

31 December 2008

India Morning Bell



All the latest research, news and data

Sensex: 9716

Nifty: 2980

- Satyam Computers – Board meeting postponed. What next?**
 Board meeting postponed to 10 Jan '09; agenda widened. Besides a share buy-back, Satyam Computers will consider 1) strengthening the governance structure, including the size of the board and altering its composition; 2) strategic options to enhance shareholder value 3) addressing issues arising from a possible dilution of the promoter's stake. ►
- Technical view.** The Nifty has exhibited a bullish candlestick and has gained ground. Technically, the candlestick formed indicates buying support emerging at lower levels. ►
- Derivatives view.** The Nifty is heading towards the upper band of the 2800-3000 range. Crucial resistances, at around 3000 and 3100, lie ahead. Low-volume trades lend little confidence to the rally and fresh longs should be considered only above 3100. ►

Markets

	30 Dec 08	1 Day	YTD
Sensex	9716	1.9%	-52.1%
Nifty	2980	2.0%	-51.5%
Dow Jones	8668	2.2%	-34.7%
S & P 500	891	2.4%	-39.3%
FTSE	4393	1.7%	-32.0%
Nikkei*	8860	1.3%	-42.1%
Hang Seng*	14433	1.4%	-48.1%

Volumes (US\$m)

	30 Dec 08	1 Day	Avg '08
Cash BSE	822	16.7%	1,469
Cash NSE	1,858	-0.7%	3,306
Derivatives (NSE)	7,011	2.0%	13,496

Flows (US\$m)

	30 Dec 08**	MTD	YTD
FI – Cash			
Buy	181	5,984	144,849
Sell	137	5,614	155,509
Net	44	370	-10,660
FI - Derivatives			
Buy	328	11,337	177,792
Sell	197	10,413	174,502
Net	131	924	3,290
DII – Cash			
Buy	143	2,935	40,498
Sell	66	2,582	35,348
Net	77	353	5,150

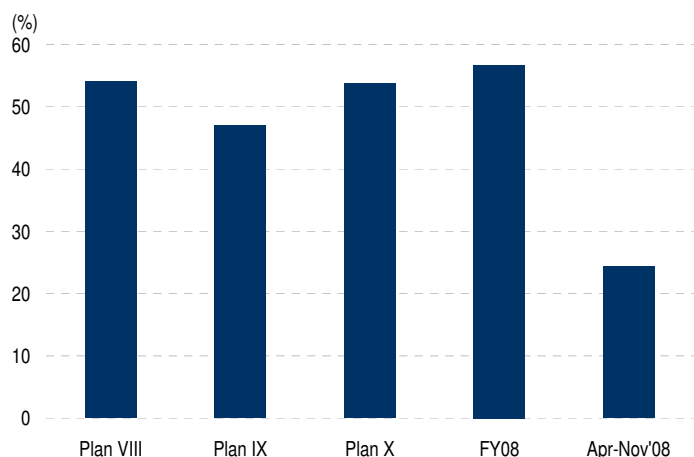
Others

	30 Dec 08	1 Day	YTD
Oil Brent (US\$/bbl)*	40.1	-0.1%	-55.6%
Gold (US\$/oz)*	869.2	-0.5%	4.2%
Steel (US\$/MT)	550.0	-16.7%	5.8%
Rs/US\$	48.48	0.0%	-18.7%
US\$/Euro*	1.41	0.0%	3.8%
Yen/US\$*	90.42	-0.1%	23.6%
Call Rate	5.25%	-5bps	85.0bps
10-year G-Secs	5.44%	-12bps	-236bps
EMBI spreads	692bps	-6bps	453bps

*@7:30am **Provisional

Chart of the day

Power capacity addition (% of target)



Source: Anand Rathi Research

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Market Data

Large Caps (>US\$2bn)

Price Performance

Top 5 Gainers

Company Name	CMP	1 W %	1 Mth%
JAYBHARAT TEXTIL	407	19.5	67.7
INFRASTRUCT DEV	68	16.8	30.7
SATYAM COMPUTER	161	14.2	-33.8
RANBAXY LABS LTD	242	13.0	16.1
CAIRN INDIA	172	9.0	21.53

Top 5 Losers

Company Name	CMP	1 W %	1 Mth%
MMTC LTD	19,134	-12.2	91.2
DLF LIMITED	285	-5.5	43.8
INFOSYS TECH LTD	1,128	-4.1	-9.3
TATA CONSULTANCY	483	-3.6	-13.7
ITC LTD	172	-3.3	-1.0

Volume

Volume Spurts

Company Name	CMP	1 W Avg	1 / 4 W%
SATYAM COMPUTER	161	74,959,112	141.6
MMTC LTD	19,134	1,990	110.4
RANBAXY LABS LTD	242	2,131,171	35.8
INFRASTRUCT DEV	68	16,971,664	28.8
RELIANCE PETROLE	88	29,687,058	20.1

Technicals

Above 200 DMA

Company Name	CMP	200D Avg	%
STATE BANK TRAVA	2,153	412	423.0
JAYBHARAT TEXTIL	407	243	67.2
HINDUSTAN PETRO	279	231	21.0
UNION BANK INDIA	163	142.3	14.8
BHARAT PETROL	385.2	338.77	13.71

Below 200 DMA

Company Name	CMP	200D Avg	%
SUZLON ENERGY LT	61	192	-68.4
TATA STEEL LIMIT	215	558	-61.4
HINDALCO INDS	51	120	-57.8
SATYAM COMPUTER	161	376	-57.2
HINDUSTAN COPPER	98	224	-56.3

Mid Caps (US\$0.5bn-2bn)

Price Performance

Top 5 Gainers

Company Name	CMP	1 W %	1 Mth%
MAHINDRA & MAHIN	250	32.4	38.6
BAJAJ FINSERV LT	147	21.7	54.3
AREVA T&D INDIA	208	14.9	49.6
SUN TV NETWORK	184	14.8	44.9
CUMMINS INDIA	217	11.2	4.43

Top 5 Losers

Company Name	CMP	1 W %	1 Mth%
TATA MOTORS LTD	156	-10.4	14.2
CESC LTD	230	-9.6	16.1
FINANCIAL TECHNO	511	-9.1	-13.2
EDUCOMP SOLUTION	2,399	-8.3	4.7
BIOCON LTD	115	-7.4	29.8

Volume

Volume Spurts

Company Name	CMP	1 W Avg	1 / 4 W%
SHREE GLOBAL TRA	229	5,825	300.0
KSK ENERGY VENTU	165	121,103	124.1
AKRUTI CITY LTD	659	227,357	79.2
PETRONET LNG LTD	39	5,048,770	70.1
BRITANNIA INDS	1,281	12,187	63.4

Technicals

Above 200 DMA

Company Name	CMP	200D Avg	%
SHREE GLOBAL TRA	229	138	65.8
AVENTIS PHARMA	939	792	18.6
CASTROL INDIA	338	288	17.3
GODREJ CONSUMER	144	125	14.9
INDIAN BANK	132	128	3.5

Below 200 DMA

Company Name	CMP	200D Avg	%
UNITECH LTD	40	165	-76.0
ABAN OFFSHORE LT	671	2,394	-72.0
JSW STEEL LTD	223	674	-66.9
TATA MOTORS LTD	156	414	-62.2
WELSPUN-GUJARAT	108	280	-61.4

Small Caps (US\$100m-500m)

Price Performance

Top 5 Gainers

Company Name	CMP	1 W %	1 Mth%
ENTERTAINMENT NE	169	37.4	54.2
KINGFISHER AIR	42	31.1	51.0
ABG SHIPYARD	121	28.5	25.2
MATRIX LABS LTD	105	26.2	109.0
JET AIRWAYS INDI	200	21.3	54.8

Top 5 Losers

Company Name	CMP	1 W %	1 Mth%
KSL REALTY	125.7	-19.42	-18.35
MAYTAS INFRA LTD	162.5	-18.61	-67.21
AJMERA REALTY	38.1	-14.96	60.08
JAI CORP LTD	79.6	-14.27	-4.5
GEODESIC LTD	70	(13)	7.1

Volume

Volume Spurts

Company Name	CMP	1 W Avg	1 / 4 W%
NAVNEET PUBL	45	1,533,589	291.9
GRAVISS HOSPITAL	71	1,237	269.2
SHOPPER'S STOP	166	19,687	246.8
MAYTAS INFRA LTD	163	2,662,112	195.6
ING VYSYA BANK	151	112,463	166.2

Technicals

Above 200 DMA

Company Name	CMP	200D Avg	%
CAMBRIDGE SOLUTI	74	55	32.5
RESPONSIVE IND L	509	387	31.6
FDC LTD	34	29	18.6
ALFA-LAVAL INDIA	930	826	12.6
CENTRUM CAP LTD	1,511	1,345	12.3

Below 200 DMA

Company Name	CMP	200D Avg	%
JAI CORP LTD	80	367	-78.3
PVP VENTURES LTD	19	86	-77.7
BL KASHYAP&SONS	245	971	-74.8
CORE PROJECTS &	49	173	-71.6
UNITED BREWERIES	103	359	-71.3

30 December 2008

Satyam Computers

Board meeting postponed. What next?

Rating: **SELL**

Target Price: Rs150

Share Price: Rs161

- **Board meeting postponed to 10 Jan '09; agenda widened.** Besides a share buy-back, Satyam Computers will consider: 1) strengthening the governance structure, including the size of the board and altering its composition; 2) strategic options to enhance shareholder value 3) addressing issues arising from a possible dilution of the promoter's stake.
- **Various outcomes possible.** The possible outcomes: 1) share buy-back, 2) management change, 3) private equity being roped in by the promoter.
- **Change in management – a high probability.** There is a high probability of management change since the promoter stake (already low at 8.6% in Sep '08) has been reduced in the last week. Four independent directors have quit the board after investors questioned the propriety of using company's cash to buy two firms linked to the promoter.
- **Question remains –** Can the board in its present form smoothly carry on the agenda set for the meeting to be held on 10 Jan '09? Legally, the board should not have a problem going ahead with the meeting unless one more independent director resigns.

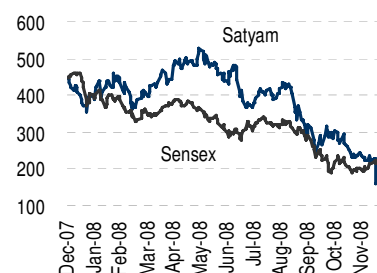
Key data	SCS IN / SATY.BO
52-week high/low	Rs544/Rs115
Sensex/Nifty	9716/2980
3-m average volume	US\$55.0m
Market cap	Rs108.4bn/US\$2.2bn
Shares outstanding	673.5m
Free float	91.4%
Promoters	8.6%
Foreign Institutions	66.3%
Domestic Institutions	14.7%
Public	10.4%

Key financials

YE 31 March	FY07	FY08	FY09e	FY10e	FY11e
Sales (Rsm)	64,851	84,735	115,139	125,632	138,381
Net profit (Rsm)	14,046	16,879	25,829	23,177	18,332
EPS (Rs)	21.1	25.2	38.2	34.1	26.8
Growth (%)	19.7	19.6	51.8	(10.9)	(21.4)
PE(x)	7.6	6.4	4.2	4.7	6.0
PBV(x)	1.9	1.5	1.1	0.9	0.8
RoE (%)	28.3	26.1	30.5	21.5	14.4
RoCE (%)	30.5	29.0	33.6	24.0	17.7
Dividend yield (%)	2.2	2.2	2.2	2.2	2.2
Net gearing (%)	(67.1)	(59.9)	(65.2)	(70.7)	(71.0)

Source: Company, Anand Rathi Research

Relative price performance



Source: Anand Rathi Research

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Technicals

The Nifty: Support at 2850

- **The Nifty** has exhibited a bullish candlestick and has gained ground.
- **Technically**, the candlestick formed indicates buying support emerging at lower levels.
- **Averages.** The Index has regained the 20-DMA and the 50-DMA. But is still trading below the 10-DMA. This indicates that the trend is yet in doubt.
- **Resistance.** The Index faces resistance around the 3100 level and thereafter at around 3200.
- **Support.** The Nifty has support around the 2850 level. Breach of this support may open up the possibility of a new low.

Resistance at 3100

Support at 2850

Technical View

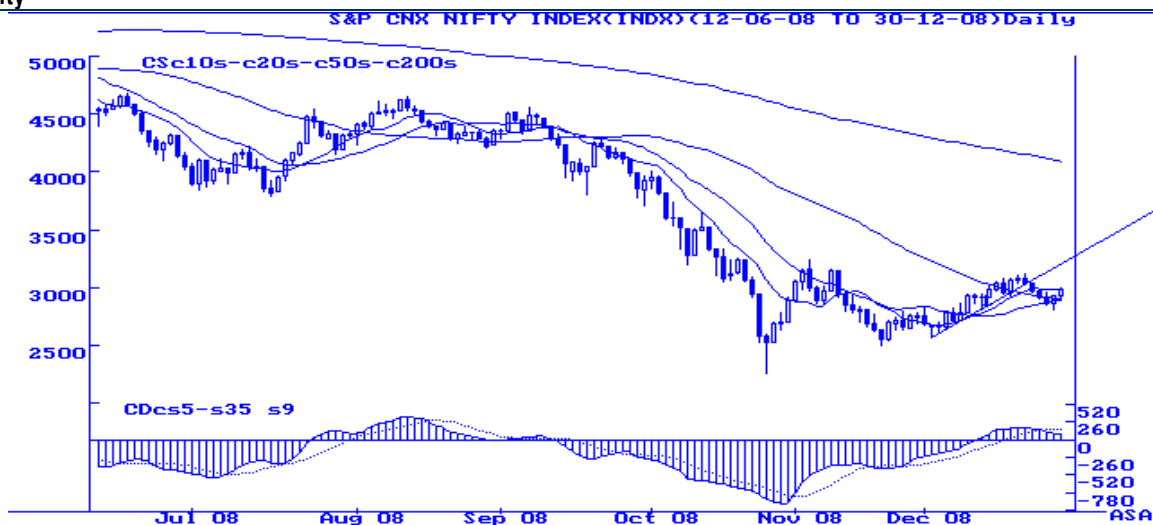
Particulars	View	Support	Resistance	Comments
Sensex	-ve bias	8,500	10,200	Weak below 10,200.

Statistics

	30 Dec '08	29 Dec '08
Open	2922	2857
High	2999	2931
Low	2899	2812
Close	2979	2922
200-DSMA	4089	4099
50 DSMA	2886	2896
20 DSMA	2892	2881
10 DSMA	2981	2981
Pivot Point	2959	2888
S1	2919	2846
S2	2860	2770
R1	3019	2965
R2	3058	3007

Source: Anand Rathi Research

The Nifty



Source: Anand Rathi Research

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Derivatives

Low-volume rally continues; resistance at 3000

- Index.** The year-end upmove continues on hollow volumes as the Nifty extended its gains by 57 points. Fickle volume trades pulled the Index to 3000 levels from where it fell nearly 40 points in the last ten minutes, indicating that a significant part of the activity was intraday. Auto and Realty led the rally. Market participation continues to be below average, with volumes at Rs340bn (Rs333bn) still low.
- Index Futures.** Both contracts saw minor contraction in premiums, with the closure of 0.5m shares in OI.
- Index Options.** The 3100CE (+0.5m shares) and 3200CE (+0.2m shares) saw additions. Put addition was aggressive at the 2900PE (+0.6m shares) and 2700PE (+0.3m shares). A block was also seen in the Mar 3300CE (0.3m shares). Highest OI is seen at the 3000CE (3m shares) and 2800PE (2.9m shares), which define the range of 2800-3000 for the Index.
- Institutional Activity.** FIIs were buyers of Rs2.15bn in cash, while DFIs bought Rs3.8bn. FII net participation in F&O, at Rs6.4bn, was significant.
- View.** The Nifty is heading towards the upper band of the 2800-3000 range. Crucial resistances, at around 3000 and 3100, lie ahead. Low-volume trades lend little confidence to the rally and fresh longs should be considered only above 3100.

Market Open Interest

Rs411bn

Index Highlights

	30 Dec 08	29 Dec 08
Nifty		
Spot	2979.5	2922.2
Near Fut.	2986.9	2936.3
Mid Fut.	2997.9	2947.5
Near Basis	7.4	14.1
Mid Basis	18.5	25.3
Near OI (m sh)	31.3	31.8
Mid OI (m sh)	0.3	0.3

FII F&O Net Activity (Rs.bn)

Symbol	30 Dec 08	29 Dec 08
Ind. Futures	3.3	0.3
Ind. Options	2.3	1.6
Stk. Futures	0.4	-0.6
Stk. Options	0.5	0.8
Total (Rs bn)	6.4	1.9

Sentiment Indicators

Particulars	30 Dec 08	29 Dec 08
PCR OI	1.1	1.1
PCR Vol.	1.0	0.7
Historical Volt (%)	61.0	60.4
IV Call (%)	40.8	41.3
IV Put (%)	46.2	47.7

Open Interest Gainers

Symbol	Price (%)	Fut OI (%)
GSPL	10.1	48.6
ABGSHIP	16.8	43.3
Sun TV	8.8	30.8
Jet Airways	5.0	27.1
CESC	-0.8	26.4

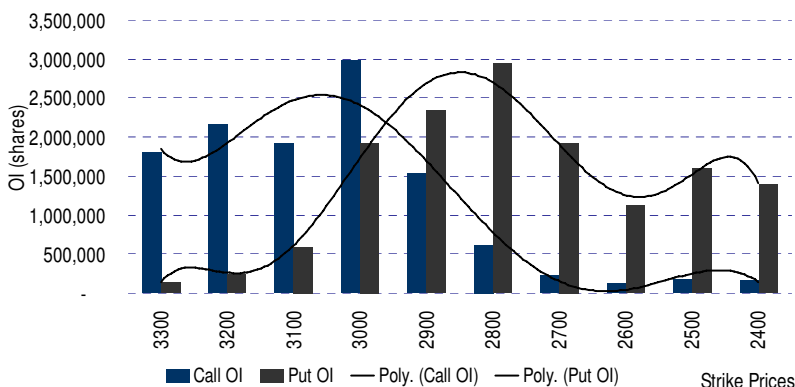
Open Interest Losers

Symbol	Price (%)	Fut OI (%)
BEML	3.8	-15.9
IRB	3.6	-15.0
RIIL	1.5	-14.9
GVKPIL	0.0	-13.3
NIIT Ltd	1.4	-11.0

Top Nifty Deliveries

Symbol	Shares (mn)	Value (Rs.bn)
SATYAMCOMP	11.9	1.9
RELIANCE	1.5	1.9
HDFCBANK	1.0	0.9
RCOM	3.2	0.7
SUZLON	10.8	0.7

Nifty Option O.I. Distribution



Source: Anand Rathi Research

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Appendix 1

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Ratings Table

	Buy	Hold	Sell
Large Caps (>US\$2bn)	>20%	5-20%	<5%
Mid/Small Caps (<US\$2bn)	>30%	10-30%	<10%

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