

### Market Movement

	Close	Diff	% Chg
BSE 100	7,062.7	20.5	0.3%
CNX Nifty Jr	7,177.1	-11.4	-0.2%
Dow Jones	12,331.6	47.8	0.4%
Nasdaq	2,452.4	4.0	0.2%

### Turnover

	Rs mn		% Chg
BSE	47,790	↓	-1.3%
NSE	87,990	↓	-0.6%

### Advances/Declines (%)

	Advances	Declines
BSE	48.8%	48.8%
NSE	46.3%	51.2%

### Nifty Delivered Statistics

	Delivered Quantity	% Daily Quantity*
<b>Most Delivered</b>		
SCI	48,107	82.7
HDFC	447,367	82.7
INFOSYSTCH	1,207,524	74.6
HCL Tech	1,076,344	74.4
<b>Least Delivered</b>		
ACC	83,104	13.7
ABB	14,068	11.3
Titan	116,506	11.0
SBI	134,134	10.7

\* to trade quantity.

### Institutional Activity

4 December 2006	Cash (Rs mn)	F&O (Rs mn)
<b>FII's</b>		
Buy	25,527	8,064
Sell	53,665	10,367
Net	-28,138	-2,304
<b>Mutual Funds</b>		
Buy	4,844	-
Sell	4,413	-
Net	432	-

### Key Statistics

	Close	Change
Rs/US\$	44.53	0.00
Rs/Euro	59.30	0.00
10 yr G-Sec (%)	7.39	0.00
Call rate (%)	6.10	-
Brent-spot (US\$/bbl)	63.93	-0.03
WTI-spot (US\$/bbl)	62.43	-0.01
Aluminium (LME, US\$/t)	2,864	56.00
Copper (LME, US\$/t)	7,048	118.00
Zinc (LME, US\$/t)	4,600	62.00
Steel (US\$/t)	600	0.00

## Inside

### □ Cement Update: Prices remain firm...

We spoke to cement dealers across India to get a feel for the pricing trends in cement. Dealers indicated that prices across regions increased by Rs5 per 50 kg bag except South in the month of November. Prices remained stable during the month in Hyderabad and Bangalore whereas declined by Rs5 per bag in Chennai due to prolonged monsoons. In Kolkata (East) prices further rose by Rs5 per 50 kg bag in November and are currently stable at Rs215 per bag. Our dealer source indicated that prices are currently stable in all the regions except for South, where prices are expected to rise by Rs5 per bag in the coming week. Going forward, given the strong demand and limited capacity addition in FY07E, we expect prices to further increase by Rs3-5 per bag across regions.

Despatches of the majors have shown a healthy trend, with a 10% YoY rise to 5.54 mn tonnes. The growth in volume was on back of strong demand growth of 10% YoY for April-November 2006. We continue to have a positive outlook on the cement sector, and expect the rise in despatches and prices to continue. Going forward, we expect demand to continue to be buoyant and grow by 9.0-9.5% YoY for FY07E. Our top picks are Grasim and India Cements.

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Sector: Cement

## Prices remain firm...

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### Exhibit 1: Pricing trends in major cities

(Rs/ 50 kg bag)

City	Nov 06	YoY % chg	MoM % chg	April-Nov 06	YoY% chg
Mumbai (W)	230	35.3	2.2	223	27.4
Ahmedabad (W)	206	26.4	2.5	199	23.6
Jaipur (N)	192	28.0	2.1	186	25.7
Delhi (N)	210	25.7	1.4	206	29.6
Kolkata (E)	215	34.4	2.4	202	16.8
Chennai (S)	195	30.9	0.0	192	23.9
Hyderabad (S)	178	42.4	0.0	177	45.1

Source: Cement dealers.

- **Price rise of Rs5 per bag in East:** The scenario continued to be favourable in East with the prices rising by Rs5 per bag in the month of November. The demand in East grew by 4.63% YoY for the period April-November 2006. Demand in the eastern region has picked up from a negative growth in the beginning of FY07. Our dealer source indicated that prices are currently stable at Rs215 per bag and demand continues to be strong.
- **Prices rise in West and North:** Prices in Mumbai and Ahmedabad (West) have increased by Rs5 per bag taking prices to Rs230/bag and Rs206/bag respectively in November. Our dealer source indicated that the demand has remained strong, which has driven the prices to their highs. Demand in West grew by 8.7% YoY for the period April-November 2006. In Jaipur (North) prices increased by Rs3 per bag in the month of November and are currently stable at Rs192 per bag.

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- **Price rise expected in South:** The scenario in the southern region has been little different from other regions with prices remaining stable in the month of November too. Infact, prices corrected by Rs5 per bag in Chennai due to prolonged monsoons. Our dealer source indicated that the prices have moved by Rs5 per bag in Chennai taking prices back to Rs195 per bag w.e.f. 1 December 2006. Whereas prices are likely to increase by Rs3-5 per bag in Hyderabad and Bangalore in the coming week. Demand in the South grew by 16% YoY for the period April-October 2006.
- **Majors announced 10% YoY growth in despatches:** The cement majors reported a robust growth of 10% YoY in despatches for the month of November 2006 on back of strong demand growth.

#### Exhibit 2: Cement despatches in November 2006 (mn tonnes)

Company	Nov 06	YoY % chg	MoM % chg	April-Nov 06	YoY% chg
ACC	1.52	2.8	(7.3)	12.0	5.5
GACL	1.31	9.2	4.8	9.6	11.2
Grasim+Ultra Tech	2.71	14.8	(2.9)	20.5	10.6
<b>Total</b>	<b>5.54</b>	<b>10.0</b>	<b>(2.5)</b>	<b>42.1</b>	<b>9.3</b>

Source: Company.

- **ACC's** despatches grew by 2.8% YoY to 1.52 mn tonnes for the month of November. In the last 11 months, ACC has reported volumes of 16.98 mn tonnes - a growth of 7.0% YoY. We expect a volume growth of 8% YoY to 18.9 mn tonnes in CY06E.
- **Gujarat Ambuja Cements** consolidated volumes (including Ambuja Cement Eastern) grew by 9.2% YoY rise in despatches to 1.31 mn tonnes for the month of November. Exports rose by 47.5% YoY to 0.16 mn tonnes.
- **Grasim and UltraTech** combined reported a strong growth of 14.8% YoY in despatches in November. UltraTech's domestic despatches grew by 16.8% YoY to 1.05 mn tonnes, cement exports grew by 2.3% YoY to 0.14 mn tonnes and clinker exports grew by 36% YoY to 0.24 mn tonnes. Grasim's despatches grew by 9.3% YoY to 1.20 mn tonnes.
- **Appreciating prices:** Prices further rose by Rs5 per bag across region in the month of November except South. Demand continued to be very strong with the total demand rising by 10% YoY for the period April-November 2006. The scenario continues to be positive with prices currently being firm across regions and a rise of Rs5 per bag expected in the southern region. Going forward, we expect demand to be buoyant and grow by 9.0-9.5% YoY for FY07E. The increasing demand-supply gap is driving the prices. We expect prices to rise further by Rs3-5 per bag across regions. Our top picks are **Grasim** and **India Cements**.

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