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News Roundup

Corporate

- Loans for home and car purchases are getting cheaper with ICICI Bank and HDFC announcing cuts in select lending rates. (BS)
- Chennai-based IT company, Novatium Solutions, has announced a strategic tie-up with MTNL for the launch of its sub-Rs5,000 Nova net PC. (BS)
- A consortium of state-owned Bharat Petroleum Corporation (BPCL) and Premier Oil of the UK have struck what is believed to be India's largest onshore gas discovery. (ET)
- US drug giant Eli Lilly & Co has filed a patent infringement suit against Sun Pharmaceutical Industries to prevent the latter from selling a generic version of the drug, insisting that Eli Lilly's running patent on Strattera is not valid. (ET)
- A US court has reversed an earlier ruling that allowed companies to market the generic copies of 'Neurontin', Pfizer's brand name for 'gabapentin' - an epilepsy medicine grossing over US\$2 bn in revenues. Indian drug companies, such as Glenmark, Sun Pharma and Ranbaxy, among others, maintain that they have not infringed on Pfizer's patent on gabapentin. (BL)
- The Essar Group would be acquiring six supramax bulk carriers at an investment of US\$210 mn. (BL)
- Wal-Mart is to ask its suppliers to measure and report their greenhouse gas emissions, in the biggest move to disclose emissions from businesses. (BS)
- The Hinduja group firm Hinduja TMT (HTMT) on Monday said it has formed a JV with Limitless, the real estate subsidiary of Dubai World, to foray into the medicare-related realty business. Hinduja's will hold 51% stake in the JV, with Limitless holding the remaining.

Economic and political

- Foreign investment by Indian companies, residents and mutual funds may be significantly liberalised in a desperate attempt to control liquidity and rein in the rupee. RBI has approached the government with a proposal to liberalise the norms on outward investment. (ET)
- Former Federal Reserve chairman Alan Greenspan said the US economy has a better than even chance of beating a recession but warned that a housing slowdown could hit spending hard. (ET)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line.

EQUITY MARKETS

India	Change, %			
	24-Sep	1-day	1-mo	3-mo
Sensex	16,846	1.7	16.8	16.3
Nifty	4,932	2.0	17.7	15.8
Global/Regional indices				
Dow Jones	13,759	(0.4)	2.8	3.0
Nasdaq Composite	2,668	(0.1)	3.5	3.5
FTSE	6,466	0.1	4.0	(1.9)
Nikkie	16,290	(0.1)	0.3	(10.4)
Hang Seng	26,529	(0.1)	15.7	21.6
KOSPI	1,919	0.5	7.1	9.2
Value traded - India				
		Moving avg, Rs bn		
	24-Sep	1-mo	3-mo	
Cash (NSE+BSE)	263.2	170.8	166.5	
Derivatives (NSE)	794.0	433.4	379.4	
Deri. open interest	984.8	838.5	760.4	

Forex/money market

	Change, basis points			
	24-Sep	1-day	1-mo	3-mo
Rs/US\$	39.7	-	(133)	(118)
6mo fwd prem, %	0.7	(25)	71	24
10yr govt bond, %	7.9	5	-	(23)

Net investment (US\$m)

	21-Sep	MTD	CYTD
FIs	226	2,253	10,627
MFs	32	23	775

Top movers -3mo basis

Best performers	Change, %			
	24-Sep	1-day	1-mo	3-mo
Reliance Energy	1,094	8.3	48.7	85.1
Neyveli Lignite	106	5.7	45.8	71.9
Tata Tele	42	14.0	47.7	59.9
Chambal Fert	55	2.0	17.5	58.6
SAIL	198	2.7	35.8	49.7
Worst performers				
Polaris	113	(1.9)	5.0	(26.6)
i-Flex	1,854	0.8	(1.0)	(25.9)
Punjab Tractors	235	(1.9)	5.4	(21.2)
Cipla	167	(0.0)	(2.1)	(18.8)
Pfizer	667	0.6	(3.3)	(17.5)

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Strategy

Sector coverage view

N/A

Alpha Bet: Closing trades

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- **Closing long JSP, short Tata Steel trade on 11% gross return**
- **Closing long ICICI Bank, short Infosys trade on 13% gross return**
- **Trade 1: Long RCOM, short Idea: Bigger and cheaper (6.9% since trade inception)**
- **Trade 2: Long Suzlon, short GMRI/MTNL: Playing on news flow (-2.6% since trade inception)**

Closing trades. We have closed our (1) long JSP, short Tata Steel and (2) long ICICI Bank, short Infosys trade with positive return of 11% and 13%, respectively, since we initiated the trades (September 14). We continue to recommend long Reliance Communications and short Idea Cellular and long Suzlon Energy and short basket of GMR Infrastructure and MTNL.

Closing long JSP, short Tata Steel trade on 11% gross return

Since the inception of the trade, JSP's stock has appreciated by 16.3% whereas Tata Steel stock has increased by 5.3%, resulting in a gross return of 11%.

Closing long ICICI Bank, short Infosys trade on 13% gross return

Since the initiation of the trade, ICICI Bank stock has increased by 9.8% whereas Infosys stock has declined by 3.7%, resulting in a gross return of 13.4%. On September 18, the Federal Open Market Committee (FOMC) decided to cut the benchmark Federal Fund Rate by 50 bps to 4.75%, thereby suggesting a peaking of global interest rates. Since then, (1) FIIs have infused >US\$1bn in Indian equities, adding to existing ample domestic liquidity (working positive for ICICI Bank) and (2) the Indian rupee appreciated by another 1.8% to Rs39.7/US\$ (negative for Infosys).

Trade 1: Long RCOM, short Idea: Bigger and cheaper (6.9% since trade inception)

We keep our long RCOM, short Idea and expect to derive relative out-performance from (1) likely reduction in Idea's valuation premium to RCOM, (2) revised spectrum allocation and mobile number portability policies, if implemented, benefiting RCOM more than Idea and (3) likely listing of FLAG Telecom unlocking value for RCOM to the trade.

Trade 2: Long Suzlon, short GMRI/MTNL: Playing on news flow (-2.6% since trade inception)

We continue to recommend buying Suzlon Energy given short-term positive triggers such as (1) increased visibility on order flows, (2) partial resolution of execution problems, which may lead to improved 2QFY08 margins and (3) possible value unlocking in Hansen, Suzlon's gearbox subsidiary. On the other hand, we believe that the stock prices of GMRI and MTNL largely factor in past and potential positive developments and both companies might face execution issues.

Alpha-Bet trades

Statistics of trades, current price, initiation price, gross current/actual return (%)

	Stock	Current price (Rs)	Initiation price (Rs)	Return (%)
Trade 1				
Buy	RCOM	598	567	5.5
Sell	Idea Cellular	128	130	(1.4)
Current return (%)				6.9
Trade 2				
Buy	Suzlon	1,443	1,372	5.2
Sell	GMR Infrastructure	833	766	8.8
	MTNL	155	145	6.8
Current return (%)				(2.6)
Closed trades				
14 September-24 September 2007				
Buy	ICICI Bank	996	907	9.8
Sell	Infosys Technologies	1,763	1,830	(3.7)
Return (%)				13.4
14 September-21 September 2007				
Buy	JSPL	5,371	4,619	16.3
Sell	Tata Steel	741	704	5.3
Return (%)				11.0
18 July-14 September 2007				
Buy	HPCL	251	259	(3.1)
Sell	Cairn (50%)	161	158	1.9
	GAIL (50%)	312	331	(5.6)
Return (%)				(1.3)
27 July-22 August 2007				
Buy	Ambuja Cements	133	129	3.1
Sell	ACC	963	1,023	(5.9)
Return (%)				9.0
18 July-27 July 2007				
Buy	Bajaj Auto	2,321	2,282	1.7
Sell	Aditya Birla Nuvo	1,386	1,576	(12.1)
Return (%)				13.8

Note:

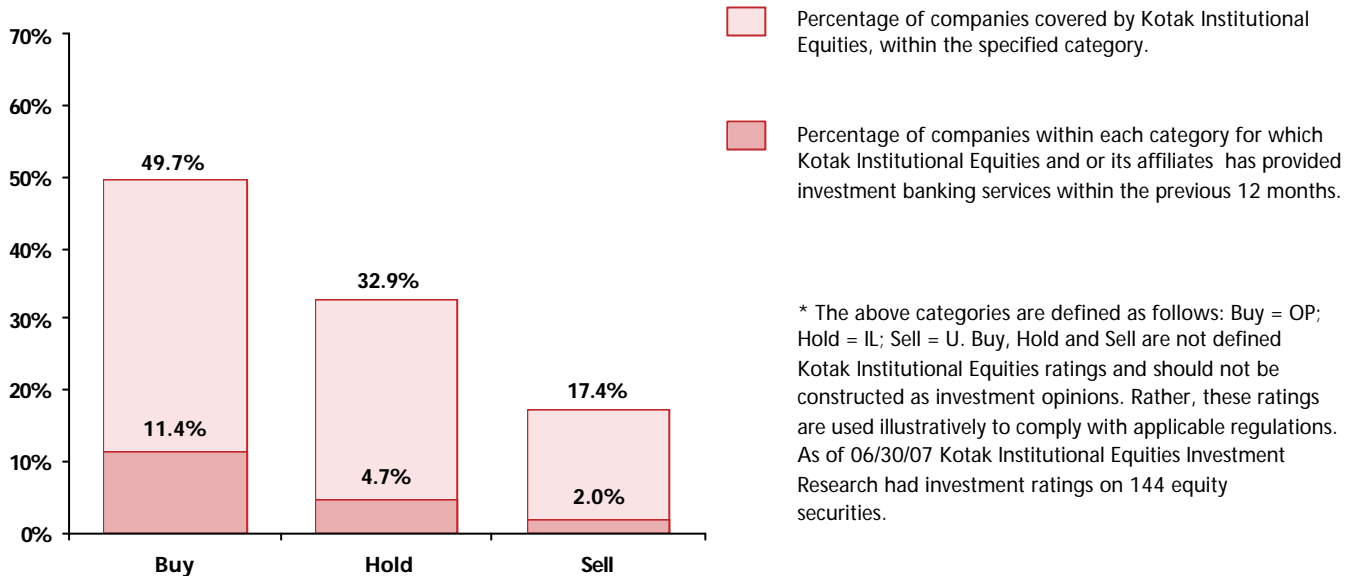
- (a) Price of HPCL is including dividend of Rs12.0 per share.
(b) Price of Gail is including dividend of Rs2.0 per share.
(c) Price of Ambuja Cement is including dividend of Rs2.5 per share.
(d) Price of ACC is including dividend of Rs10.0 per share.

Source: Bloomberg, Kotak Institutional Equities estimates.

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Source: Kotak Institutional Equities.

As of June 30, 2007

Ratings and other definitions/identifiers

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Definitions of ratings

OP = Outperform. We expect this stock to outperform the BSE Sensex over the next 12 months.

IL = In-Line. We expect this stock to perform in line with the BSE Sensex over the next 12 months.

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