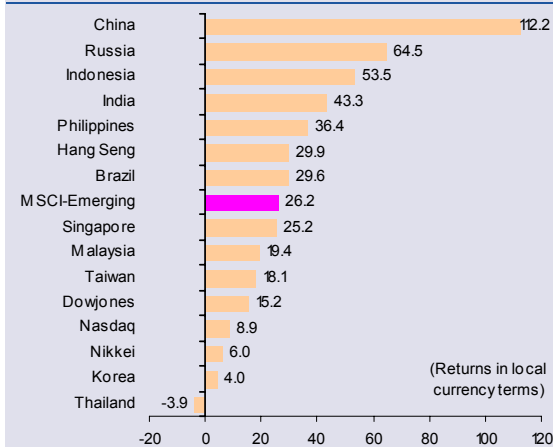
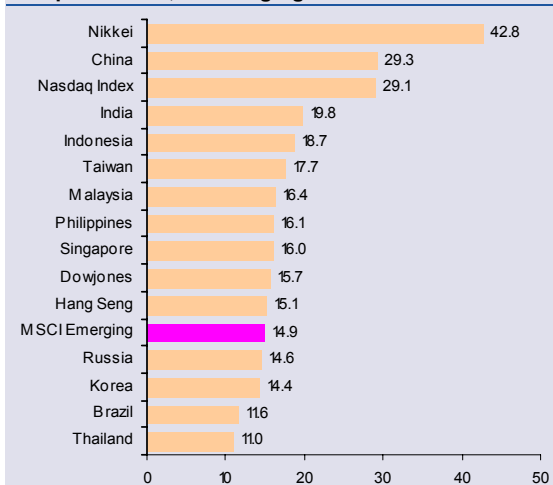


Latest daily return	Yesterday	Chg, %	YTD, %
BSE Sensex	13,472	0.65	43.3
NSE Nifty	3,871	0.98	36.5
Nifty Junior Index	6,836	0.62	23.4
Nasdaq	2,401	-0.61	8.9
DJIA	12,343	-0.63	15.2
Nikkei	17,074	-0.11	6.0

YTD returns: Emerging Markets



Prospective P/E, x: Emerging Markets



Note: Dow Jones, Nasdaq, Nikkei from developed markets included

Commodities	Latest	% Chg	% Chg 1m
Crude (\$/barrel)	62.7	0.45	5.82
Gold (\$/troy oz)	619.1	0.15	-1.57
Copper (cents/lb)	283.0	-1.07	-8.89
Aluminium (\$/Ton)	2,799.0	1.12	2.98
Rubber (JPY/kg)	228.4	3.68	33.57

Currencies	Closing	% Chg
Rs/US\$	44.53	0.11
US\$/EUR	1.31	-0.07

Today's Highlights: News, Impact, Analysis

- **Iron Ore price contracted 9.5% higher by China's Baosteel**
- **November 2006 - World Steel Production**
- **BHEL – Looking for nuclear power tie-up**

Other News

- **BHEL:** in talks with GE & Siemens & may invest Rs 5bn to expand its nuclear production capabilities.
- **HCL Info:** to invest Rs 700mn to expand production capacity.
- **ITC:** ties up with Japan's Marubeni for food business.
- **Hind Zinc:** cuts px by 2.4% (Rs 5500/tn), 3rd time in 8 days.
- Punjab Tractor : Actis Capital plans to sell its 29% stake.
- **Lloyd Electric:** 22% FII caution limit reached. Further purchase fm normal mkt with RBI approval only
- **ONGC:** sub OVL wins an oil exploration block in Libya.
- **Saregama:** After its tie up with Nokia, now in talks with Motorola & Sony Ericsson to mkt its music tracks.
- **Infosys:** in talks with 10 intl banks for its banking product Finacle, export revenues fm which are 69% of total revenues.
- **IOC/Oil India:** have jointly picked up stakes in oil blocks in Nigeria & Gabon.

MAN: BSE Sensex valuations

Index	Index	MCap	-----EPS (INR)-----			-----P/E (x)-----		
	Value	(USDb)	FY06	FY07E	FY08E	FY06	FY07E	FY08E
BSE-30 Index#	13,472	386	568	708	821	23.7	19.0	16.4
growth (%)	--	--	--	24.6	16.0	--	--	--
BSE-30 (ex Financials)#	--	339	554	700	810	24.3	19.3	16.6
growth (%)	--	--	--	26.4	15.8	--	--	--
BSE-30 (ex Financial, Oil&Gas)#	--	297	476	620	734	28.3	21.7	18.4
growth (%)	--	--	--	30.2	18.3	--	--	--

not adjusted for free float

Net Institutional Investment (YTD) and Sensex Returns

	Absolute Change	YTD	Corresponding period CY2005
FII, USD mn	(2,013)	8,365	10,378
Mutual Fund, USD mn	183	3,064	2,881
Sensex return, %		43.3	37.6%

Indian ADR

	Price, USD	1D Change, %	Volume	Premium Discount, %
Infosys	53	-1.10	548,958	8.55
Dr Reddy	18	1.19	902,200	-1.27
MTNL	6	4.28	150,800	-2.48
Wipro	15	-0.84	211,400	18.67
HDFC Bank	71	-0.55	112,400	4.81
ICICI Bank	39	0.54	1,038,500	1.42
Satyam	22	-0.76	494,900	7.57
VSNL	18	0.28	62,200	-0.48

Source: Bloomberg, Man Financial Research

India: Cash equities and derivatives — last 10 days flows and volumes

	90d mov										
	median	11-Dec	12-Dec	13-Dec	14-Dec	15-Dec	18-Dec	19-Dec	20-Dec	21-Dec	
Net Inflows (US\$ mn)											
FII Cash equities	54	93	21	-21	33	-1	-40	-148	-80	58	NA
MF Cash equities	2	-147	-123	-52	-16	34	10	2	103	53	NA
FII Futures & Option	-10	-80	32	11	20	21	14	-51	29	-12	26
Total (cash+F&O)	46	-133	-70	-62	37	53	-16	-197	52	99	NA
Cash Equities Volumes (US\$ mn)											
FII Cash equities	767	995	1,356	1,264	1,092	927	1,056	860	928	689	NA
MF Cash Equities	220	345	450	384	286	310	214	295	378	267	NA
Others Cash Equities*	1,429	1,841	1,766	1,491	1,422	1,663	1,430	1,816	1,934	1,819	NA
Total Cash equities	2,415	3,181	3,572	3,139	2,799	2,899	2,700	2,971	3,240	2,775	2,643
FII vol as % of total vol	31.7	31.3	38.0	40.3	39.0	32.0	39.1	28.9	28.6	24.8	NA
MF vol as % of total vol	9.1	10.9	12.6	12.2	10.2	10.7	7.9	9.9	11.7	9.6	NA
Others vol as % of total vol*	59.2	57.9	49.4	47.5	50.8	57.4	53.0	61.1	59.7	65.5	NA
Cash equities % of India Mcap	0.35	0.41	0.47	0.41	0.35	0.37	0.34	0.38	0.41	0.35	NA
Derivatives Volumes (USDm)											
Total F&O	5,855	9,297	10,122	7,990	6,572	6,506	7,763	9,837	10,304	7,777	6,970
F&O % of India Mcap	0.82	1.20	1.34	1.04	0.83	0.82	0.99	1.26	1.32	0.99	0.88
F&O vol times cash equity vol	2.4	2.9	2.8	2.5	2.3	2.2	2.9	3.3	3.2	2.8	2.6
FII Open Interest	5,584	7,139	6,893	7,082	7,232	7,333	7,365	7,387	7,481	7,661	7,983
Total Open Interest	9,344	11,475	10,586	10,749	11,156	11,718	11,804	11,757	11,793	12,165	12,512
Total OI % of India Mcap	1.32	1.48	1.40	1.39	1.41	1.48	1.50	1.51	1.51	1.55	1.59

*Others include Retail segment and institutions other than FIIs and Domestic MFs

Source: SEBI, BSE, NSE and MAN Financial Research

News: Iron Ore price contracted 9.5% higher by China's Baosteel

Analysis

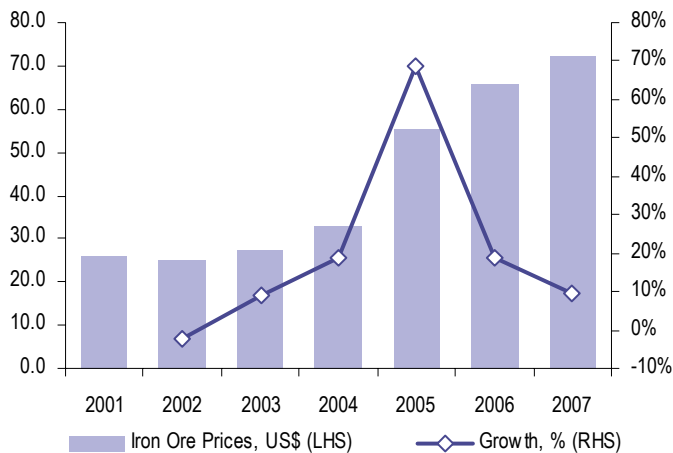
In a move which would have far reaching consequences, Baosteel, which is China's largest steel manufacturer and which representing the Chinese steel industry, has negotiated a 9.5% increase in iron ore prices for FY2007-08 from its main suppliers i.e. CVRD, BHP Billiton and Rio Tinto. This is the first time that Chinese mills have set the benchmark prices, which are usually set by the Japanese mills. The prices, which have been negotiated, would form the benchmark for iron ore prices the world over.

The new reference prices, on a dry metric ton (dmt) basis, are US\$ 0.7320 per fe unit for the Carajas (SFCJ) and US\$ 0.7211 per fe unit for the Southern System Fines (SSF).

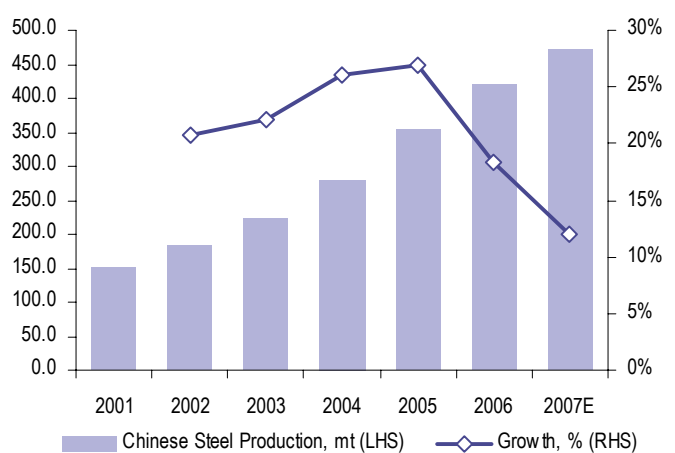
Sesa Goa, which is India's largest private sector iron ore producer, would be direct beneficiary of the increase in Iron Ore prices. Sesa Goa sells almost 90 percent of its produce on long-term contracts and prices its iron ore at the benchmark rates.

We believe that the increase in the iron prices would also indirectly benefit integrated domestic steel producers such as Steel Authority of India and Tata Steel since they have 100% captive sources and increase in iron ore prices would increase their cost competitive advantage vis-a-vis their non-integrated Chinese counterparts. **We have BUY rating on Steel Authority of India and Market Performer rating on Tata Steel.**

International benchmark Iron ore price and growth



Chinese steel production and growth



Source: Company, IISI, Man Financial Research Estimates

News: November 2006 - World Steel Production

Analysis

According to the International Iron & Steel Institute, world steel production for the month of November was higher by 10.3% higher compared to last year. Chinese steel production continued to grow at a scorching pace, rising by 24% to 38mn tons. Indian Steel production at 3.8mn tons was higher by 10.1%. Total world crude steel production for the first eleven months stands at 1111mn tons, which is the highest ever.

Analyst: Rahul Jain

Metals

Tel: 9122 6667 9758 (rahul.jain@manfinancial.in)

Analysis

According to reports, power equipment major Bharat Heavy Electricals Ltd (BHEL) is in talks with global nuclear players, including Alstom, GE Energy and Siemens, for possible tie-ups to enhance its nuclear capabilities. BHEL is already supplying nuclear equipments to NPCIL. This tie-up will help BHEL to manufacture higher capacity nuclear power equipments in the range of 700mw-1000mw. BHEL has already begun an enhancement of some of its existing manufacturing facilities in Haridwar and Bhopal for gearing up to participate in the process of developing nuclear projects.

After the Indo-US nuclear treaty, the capacity addition in nuclear power is estimated to be 20000-40000 mw (according to NPCIL) over next decade as compared to minuscule capacity of ~3000 mw as of now. This is a positive move from BHEL.

The stock is trading at a PER of 19x FY08E and EV/EBITDA of 10.7x FY08E. We are neutral on BHEL with a price target of Rs 2582.

*Analyst: Abhijeet Dakshikar / Shridatta Bhandwaladar (Research Associate)
Engineering & Power
Tel: 9122 6667 9963 (abhijeet.dakshikar@manfinancial.in)*

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2ND floor, 'C' Block, Modern Centre, Mahalaxmi, Mumbai-400 011, India. Tel: 91 22 2300 2999