

INDICES

Indices	Previous (day) Close	% chg
Sensex	18,428.61	+0.76%
Nifty	5,607.15	+0.77%

(As on 21st February, 2012)

WORLD INDICES

Indices	Previous (day) Close	% chg
Dow Jones	12,965.69	+0.12%
Nasdaq	2,948.57	-0.11%
S&P 500	1,362.21	+0.07%
FTSE	5,928.20	-0.29%
DAX	6,908.18	-0.58%
CAC	3,465.24	-0.21%

(As on 21st February, 2012)

ASIAN INDICES

Indices	Last Traded	% chg
Nikkei	9,479.78	+0.18%
Hang Seng	21,348.35	-0.61%
Shanghai	2,376.98	-0.19%

(As on 22nd February, 2012, 8.00 a.m. IST)

FROM RESEARCH DESK

■ Stock Updates

State Bank of India - Target achieved: We had a HOLD rating on State Bank of India in our report released on 14th February 2012 at Rs 2,125 with the target price of Rs 2,433. Yesterday, the stock has made a high of Rs 2,452 and reached our target price with a decent return of 15%. Currently the stock is trading at P/BV of 1.6x / 1.4x and P/ABV of 1.7x / 1.5x for FY12E / FY13E. We will come up with updates if there are any further developments in the bank.

■ Company Updates

NIIT LTD – stock seen a surge on stake sale report in NIIT Tech | Valuation & Recommendation – Reiterate, “BUY” with TP of Rs75: At CMP of Rs50/share the stock is trading at 3.7x/2.6x EV/EBITDA and 9.8x/7.2x P/E of FY12e/FY13e estimate. This is with the ~4.0-8.3x and ~3.3-10.6x EV/EBITDA/PE band respectively that stock has traded in over last 3yr, currently trading significantly below higher end of band indicating upside potential from current price level. We reiterate BUY with target price of Rs. 75/share on NIIT Ltd. Our BUY rating is based on (1) net cash positive balance sheet position, (2) better disclosures v/s peers, (3) diversified business model, and (4) focus on new line of growth – exit from slow moving/high capex intensive business models.

■ Global Markets - Outlook

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NIIT LTD – stock seen a surge on stake sale report in NIIT Tech

- According to CNBC-TV18, promoters of NIIT Technologies Ltd (NIIT Tech) may look to divest its 39.2% stake (23mn shares) in the company. The promoter 39.2% stake is jointly held by - NIIT Ltd (~24% - 15mn shares) and promoters group (remaining 15.2%).
- In Q3FY12 results conference call, management of NIIT Ltd has also indicated its interest to divest NIIT Tech stake. Moving on the same line, NIIT Ltd. may sign a formal mandate with few bankers.

Our Take

- Based on CMP of Rs260 - NIIT Tech stake sale can generate ~Rs21-23 per share. As per the media report, promoters are looking for ~4-5x of TTM EBITDA (Rs2585 mn), which can yield ~Rs15.8-19.7 per share to NIIT Ltd. However, management of NIIT Ltd has denied to comment on such speculations.
- The successful completion of stake divestment can also trigger 20% open offer for NIIT Tech shareholder, as per the SEBI regulation.
- NIIT Ltd stock has already seen a surge (3.2% to Rs50/share) after **NIIT Tech's** stake sale report.

Valuation & Recommendation – Reiterate, “BUY” with TP of Rs75

At CMP of Rs50/share the stock is trading at 3.7x/2.6x EV/EBITDA and 9.8x/7.2x P/E of FY12e/FY13e estimate. This is with the ~4.0-8.3x and ~3.3-10.6x EV/EBITDA/PE band respectively that stock has traded in over last 3yr, currently trading significantly below higher end of band indicating upside potential from current price level. We reiterate BUY with target price of Rs. 75/share on NIIT Ltd. Our BUY rating is based on (1) net cash positive balance sheet position, (2) better disclosures v/s peers, (3) diversified business model, and (4) focus on new line of growth – exit from slow moving/high capex intensive business models.

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- **US Markets:** U.S. stocks finished mostly higher Tuesday after European officials agreed to another round of aid for Greece, pushing the Dow industrials briefly above 13,000 for the first time since 2008.

As per Bloomberg consensus estimate data on Existing Home Sales is likely to come at 4.69M annual rate for January'12 up from prior reading of 4.61M of annual rate in December'11.

In Brussels, euro-area finance ministers approved another rescue for debt-encumbered Greece. The 130 billion euros, or \$173 billion, financial package still left doubts, however, about how durable the fix would prove. Greece will also launch a debt swap that will see private bondholders accept a 53% write-down on the value of their holdings of roughly €200 billion worth of Greek government debt. In one downside scenario included in the report, Greek debt could fall to only 160% of gross domestic product by 2020, falling far short of the target of 120% set by the International Monetary Fund, the Financial Times reported. It's possible that Greece could need another €50 billion in funds by the end of the decade, the report said.

- **Day's Performance:** After topping 13,000 for the first time since May 2008, the Dow Jones Industrial Average ended at 12,965.69, up 15.82 points, or 0.1%. It last closed above 13,000 on May 19, 2008. The S&P 500 Index climbed as high as 1,367.76, just points from 1,370, its May 2011 high. It finished at 1,362.21, up nearly 1 point, or not quite 0.1%, and its highest close since April 29, 2011. Between that day and Oct. 3, 2011, the S&P fell 19%. Since that drop, the index has risen more than 24%. The Nasdaq Composite fell 3.21 points, or 0.1%, to 2,948.57. Advancers held a slight edge over decliners on the New York Stock Exchange, where almost 798 million shares traded. Composite volume neared 3.8 billion.
- **Set ups** on S&P 500, Dow Industrial Average and Nasdaq 100 are looking good. We expect S&P further 5% to 7% of up move from current levels.
- **Emerging markets:** Asian share markets slip amid lingering questions over Europe's latest effort to aid Greece and as oil gains ground in New York trading. Asia markets are mostly trading with cuts of 0.20% to 0.30% this morning.
- **Bullions & Commodities:** Gold is trading at \$1757.70 per troy ounce this morning down (0.05%) from previous close. Crude oil is trading at \$105.84 a barrel while Brent Crude future is trading at \$121.36 per barrel.
- **Currencies:** The U.S. Dollar Index tracking the U.S. currency against a basket of six others currencies trading at 79.15 this morning up 0.06% from previous close. Long term set ups up on Dollar Index remains strong. The dollar and U.S. stocks often trade on opposite paths, with a weak dollar seen as providing investors with cheap funding to buy stocks. Plus the dollar's drop generally helps U.S. companies' overseas sales.

Source: Bloomberg



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