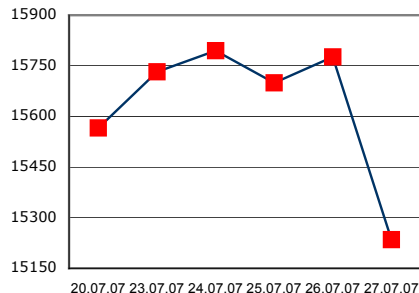
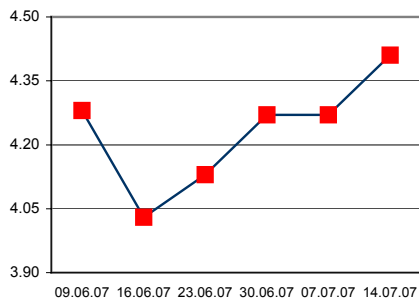
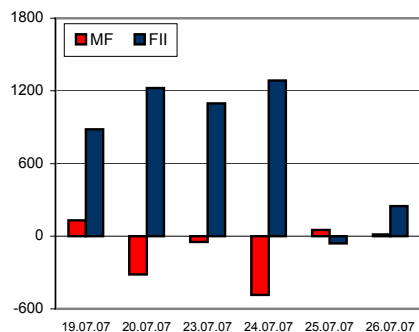
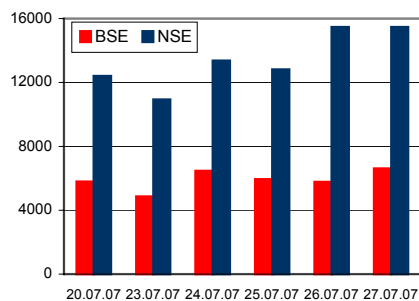


SENSEX

INFLATION (%)

MF/FII-Net Equity Flow (Rs Cr)

BSE/NSE Cash Turnover (Rs Cr)

US SNEEZES, GLOBE SHIVERS...

Sub-prime lending woes resurfaced in the US markets and left all the major world markets reeling and gasping for breath. Foreign Institutional Investors continued their buying spree unabated till thursday supported by better than expected quarterly results. Excessive bullish fever on dalal street got corrected in a single day, Friday. Heavy Open Interest build-up into the new derivatives series made matters look worse. ITC was the lone gainer while Metal, Banking, and Realty indices bore the brunt of selling.

Economy News

WPI-based annual rate of inflation for the week ended July 14 escalated to 4.41% against expectations of 4.36% and against 4.27% a week back. This came largely as a result of an upsurge in the prices of certain food articles – particularly, fruits and vegetables – coupled with those of wheat and raw cotton.

Corporate News

Ranbaxy Labs has reached an agreement with GlaxoSmithKline to stipulate a dismissal of their US litigation with regard to Valtrex. Under the agreement, Ranbaxy will launch its generic copies of Valtrex in the US in late 2009 and will have 180-days exclusivity to sell its product.

NTPC has signed an MoU with Asian Development Bank for setting up a JV to undertake renewable power generation.

Punj Lloyd's 49% owned JV company, Dayim Punj Lloyd Construction Contracting Co Ltd, has won US\$ 79 mn contract from Saudi Kayan Petrochemical Company.

ONGC and **GAIL** have signed an MoU to form a JV which will transport, process and market gas from the Krishna Godavari and Mahanadi fields of ONGC.

MARKET INDICATORS

Indices	27.07.07	20.07.07	Change (Pts)	% Change
NIFTY	4445.20	4566.05	-120.85	-2.65
SENSEX	15234.57	15565.55	-330.98	-2.13
BSEMIDCAP	6598.32	6836.07	-237.75	-3.48
BSEMLCAP	7926.45	8188.12	-261.67	-3.20
BSE-100	7838.92	8056.02	-217.10	-2.69
BSE-200	1855.91	1908.83	-52.92	-2.77
BSE-500	5942.36	6115.75	-173.39	-2.84

SECTORAL INDICES

Indices	27.07.07	20.07.07	Change (Pts)	% Change
BSE FMCG	1927.86	1829.19	98.67	5.39
BSE IT	4876.34	4921.06	-44.72	-0.91
BSE OIL&GAS	8015.75	8111.54	-95.79	-1.18
BSE PSU	6983.57	7104.79	-121.22	-1.71
BSE CAPITAL GOODS	12748.77	13070.08	-321.31	-2.46
BSE TECK	3785.11	3884.46	-99.35	-2.56
BSE CONS. DURABLES	4090.67	4209.81	-119.14	-2.83
BSE AUTO	4943.50	5125.21	-181.71	-3.55
BSE HEALTH CARE	3691.36	3830.19	-138.83	-3.62
BSE REALTY	7823.91	8183.02	-359.11	-4.39
BSE BANKEX	7920.19	8394.76	-474.57	-5.65
BSE METAL	11501.52	12211.1	-709.58	-5.81

WEEKLY SENSEX GAINERS & LOSERS

Top Gainers		
Company	Price	Gain %
ITC	171.80	11.31
REL	763.45	10.93
RANBAXY	374.90	6.34
NTPC	161.20	4.24
ONGC	904.10	1.94

Top Losers		
Company	Price	Loss %
ACC	999.90	-9.69
TATA STEEL	651.60	-8.90
TATA MOTORS	699.95	-8.75
AMBUJA CEM.	125.05	-7.98
REL. COMM.	537.35	-7.92

WEEKLY A GROUP GAINERS & LOSERS

Top Gainers		
Company	Price	Gain %
ALOK INDS.	67.60	19.43
ITC	171.80	11.31
REL	763.45	10.93
BILT	131.65	10.49
JINDAL STAIN.	166.15	9.45

Top Losers		
Company	Price	Loss %
INDIA CEM.	195.30	-13.18
SUZLON	1304.45	-13.15
RCF	47.05	-12.95
BIRLA CORP.	257.10	-12.76
PNB	500.85	-12.53

ADVANCE-DECLINE

SENSEX	
Positive	9
Negative	21
Unchanged	0
Total	30

A GROUP	
Positive	48
Negative	159
Unchanged	0
Total	207

WORLD INDICES

INDEX	27.07.07	20.07.07	Change (Pts)	% Change
NIFTY	4445.20	4566.05	-120.85	-2.65
SENSEX	15234.57	15565.55	-330.98	-2.13
DJIA	13265.47	13851.08	-585.61	-4.23
NASDAQ	2562.24	2687.60	-125.36	-4.66
FTSE	6215.20	6585.20	-370.00	-5.62
NIKKEI	17283.81	18157.93	-874.12	-4.81
BOVESPA	52922.23	57442.74	-4520.51	-7.87
SHANGHAI	4345.36	4058.85	286.51	7.06

MARKETS AT A GLANCE
Indian Markets

Indices	As on 27.07.07	As on 20.07.07	% Change
SENSEX	15234.57	15565.55	-2.13
NIFTY	4445.20	4566.05	-2.65

US Markets

Indices	As on 27.07.07	As on 20.07.07	% Change
DJIA	13265.47	13851.08	-4.23
NASDAQ	2562.24	2687.60	-4.66

BSE 200

Scripts	CMP (Rs)	Weekly % Chg
GAINERS		
ITC	171.80	11.31
REL	763.45	10.93
BILT	131.65	10.49
JINDAL STAIN.	166.15	9.45
CASTROL	274.40	8.37
LOSERS		
SHREE CEMENT	1218.55	-15.99
WWIL	57.50	-14.12
INDIA CEM.	195.30	-13.18
SUZLON ENERGY	1304.45	-13.15
ANSAL PROP.	264.55	-12.82

US Listings

Scripts	Close (\$)	Weekly % Chg
NYSE		
DR REDDY	15.96	-4.03
HDFC BANK	84.10	-8.29
ICICI BANK	44.16	-15.76
MTNL	7.23	-4.49
PATNI	23.05	-10.31
SATYAM	26.15	-7.66
TATA MOTOR	17.28	-7.45
VSNL	22.20	-4.35
WIPRO	14.82	-4.02
NASDAQ		
INFOSYS	50.51	-5.96

Institutional Activity (Rs Cr)

	For the week	For the month	For the year
Mutual Funds	-785.20	-1847.50	-1524.07
FIIs	3793.70	19407.70	43844.60

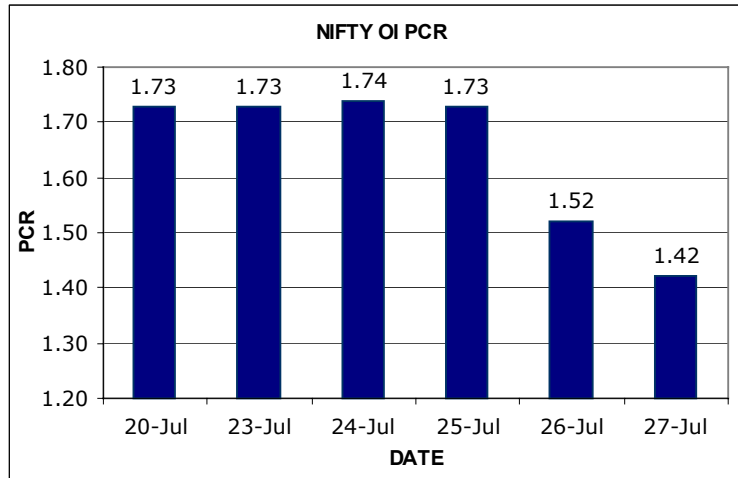
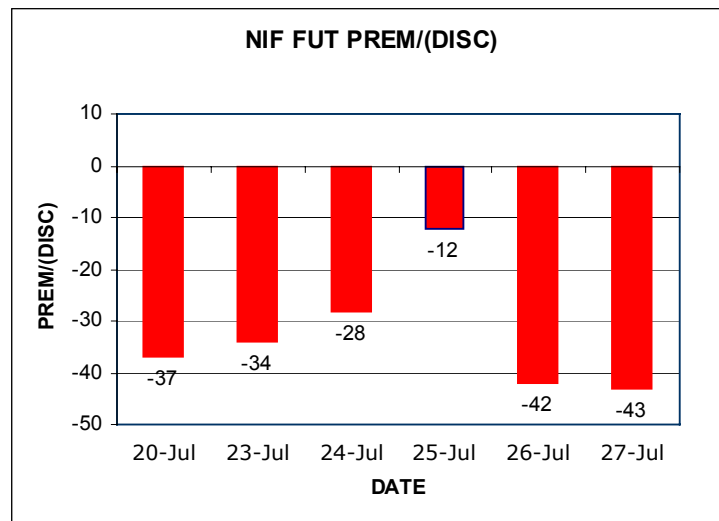
DERIVATIVES WATCH

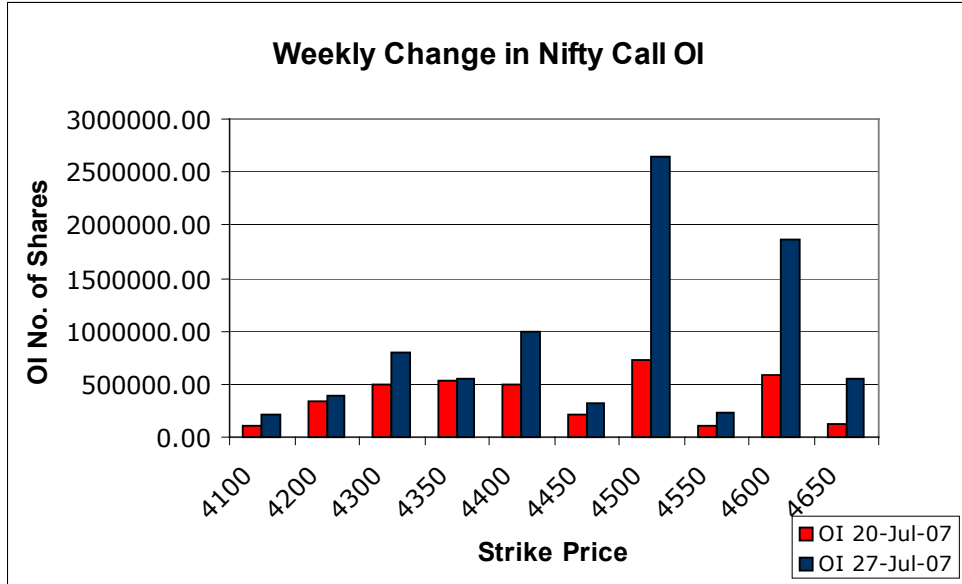
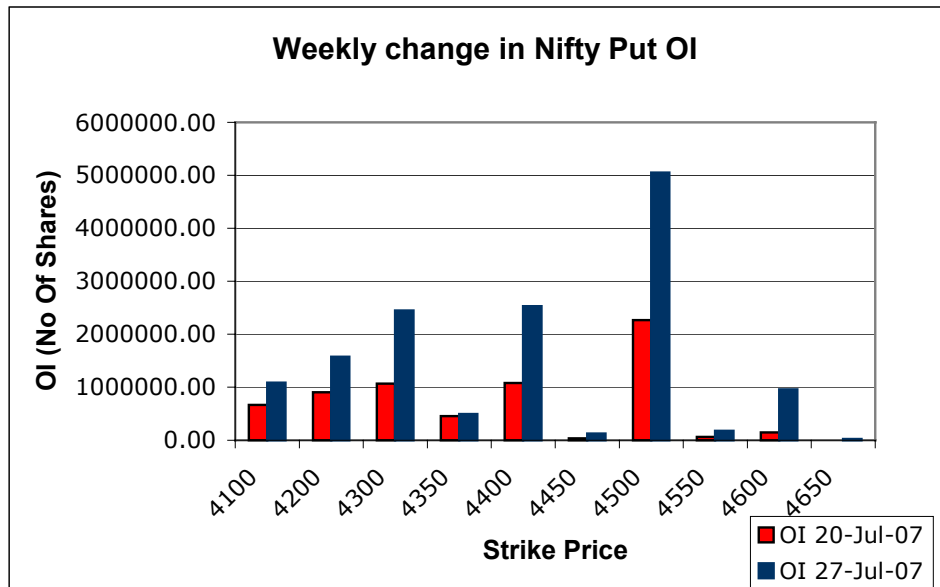
OPEN INTEREST AT AN ALL-TIME HIGH AT THE BEGINNING OF A NEW SERIES

Overall Open Interest declined by 21% from Rs 91,277 Cr to Rs 72,223 Cr week on week, following the July expiry. In terms of number of shares, Open Interest went down by 19% to 193.4 Cr shares from 157.2 Cr shares on weekly basis. We have entered into the August series with an all-time high Open Interest of Rs 68,875 Cr, which is almost 20% higher than the OI of Rs 56,300 Cr with which we began July series. If one breaks up the OI, we have started August series with Stock Futures OI of Rs 39,407 Cr against the OI of Rs 32,850 Cr at the start of July series, indicating that the market is heavier than how it was last month. On the first day of August series, we have added OI of almost Rs 3,347 Cr, with a fall in the index by almost 4%, indicating that short positions have been built across the board. Nifty Futures added a whopping 13% Open Interest on Friday while FIIs net sold worth Rs 4,985 Cr in Index Futures with OI going up by almost 70 lakh shares, thereby indicating accumulation of short positions by their side. Nifty August Futures discount increased to 43 points from 22 points, indicating hedging of positions by the market players at these higher levels. Nifty OI PCR fell to 1.42 level from 1.73 on weekly basis. This fall in PCR indicates Call writing, which in turn implies that smart players believe that there is a limited upside in the market going forward.

We have seen overall rollover of 83% as compared to 81% last month; in case of Nifty, 74% of the positions got rolled over to the next month as compared to 75% last month. Among the sectors, higher rollover is seen in Media, Oil & Gas, Power and Telecom sectors while Cement, Engineering and FMCG sectors witnessed lower rollover.

Nifty 4500 Call added 38,259 contracts in OI with decline in IVs, which indicates Call writing, so on the upside the market may find strong resistance in the 4,500-4,530 region. On the other hand, Nifty 4400 & 4300 Puts added 28,952 & 27,614 contracts in OI with decline in IVs, so on the downside the market may find strong support in the 4,300-4,350 region. FIIs selling in Cash as well as Index Futures, increase in Nifty Futures discount, fall in Nifty OI PCR and Call writing at Nifty 4500 level indicates one should be cautious going forward and to create fresh long positions, one should wait for the 4,500 level to be breached on the higher side, where we have seen Call writing.

TREND IN NIFTY OI PCR

TREND OF NIFTY FUTURE PREMIUM/(DISCOUNT)


Weekly Change in Nifty July Call Options Open Interest

Weekly Change in Nifty July Put Options Open Interest


TOP STOCKS OPEN INTEREST WISE

Underlying	Weekly chg (%)		Open Interest Value (Rs Cr)				PCR (OI)
	Price	OI Rs Cr	Future	Call	Put	Total	
NIFTY	-2.65	-23	18430	5631	8016	32077	1.42
RELIANCE	-1.30	1	2062	286	74	2422	0.26
SBIN	-5.40	-29	1452	37	10	1499	0.26
ICICIBANK	-7.25	-27	1348	44	4	1396	0.10
RCOM	-8.05	-17	1106	73	7	1186	0.10
INFOSYSTCH	1.09	-34	921	49	14	984	0.28

FII ACTIVITY FOR THE WEEK (FROM JULY 23 TO JULY 27)

	Contracts Bought		Contracts Sold		Open Interest	
	Nos.	Value (Rs Cr)	Nos.	Value (Rs Cr)	Nos.	Value (Rs Cr)
Index Future	856133	19593	1133917	25800	835398	18421
Index Option	163594	3667	58694	1319	406102	9026
Stock Future	647265	20349	762466	24415	855224	25408
Stock Option	593	19	771	23	3470	84

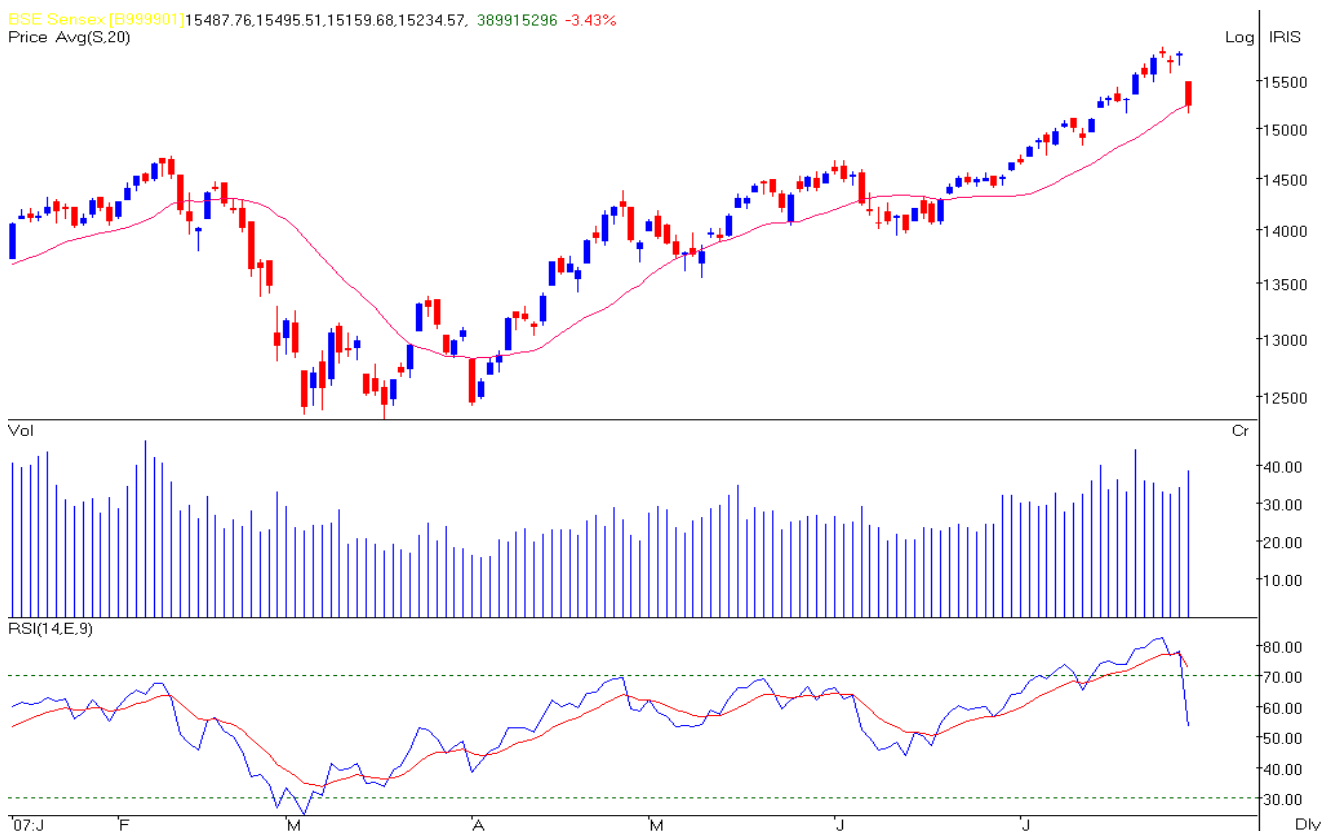
TECHNICAL TALK

Broad Market Trend

After gaining for 5 consecutive weeks, both the benchmark indices fell by over 2% in the week gone by. Historically, Friday's fall was the 4th largest for Nifty and the 5th largest for Sensex in absolute terms in a single session. The Sensex has closed below its 20 days moving average and one more close below that average would be the sign of reversal of short-term up-trend. As the short-term supports for the indices have already been breached, correction phase for the market is likely to continue for few more days and the market can face big volatile intra-day moves. It would be very difficult to trade in the heavyweight stocks as they have risen a lot from their bottoms and now seem to be in profit booking phase. The Sensex opened lower with a gap on last Friday, and that gap around 15,495 will act as a resistance going forward. The near support for the Sensex lies at 14,900 – the 50% retracement of the rise (June bottom to July top), and deep support lies around 14,550-14,575 levels. Supports for the Nifty lie at 4,390 and 4,325, while resistance for the same lies at 4,500.

Sensex Daily Chart

BSE Sensex [B999901] 15487.76, 15495.51, 15159.68, 15234.57, 389915296 -3.43%
Price Avg(S,20)



Review of Stocks Recommended Last Week

STOCK	RECOMMENDATION	PRICE 20.07.07	STOP LOSS	TARGET	REVIEW	RETURN (%)
MAHINDRA GESCO DEV.	ENTER AROUND 580	593.30	564	615, 638	BOTH TARGETS ACHIEVED	6.9
SUBEX AZURE	BUY	630.85	612	674, 713	STOP LOSS TRIGGERED	(3.0)

Return of Technical Picks since 12 May 2007

Success (%)	Avg. Return of Successful Calls (%)	Avg. Return of Unsuccessful Calls (%)	Overall Avg. Return (%)
41	8.3	(3.5)	1.4

Note: Whenever first target is achieved in any recommendation, you are encouraged to book 50% profit and the stop loss has to be raised to the original recommended price, unless specified otherwise.

Support-Resistance Levels for the Forthcoming Week (30th Jul to 3rd Aug)

Stock	Close	Pivot Avg.	Res. 1	Res. 2	Support 1	Support 2
A.C.C.	1000.30	1032.40	1109.90	1219.40	922.90	845.40
ABAN	2934.35	3008.70	3095.70	3257.00	2847.40	2760.50
ABB LTD.	1078.65	1101.50	1152.00	1225.30	1028.20	977.70
ADLABS FILM	496.10	512.70	533.40	570.70	475.40	454.70
ALLHABAD BNK	93.65	96.30	100.60	107.50	89.40	85.10
AMBUJACEM	125.15	127.60	135.10	145.00	117.70	110.20
ANDHRA BANK	84.05	87.50	92.00	100.00	79.60	75.10
ANSALINFRA	264.55	273.60	295.00	325.50	243.10	221.70
APIL	752.40	773.80	849.60	946.70	676.60	600.80
ARVIND MILLS	48.15	48.80	50.40	52.70	46.50	44.90
ASHOK LEYL	37.35	38.30	39.50	41.70	36.10	34.90
BAJAJ AUTO	2315.35	2353.80	2421.60	2527.80	2247.60	2179.80
BAJAJHIND.LT	156.55	156.60	162.30	168.00	150.90	145.30
BANK OF BARO	288.75	297.10	311.20	333.70	274.70	260.60
BANK OF IND.	253.55	257.30	263.50	273.50	247.30	241.10
BH.EARTH MOV	1242.65	1256.10	1309.60	1376.50	1189.20	1135.70
BHARAT ELEC.	1731.25	1782.00	1839.90	1948.60	1673.30	1615.40
BHARTI TELEV	892.50	913.20	938.30	984.20	867.30	842.20
BHEL	1660.75	1726.90	1828.80	1996.90	1558.80	1456.90
BOM DYEING	582.15	592.90	615.70	649.20	559.40	536.60
CANARA BANK	262.90	271.10	286.10	309.40	247.80	232.80
CENTURY TEXT	666.35	698.10	736.20	806.00	628.30	590.20
CIPLA	188.20	190.50	196.60	205.10	182.00	175.90
CROMPTON GR.	281.70	275.40	291.80	301.80	265.30	248.90
CUMMINS INDI	379.75	377.60	405.10	430.50	352.20	324.70
DABUR INDIA	100.75	102.00	104.50	108.30	98.20	95.70
DENA BANK	55.00	56.10	59.20	63.50	51.90	48.80
DLF	599.70	618.90	659.80	719.90	558.80	517.90
EDUCOMP	2319.10	2305.80	2491.30	2663.40	2133.70	1948.20
EKC	1058.75	1100.30	1168.40	1278.10	990.60	922.50
ESSAR OIL	52.10	53.10	54.50	56.80	50.80	49.40
GAIL	326.10	333.50	342.60	359.00	317.10	308.00
GESCO CORP	571.65	587.60	623.90	676.20	535.30	499.00
GMRINFRA	870.30	907.10	955.70	1041.10	821.70	773.00
GRASIM IND.	2861.60	2919.70	3001.90	3142.20	2779.40	2697.20
GTL	234.10	235.10	243.70	253.20	225.60	217.00
GUJ.ALKALI	136.55	139.50	143.00	149.50	133.10	129.60
GUJ.NARMADA	132.85	134.00	140.80	148.80	126.10	119.30
HCC	130.80	132.10	141.10	151.40	121.80	112.90
HDFC BANK	1169.35	1191.50	1232.90	1296.40	1128.00	1086.60

Stock	Close	Pivot Avg.	Res. 1	Res. 2	Support 1	Support 2
HDIL	579.80	0.00	0.00	0.00	0.00	0.00
HINDALCO	173.10	178.00	185.20	197.20	165.90	158.70
HINDUNILVR	195.90	199.50	204.40	212.90	191.00	186.10
HOUS DEV FIN	1907.60	1950.90	2006.70	2105.90	1851.70	1795.90
ICICI BANK	914.40	935.50	970.00	1025.70	879.90	845.40
IDBI	109.05	110.00	113.30	117.60	105.70	102.30
IDEA	125.25	127.40	133.30	141.30	119.40	113.60
IDFC	127.30	128.90	136.30	145.20	120.00	112.60
INDIA CEMENT	194.95	205.30	217.60	240.30	182.60	170.30
INDIANB	141.90	147.40	157.10	172.20	132.20	122.50
INDUS IND BK	50.55	52.00	54.90	59.30	47.60	44.70
INDUST.FIN.C	55.65	54.60	59.80	64.00	50.40	45.10
INFOSYS TECH	2007.85	1996.40	2061.50	2115.20	1942.70	1877.60
ITC	172.40	168.10	184.20	196.00	156.30	140.20
IVRCL INFRAS	357.35	376.00	400.90	444.50	332.40	307.50
JP ASSOCIAT	785.45	805.90	861.60	937.80	729.70	674.00
JPHYDRO	38.00	38.20	40.20	42.40	36.00	33.90
JSWSTEEL	722.00	719.60	774.10	826.20	667.50	613.00
KESORAM	466.65	484.60	520.10	573.60	431.10	395.60
KOTAK BANK	714.45	721.50	747.90	781.30	688.00	661.60
LITL	210.90	218.90	237.80	264.60	192.00	173.10
LT	2420.20	2517.40	2634.80	2849.40	2302.80	2185.40
MAH & MAH	780.05	794.40	817.70	855.40	756.70	733.30
MAHANGR TELE	150.75	154.40	158.70	166.60	146.40	142.10
MARUTI	830.25	831.90	855.70	881.20	806.40	782.50
MATRIX LABS	241.00	251.30	263.70	286.30	228.70	216.30
MCDOWELL	1246.90	1323.00	1420.90	1595.00	1148.90	1051.00
MOSER-BAER	312.05	310.30	328.50	344.90	293.90	275.70
MPHASIS	260.35	267.40	276.60	292.80	251.10	241.90
MRPL	43.40	44.90	46.70	50.00	41.60	39.80
NAGAR.CONST.	191.50	195.70	206.70	221.90	180.50	169.40
NDTV	379.75	382.30	401.50	423.30	360.50	341.30
NEVELI LIGN	75.65	79.30	83.50	91.30	71.50	67.30
NTPC	161.25	161.50	170.20	179.20	152.50	143.80
ONGC CORP.	903.80	917.60	945.20	986.60	876.20	848.60
ORIENT.BANK	233.35	239.50	248.80	264.30	224.00	214.70
PARSVNATH	359.50	368.40	383.10	406.70	344.80	330.10
PATEL ENG	433.15	447.80	474.30	515.50	406.60	380.10

Stock	Close	Pivot Avg.	Res. 1	Res. 2	Support 1	Support 2
PATNI	478.70	498.40	525.30	572.00	451.70	424.80
PENINLAND	454.90	481.30	510.60	566.30	425.60	396.30
PETRONET	62.90	64.40	66.70	70.60	60.50	58.20
PFC	173.40	179.50	190.70	208.00	162.20	151.00
PNB	499.55	528.30	562.20	624.80	465.70	431.80
POLARIS SOFT	122.25	124.50	132.80	143.40	113.90	105.60
PRAJ IND.LTD	219.10	218.40	235.70	252.40	201.70	184.40
PUNJLLOYD	265.30	269.30	280.40	295.50	254.20	243.10
RAJESH EXPOR	554.95	559.00	588.00	621.00	526.00	497.00
RANBAXY LAB.	374.70	367.80	396.30	417.90	346.20	317.60
RCOM	537.20	551.80	573.50	609.80	515.50	493.80
REL	762.65	754.10	826.10	889.60	690.60	618.60
REL.CAPITAL	1194.30	1226.40	1271.90	1349.40	1148.90	1103.40
RELIANCE	1867.50	1890.30	1925.70	1983.80	1832.20	1796.80
RENUKA	628.70	624.60	653.00	677.30	600.30	571.90
ROLTA	485.15	490.10	520.00	554.90	455.30	425.40
RPL	110.25	112.20	115.10	120.00	107.30	104.40
SATYAM COMP	472.50	487.40	508.20	543.90	451.70	430.80
SIEMENS	1289.25	1312.10	1357.10	1425.00	1244.20	1199.20
SOBHA	890.60	911.30	942.70	994.70	859.30	827.90
SRF LTD.	142.40	146.90	154.70	167.00	134.60	126.90
STATE BANK	1498.75	1525.60	1581.10	1663.50	1443.20	1387.70
STEEL AUTHOR	148.20	152.40	158.20	168.30	142.40	136.60
STER	627.30	637.50	669.80	712.20	595.00	562.70
STER OPTICAL	209.90	217.60	226.20	242.50	201.30	192.70
SUNTV	433.45	435.50	457.90	482.40	411.00	388.60
SUZLON	1307.75	1368.90	1507.70	1707.70	1168.90	1030.10
SYNDICATE BK	81.15	83.40	86.80	92.50	77.80	74.40
TATA POWER	702.45	691.30	726.60	750.70	667.20	632.00
TATA MOTORS	699.15	724.70	754.40	809.70	669.40	639.70
TATASTEEL	651.60	676.70	707.30	763.00	621.00	590.50
TCS	1153.00	1163.00	1200.00	1247.00	1116.00	1079.00
TITAN IND.	1128.55	1182.70	1249.20	1369.90	1062.10	995.60
TTML	28.05	28.70	29.70	31.30	27.10	26.20
UNION BANK	158.15	158.00	168.50	178.80	147.70	137.20
UNITECH LTD	559.10	569.00	588.10	617.00	540.10	521.00
UTI BANK	614.35	619.80	643.60	672.80	590.60	566.90
VIDESH SANCH	454.90	463.60	480.20	505.50	438.30	421.70
VOLTAS	136.30	141.30	148.90	161.50	128.70	121.10
WIPRO	492.70	504.90	519.80	546.90	477.80	462.90
ZEEL	330.50	332.50	359.90	389.30	303.10	275.60

FUNDAMENTAL CHECK**Stocks Covered This Week**

Company	Price (Rs) 27.07.07	Report Type	Recommendation
HINDUSTAN PETROLEUM CORPORATION LTD.	255	RESEARCH REPORT	ACCUMULATE

Review of Stocks Covered 3 Months Back

Company	Price (Rs) 27.07.07	Recommendation	Reco. Price (Rs) 28.04.07	Return (%)
SENSEX	15235		13909	10
MIC ELECTRONICS LTD.	381	SUBSCRIBE	129 ~ 150	154*

* Return evaluated on Issue Price

RESEARCH REPORT
Hindustan Petroleum Corporation Limited
CMP: Rs 255
"VALUE PLAY"
ACCUMULATE

BSE Code	500104
NSE Code	HINDPETRO

Key Data

Sensex	15234
52 week H/L (Rs.)	337/211
June H/L (Rs.)	299.70/260.00
Market Cap (Rs cr)	8648
Avg. daily volume (6m)	170326
Face Value	10

Source: Capitaline

Shareholding Pattern (%)

Promoters	51.00
Institution	26.00
Foreign holding	13.00
Non-promoter Corporate Holding	2.00
Public & Others	5.00

Source: Capitaline

One-Year Performance (Rel. to Sensex)


Source: Capitaline

 Analysis: Team Anagram
 equity@anagram.co.in

Background and Business

HPCL is a Fortune 500 company with an annual turnover of over Rs 89,041 Cr having 20% refining & marketing share in India and a strong marketing infrastructure. It is the second largest integrated oil refining and marketing company in India.

The company operates 2 major refineries producing variety of petroleum fuels and specialties, one in Mumbai and the other in Vishakapatnam. The main products of the company includes petrol, high speed diesel, superior kerosene oil, liquefied petroleum gas, aviation turbine fuel, naphtha, furnace oil, bitumen, low sulphur heavy stock, solvents, propylene and over 300 grades of lubes. HPCL holds an equity stake of 16.95% in Mangalore Refinery & Petrochemicals Limited, a state-of-the-art refinery at Mangalore with a capacity of 9 MMTPA.

The company also owns and operates the largest Lube Refinery in the country producing Lube Base Oils of international standards. With a capacity of 335,000 Metric Tones this Lube Refinery accounts for over 40% of the country's total Lube Base Oil production.

During 2005-2006, the companies Mumbai Refinery has undertaken mega project at an approved cost of Rs 1850 Cr to meet the MS/HSD of EURO-III grade in Metro/Mega cities and Bharat stage-II grade in the rest of the country.

HPCL NETWORK

Regional Offices	85
Terminals/Installations/TOPs	36
LPG Bottling plant	40
ASF's	10
Retail Outlets	7313
SKO/LDO Dealers	1648
LPG Distributors	2203
LPG Customers (in Crores)	2.28

Investment Positives

Reduction of Octroi on Petroleum Products

HPCL has proposed Maharashtra Government to reduce octroi duty on crude oil and sale of refinery products if not abolish. BPCL and HPCL together contribute Rs10bn per annum to the Brihanmumbai Municipal Corporation (BMC) through the octroi duty on sale of refinery products. Any reduction in the rates is to benefit the Oil Marketing Companies (OMCs)

Sharing of Under recoveries

Downstream companies are sharing lesser proportion of under recoveries compare to upstream companies. Due to the support of the government in 2007 oil marketing companies received 90% of the actual under recoveries as compared to 62% received in 2006. Government started compensating oil market companies by issuing oil bonds later in 2006 and the major impact on the earnings was witnessed in 2007. We believe that there will be no major change in the policy and Marketing companies will be compensated for the under recoveries going forward.

Rupee appreciation: Double Edged Sword

Appreciation of Indian rupee against dollar has compensated against rising in crude oil prices. Since March, Rupee has appreciated 9% against US Dollar. Re.1 appreciation results into saving of around Rs 500 Cr. for the company. HPCL also exports petroleum products but the share of total exports is less as compared to total revenue.

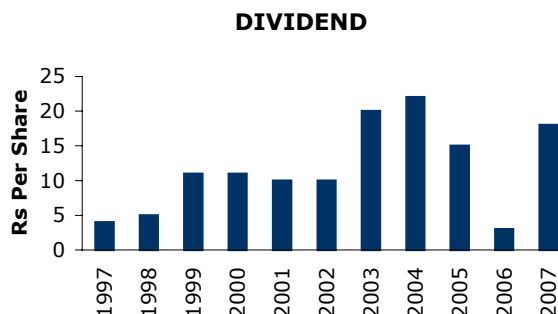
Government Initiatives to Compensate OMCs

Rising crude oil prices may force the government to take decision of hiking prices of petrol and diesel. Petroleum Minister, Mr. Murli Deora also indicated that the government could take other measures such as reducing excise duty and shifting from ad-valorem rates to fixed rates.

Public sector OMCs are losing close to Rs 180 Cr every day on sale of petrol, diesel, domestic cooking gas (LPG) and PDS kerosene at the subsidized rate.

High Dividend Yield

Last year company paid dividend of Rs.18 per share translating into dividend yield of 7.1%.

**Capex Plan For next two years:****Refining Business**

- Rs.1500 cr would be invested in FY08
- Rs.1100 cr would be invested in FY09

Marketing Business

- Rs.500 cr would be invested in FY08
- Rs.300 cr would be invested in FY09

The company plans to spend Rs 5500 Cr on projects this fiscal year.

The company is also planning to expand capacity of its Vizag refinery from 9 mmt to 15 mmt.

HPCL also tied up with GSPC and GAIL for Gas distribution and its initiatives into oil exploration will drive future growth

Latest update

- HPCL has signed Memorandum of Understanding (MOU) with ONGC covering Product Sale Purchase, Infrastructure Services and Co-operation in Energy & related fields. With signing of MOU, MRPL and ONGC, Tatipaka will accord priority to the Company in product supplies.
- A joint venture of HPCL and Mittal Energy Investments Pte. Ltd will set up a 9 MMTPA Greenfield Refinery at Bathinda in Punjab. HPCL and L.N.Mittal will hold 49% stake in Rs.18919 cr. Project while Indian financial institutions would hold two per cent. The project is expected to be completed by 2010-11.

Financial performance:

- For the quarter ended March 2007, HPCL reported 13% rise in net sales to Rs 20851.61 crore, but the special oil bonds received came down 57% to Rs 997.89 crore.
- Discount received by upstream companies for the March 2007 quarter fell 3% compared to last quarter to Rs.1143.77.
- For FY07 Net Sales rose by 25.6% to Rs.89041 cr. Net profit for the year increased 287.30% to Rs.1571 cr.
- Company's OPM for the year improved substantially by 160 basis points to 2.7%
- The Gross Refining Margins for the year ended March 31, 2007 were US \$4.78 per barrel (2005-06: US \$ 3.22 per barrel) for Mumbai Refinery & US \$3.51 per barrel (2005-06: US \$ 2.56 per barrel) for Visakh Refinery.
- Despite rise in short term borrowings, company has managed to keep its effective interest expenses at lower levels

Investment Concern:**Rising Crude oil Prices**

HPCL imports more than 80% of its raw material requirement. As crude oil prices are approaching all time high levels in International market, every rise of \$1 in crude oil prices would cost extra Rs.400 cr. to HPCL

Delay in Government Decision

Any delay in government decision to compensate OMCs could affect financial performance of the companies

Valuation & Recommendation:

HPCL a fortune 500 company, is the second largest Oil Marketing company in India. The stock is available at 1x its Book Value and have dividend yield of 7.1%. With the addition in refining capacity, appreciating rupee and support by the government in the form of issuance of Oil Bonds, we think that there is limited downside to the stock. We recommend investors to Accumulate the stock at current levels with long-term perspective.

FINANCIAL SNAPSHOT

Rs Cr	FY07	FY06	% Chg
Net Sales	89041.3	70906.0	25.6
Total Expenditure	86631.6	70104.3	
Operating Profit	2409.6	801.8	168.8
Depreciation	704.0	690.2	2.0
PBIT	1705.6	111.5	
Interest	423.0	175.9	
PBT	1282.6	-64.4	173.9
Other Income	684.5	349.5	95.9
PBT + OI	1967.2	285.1	
Tax	349.7	-141.6	
FBT	9.8	11.4	-13.5
Deferred Tax	36.5	9.7	276.3
RPAT	1571.2	405.6	287.3
Equity	339.0	338.9	
EPS (Rs)	46.4	12.0	
Margins (%)			
OPM	3.5	1.6	
NPM	1.8	0.6	

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RATING INTERPRETATION

Buy Expected to appreciate more than 20% over a 12-month period
Accumulate Expected to appreciate up to 20% over a 12-month period
Hold Expected to remain in a narrow range
Avoid Expected to depreciate up to 10% over a 12-month period
Exit Expected to depreciate more than 10% over a 12-month period

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