

# MOST Market Outlook

Date: Friday, July 13, 2012

## World Markets

SGX Nifty	5254	2.00
Dow	12573	-31.00
Nasdaq	2866	-21.00
FTSE	5608	-56.00
Nikkei	8715	-4.00
Hangseng	19074	50.00

## London Metal Exchange(LME) Rates

B.Crude\$	\$ 100.70	-0.37
Copper	\$ 7,555.00	15.00
Aluminium	\$ 1,882.00	-19.00
Zinc	\$ 1,846.00	-9.00

## Nifty Trend

Short Term	Intermediate Term
10 DMA*	20 DMA*
DOWN	UP
Trend Reversal	
5291	5216

\*DMA - Day Moving Average

## Market Outlook

**FLAT**

Expect market to open on a flat note on account of global cues. US market closed marginally down.

Asian markets are trading marginally up on expectation of a stimulus to be announced in China to revive growth.

### Research Updates:

May-12 IIP growth at 2.4% was somewhat above expectations and signaled moderate recovery of industry. However, in the same breath, Apr-12 data was revised to -0.9% from +0.1%. The "empty middle" structure of industrial production continued to hold. The capital goods sector in particular continued its downturn with -7.7% growth barring which IIP would have recorded a growth of 3.4%. The IIP print does not alter the growth-inflation balance - that growth is way below its long-term average and inflation has fallen from recent peaks. We therefore expect RBI to ease policy rates by 50bp in its July 31st policy announcement.

INFOSYS 1QFY13: Revenues in-line ex one-off; Volumes recover but pricing and margins dip of 190 bps disappoint; Lowers FY13 guidance to 5%; Trades attractive at <13x; Maintain Buy, with a target price of INR2,630, based on 15x FY14E earnings.

TCS 1QFY13: Above estimate volume offset by pricing decline; margin dip of 90bps below estimate; Strong broad-based execution; TCS currently trades at 17.3x FY13 and 15.4x FY14E earnings. We remain Neutral, with a price target of INR1,360, which discounts our FY14E earnings by 17x.

## MOST Velocity (Reiterate Buy) (Medium Term with few months horizon)

NIIT TECH	Buy
Current Market Price	282
Maximum Buy Price	285
Alllocation	5%

**MOST**  
*velocity*

### NIIT TECH

Rising order book offers strong revenue growth visibility

### Company Description

NIIT Technologies is a mid-size IT services organization servicing customers in North America, Europe, Asia and Australia. It offers services in application development and maintenance, enterprise solutions and business process outsourcing to organizations in BFSI, transportation, retail and government sectors.

### Key Investment Arguments

Rising order book offers strong revenue growth visibility: NIIT TECH consistent focus on targeting key verticals like BFSI, transportation and government has started yielding results.

### Recent Developments:

Q4FY12 sales grew by 40%/2% yoy/qoq and Q4FY12 PAT decreased by -8%/-30% yoy/qoq due to increase in tax rates, lower other income during the quarter and lower operating margins by 4% yoy and 5% qoq. For the full year total revenues grew by 25% and net profits grew by 8%. PBT growth stood at 20% for FY12 Lower growth in net profits is due to higher tax rates and lower operating margins by 3%.

### Valuation & View:

Stock is trading at 8x/7x of FY12/FY13E EPS. We believe, valuations are inexpensive and undemanding, owing to its strong fundamentals like RoE of 20%+, growth outlook at ~12-13%, dividend yield of 3%, consistent payout of ~30% and debt free and liquid balance sheet (30% of balance sheet and 17% of market cap in cash). Therefore, we recommend BUY with target of Rs 350 in 12 months time (0x FY13E and 2.5% dividend).

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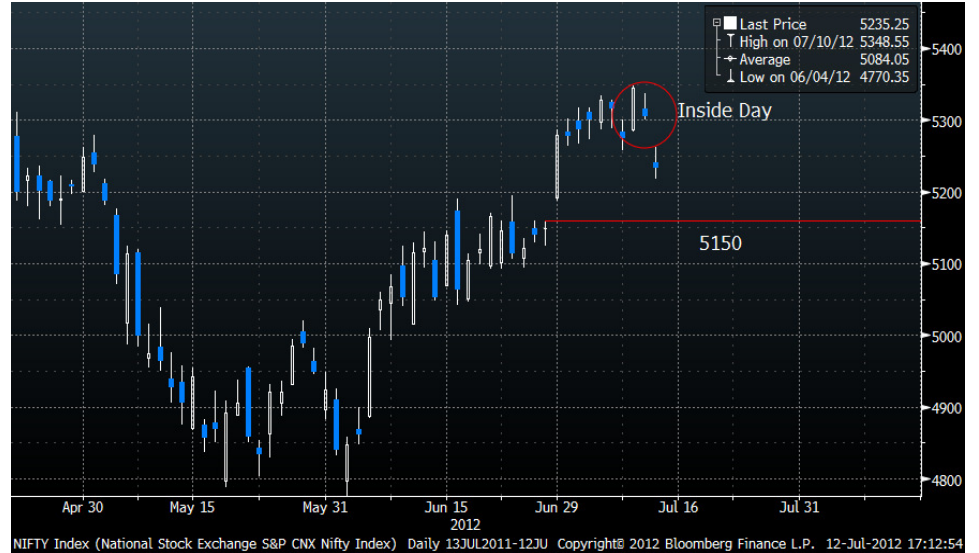
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## Nifty Technical View

### Nifty

<b>Support 1</b>	:	<b>5235</b>
<b>Support 2</b>	:	<b>5180</b>
<b>Resistance 1</b>	:	<b>5305</b>
<b>Resistance 2</b>	:	<b>5350</b>
<b>Short Term Trend</b>		
<b>Reversal Level</b>	:	<b>5150</b>

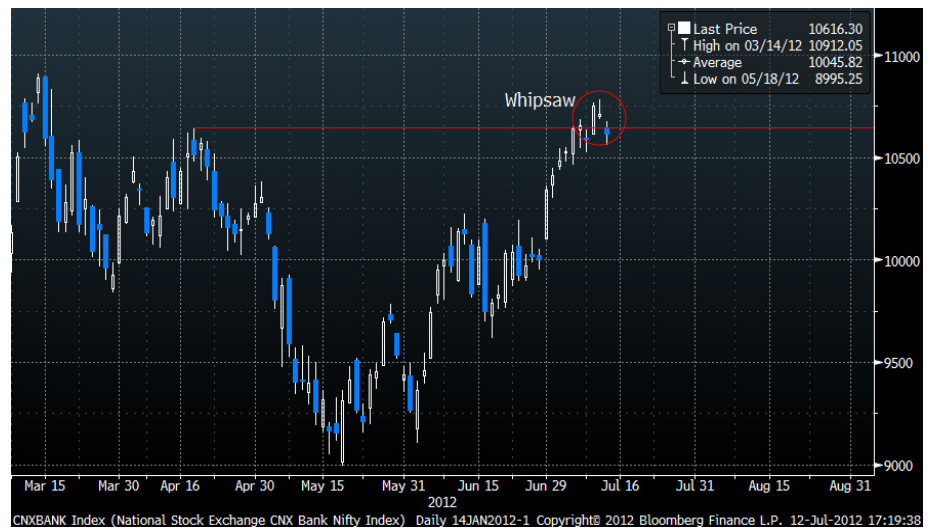
Nifty after forming an inside day broke out from the larger range of 5260-5350 towards the south. The day chart has opened a gap with resistance at 5305 and trading range may get pulled down with support at 5150. The level of 5350 has increased significance with the current reversal from that point.



### BANK NIFTY

<b>Support 1</b>	:	<b>10525</b>
<b>Support 2</b>	:	<b>10440</b>
<b>Resistance 1</b>	:	<b>10680</b>
<b>Resistance 2</b>	:	<b>10790</b>
<b>Short Term Trend</b>		
<b>Reversal Level</b>	:	<b>10440</b>

Banknifty after forming an inside day, broke out from the range on the downside. The support of 10650 has been breached and immediate support stands at 10440. Sustenance below the same can lead to long un-winding and outperformance may come to a halt. Resistance on the index stands at 10790.



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## FII Data

	BUY	SELL	NET
FII Cash	24.7	22.0	2.7
Domestic Inst Cash	8.4	13.8	-5.4
FII Index Futures	15.0	19.2	-4.2
FII Stock Futures	11.3	16.1	-4.8
FII Index Options	158.6	138.8	19.8
FII Stock Options	18.1	18.9	-0.8

## Derivative Outlook

Nifty started the session with a negative gap and has closed the session in a Doji pattern. The daily RSI has slipped further away from its trigger line indicating caution. Support at 5180-5200 levels will be crucial to stem the recent downturn.

In Jul series for Nifty, Highest Call OI is at 5400 strike with 8.4m shs up 0.4m shs and highest Put OI is at 5000 strike with 8.5m shs up 0.4m shs.

Nifty 5300 Jul CE OI increased by 1m shs to 6.9m shs and 5200 Jul CE OI increased by 0.9m shs to 4m shs.

## Top Gainers (Price, Volume, Open Interest)

Stock Name	Price	% Chg	Stock Name	Volume	% Chg	Stock Name	OI	% Chg
MCDOWELL-N	768	5.8%	TCS	25427	375.63%	TCS	26434	32.54%
IBREALEST	65	4.4%	HEXAWARE	1660	229.37%	WIPRO	9692	21.04%
UNITECH	25	3.3%	MCDOWELL-N	13762	204.00%	INFOSYSTCH	31772	19.54%
HINDPETRO	355	2.7%	SAIL	2297	191.50%	HEXAWARE	2492	16.56%
JPASSOCIAT	79	2.4%	HINDPETRO	2324	164.99%	MCDOWELL-N	8562	15.92%

## Top Losers (Price, Volume, Open Interest)

Stock Name	Price	% Chg	Stock Name	Volume	% Chg	Stock Name	OI	% Chg
INFOSYSTCH	2270	-8.2%	MPHASIS	149	-83.59%	INDIANB	248	-9.5%
HEXAWARE	115	-5.0%	CUMMINSIND	182	-80.72%	MPHASIS	564	-5.7%
WIPRO	361	-4.2%	MRPL	58	-73.99%	BEL	199	-4.8%
IVRCLINFRA	49	-4.2%	FINANTECH	2866	-69.13%	TECHM	880	-4.1%
HCC	20	-4.1%	ULTRACEMCO	225	-63.71%	PTC	518	-4.1%



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