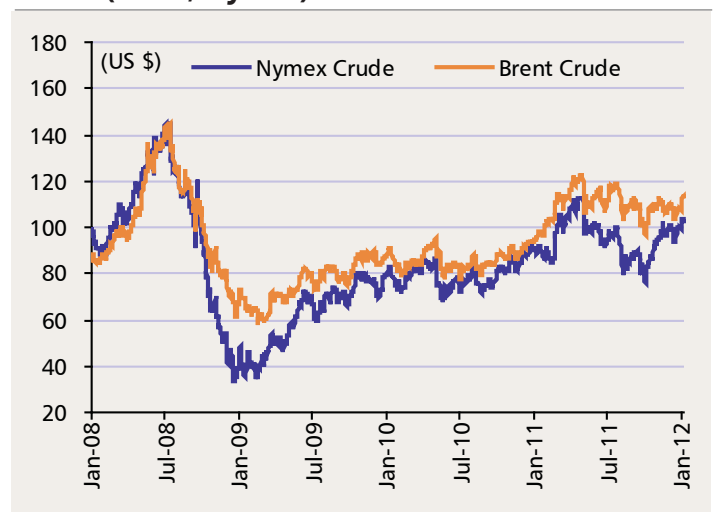
### Interest Rate



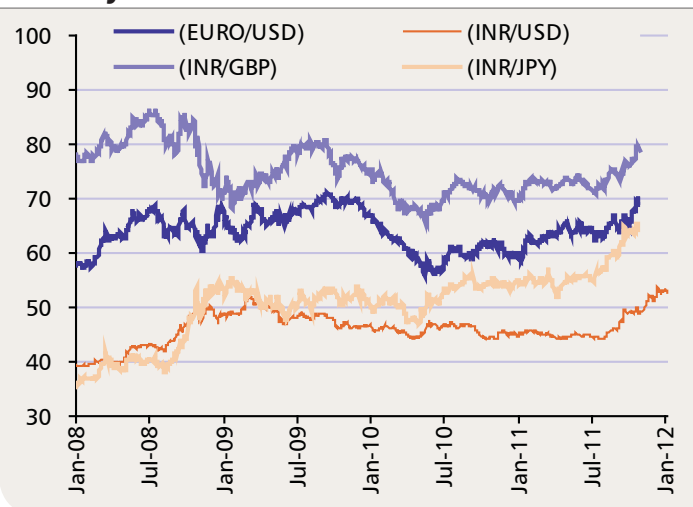
### IIP and Six core Industries



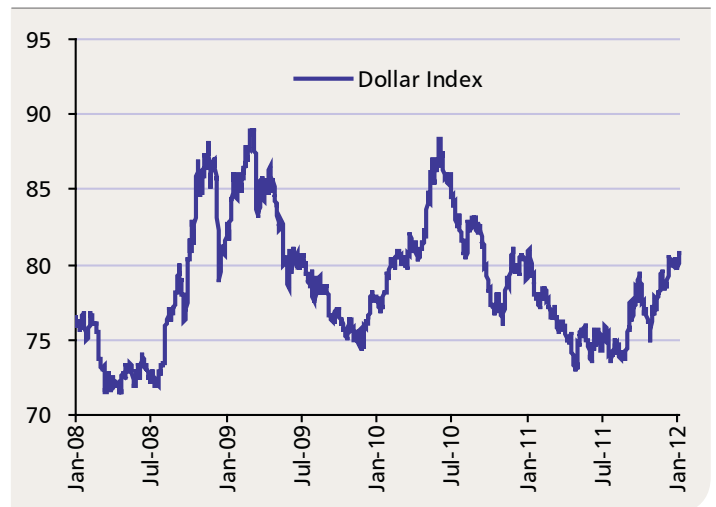
### Crude (Brent/ Nymex)



### Currency Movements



### Dollar Index

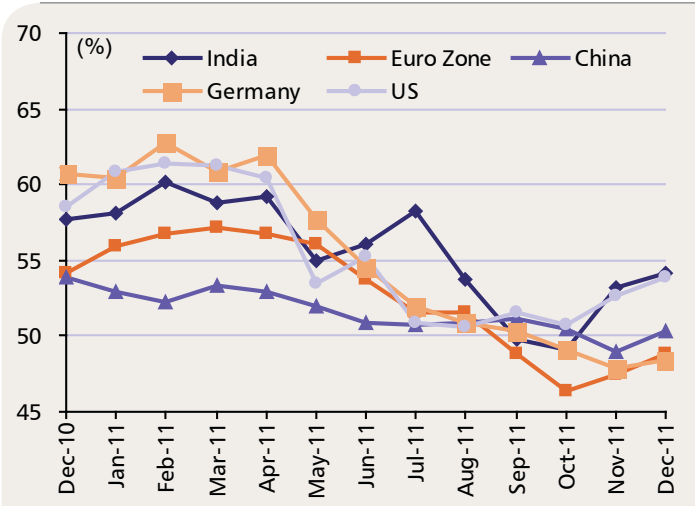


Source: Bloomberg

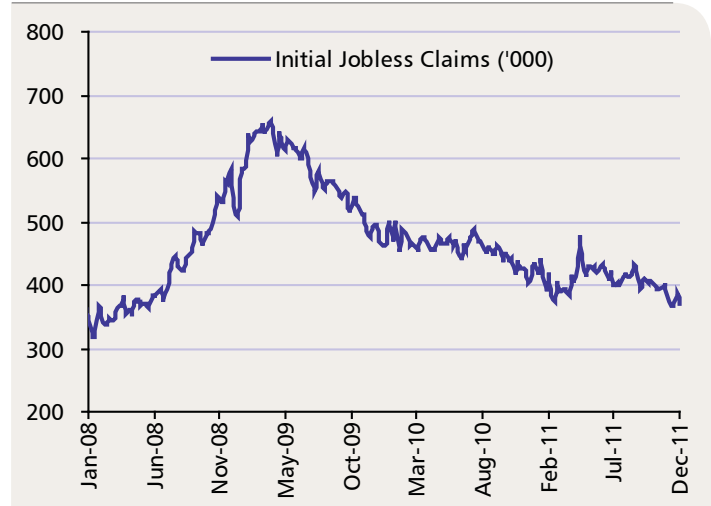
# India Infoline Weekly Wrap

## Chartbook...

### PMI



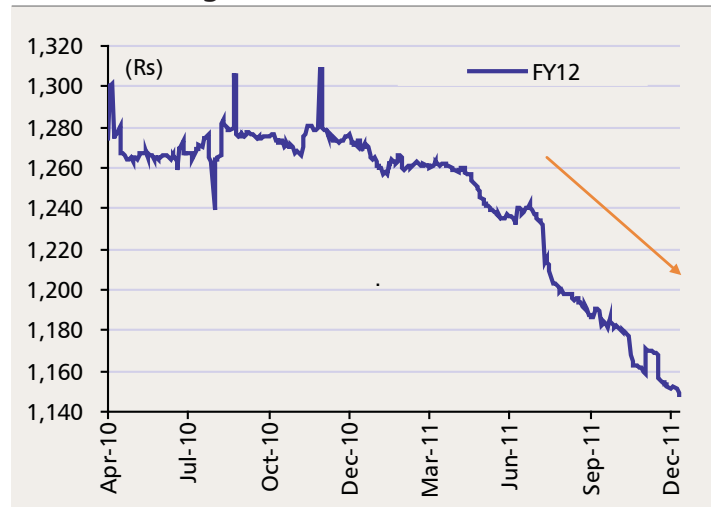
### US Initial Jobless Claims



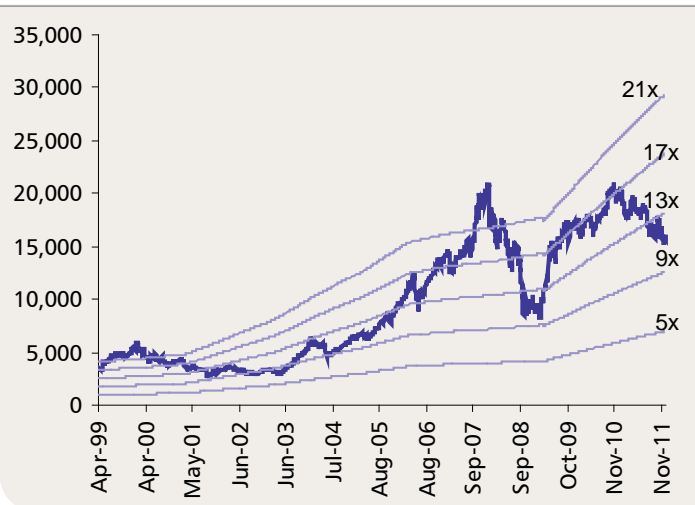
### Volatility Index



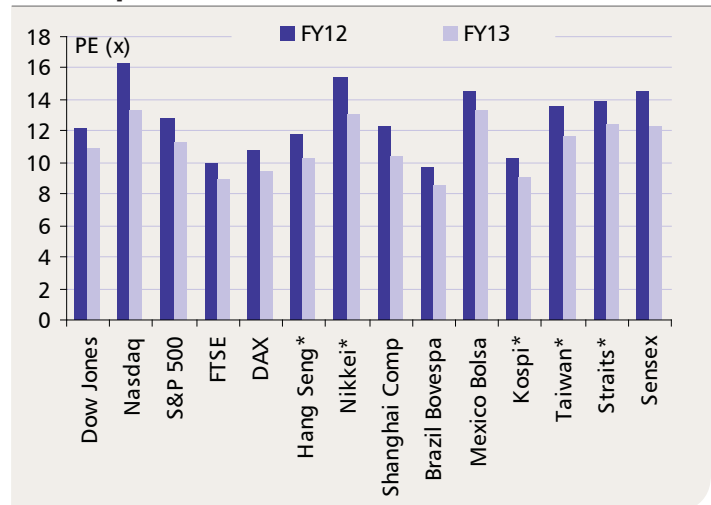
### Sensex Earning Estimates



### Sensex PE Band



### PE Comparison



Source: Bloomberg

# India Infoline Weekly Wrap

## News Recap

### Food inflation falls by 3.36% on base effect

Food inflation in India plunged into the negative territory in the fourth week of December mainly due to base effect. Fuel inflation edged up though. Food inflation shrank by 3.36% in the week ended December 24 after rising by 0.42% in the preceding week. Food inflation stood at 20.84% in the corresponding week last year.

### RBI may soon start cutting rates: Subbarao

The RBI could soon start unwinding its aggressive monetary tightening to lift economic growth as inflation is showing some signs of cooling, Governor D. Subbarao told the BBC. "From here on, we could expect reversal of monetary tightening. But it's difficult to say when that will take place and in what shape it will roll out," Subbarao said.

### High inflation hindering RBI's policy flexibility

Stubbornly high inflation may prevent the RBI from reversing the hawkish monetary policy, deputy governor Subir Gokarn said, adding that a weaker rupee and elevated oil prices are further undermining policy maneuvering. "The monetary cycle has peaked," Gokarn said at a conference in Singapore.

### Cabinet defers decision on PSU share buyback

The Union Cabinet has deferred a decision on allowing PSU to buy back their shares owing to reported inter-ministerial

differences. If the share buyback proposal goes through, the Government can raise money by selling its equity stake in the PSU to the company itself. The Department of Disinvestment has identified about two-dozen cash rich PSUs, and had sought the views of respective ministries on the share buyback.

### Govt allows QFIs to directly invest in equity market

In a new year gift of sorts, the Government has allowed Qualified Foreign Investors (QFIs) to directly invest in Indian equity market. QFIs have been permitted direct access to Indian Mutual Funds schemes pursuant to the Budget announcement.

### Rights Issue...RIL to fund TV18 group promoter

Network18 and TV18 announced rights issues to fund the acquisition of ETV Channels. Independent Media Trust, a trust set up for the benefit of RIL, agreed to fund the Promoters of Network 18 and TV18 to enable them to subscribe to the proposed Rights Issue announced by both the companies.

### Soros sees break-up of euro currency bloc

A break-up of the euro currency area and further deterioration of the region's long-running debt crisis would have catastrophic consequences for the global economy and markets, said George Soros. The eurozone debt crisis must be resolved quickly, or it could snowball into a much bigger headache than the global financial meltdown of 2008, he added.

## Event Calender

### Period : 09<sup>th</sup> - 13<sup>th</sup> Jan

#### US

- Consumer Credit (10 Jan)
- Wholesale Inventories (10 Jan)
- Advance retail Sales (12 Jan)
- Initial Jobless Claims (12 Jan)
- Continuing Claims (12 Jan)

#### India

- Local Car Sales (10 Jan)
- Industrial Production YoY (12 Jan)
- Primary Articles WPI YOY (12 Jan)
- Monthly Wholesale Price Index (13 Jan)

#### China

- Business Climate Index (10 Jan)
- Trade Balance (10 Jan)
- Producer Price Index, Consumer Price Index (YoY) (13 Jan)

#### Euro Zone

- ECB announces Interest rate (12 Jan)
- Eurozone Trade Balance (13 Jan)

### Period : 16<sup>th</sup> - 20<sup>th</sup> Jan

#### US

- Jan Empire Manufacturing (17 Jan)
- Dec Producer price index YoY (18 Jan)
- Dec IIP data (18 Jan)
- Dec Housing Starts MoM% (19 Jan)
- Building Permits MoM% (19 Jan)

#### India

- Dec inflation data (16 Jan)
- Food Articles WPI YoY (19 Jan)
- Primary Articles WPI YOY (19 Jan)

#### China

- Dec Forgiem Exchange Reserve (11-15 Jan)
- Dec IIP YoY (13-20 Jan)
- 4Q Real GDP YoY (13-20 Jan)

#### Euro Zone

- Dec Euro-Zone CPI Core YoY (17 Jan)
- Nov Construction Output YoY (18 Jan)

IIFL, IIFL Centre, Kamala City, Senapati Bapat Marg, Lower Parel (W), Mumbai 400 013

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