

## India

# India Weekly Kickstart

Portfolio Strategy Research

Union Budget helps markets shrug off oil and domestic macro worries to end the week 4.4% higher w/w

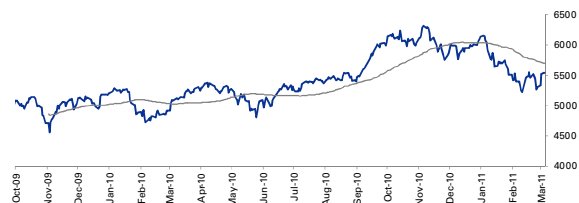
- **Indian equity markets posted their highest weekly gain since the peak of November 2010.**
- **Consumers (CNXFMCG Index: +6.8%) and Banks (CNXBANK Index: +5.1%) outperformed w/w.**
- **As of close of Tuesday March 1, FIIs had sold US\$2.1 bn while domestic MFs bought US\$0.5 bn ytd.**
- **Crude (+4.0%) & silver (+2.6%) extended their gains from last week, and copper rose 5% w/w.**

## Overview

Indian equity markets shrugged off rising oil prices and weak domestic macro data to recover handsomely from last week's sell-off. Investors seem to have welcomed the budget's move to increase foreign investment limits in corporate bonds and to allow foreign investors to invest in domestic mutual funds. Economic data released this week was weak and showed that 4QCY10 GDP grew 8.2% yoy (vs. 8.9% in 3Q). Exports rose 32.4% yoy in Jan (vs. 36.4% in Dec) while imports grew 13.1% yoy (vs. -11.1% in Dec)

## NIFTY price performance

NIFTY surged 4.4% w/w, down 9.7% ytd



## Foreign and Domestic Flows

As of close of Tuesday (March 1, 2011), foreign investors had sold US\$0.53 bn w/w, while domestic MFs bought US\$0.25 bn w/w.

## Earnings Sentiment and Relative Valuation

MSCI India Consumer Staples had the strongest EPS sentiment (8.8%) w/w. India's valuation premium relative to MXAPJ is currently 20%.

## Commodities

MCDX Spot Commodity Index climbed 1.6% w/w. Crude(+4%) & Silver(+2.6%) rose further and Copper gained 5% w/w

## Earnings Releases and Events

Industrial Production (Mar 11)

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## Goldman Sachs views at a glance

### Market Allocation

Weightings	Markets	Index targets (12-month)	
Overweight	Taiwan	TWSE	11,000
	Korea	KOSPI	2,500
	Singapore	FSSTI	3,800
Market weight	Japan	TPX	1,050
	Hong Kong	MXHK	14,000
	China	HSCEI	16,500
	Thailand	SET	1,140
	Philippines	PCOMP	4,600
	Malaysia	FBMKLCI	1,700
Underweight	Indonesia	JCI	4,000
	Australia	AS51	5,440
	India	NIFTY	6,300
<b>Regional target (MXAPJ)</b>			
	<b>3-month</b>	<b>6-month</b>	<b>12-month</b>
	500	520	580

### Recent Publications

**India: Econ: India Union Budget: a fiscal promise to keep and miles to go before it succeeds, Mar 01**

<https://portal.gs.com/gs/portal/?st=1&action=action.binary&d=10593383>

In the Union Budget for FY12, the government announced a reduction in the fiscal deficit to 4.6% of GDP from an estimated 5.1% in FY11, ahead of market expectations. The deficit reduction is based on revenue buoyancy and keeping expenditures essentially flat in nominal terms, which leads to a lower net market borrowing of Rs3.4 trillion, lower than market expectations. We think it will be difficult for the deficit targets to be met as expenditures have been under-budgeted and revenues have been over-budgeted. There are no new taxes or increases in tax rates. The expenditure targets are ambitious, especially on subsidies. On the reform front, the budget was more positive especially on opening up the capital account and on firm road maps for the implementation of the direct tax code and direct cash transfers of subsidies.

Source: GS Global ECS Research, Goldman Sachs Research estimates.

### Conviction List

Bloomberg Name	GICS Sector	Target price (INR)	Last Price (INR)	Up / downside (%)	2011E CROCI (%)	
<b>Conviction Buy</b>						
LANCI IB	Lanco Infratech	Industrials	54	38	42.1	11
IIB IB	IndusInd Bank	Financials	320	233	37.6	NA
BHARTI IB	Bharti Airtel	Telecom.	430	331	30.0	15
RIL IB	Reliance Ind	Energy	1,250	978	27.8	12
SOBHA IB	Sobha Devers	Financials	331	278	19.1	9
BOS IB	Bosch (IN)	Cons. Disc.	7,414	6,141	20.7	29
TATA IB	Tata Steel	Materials	761	623	22.1	10

Bloomberg Name	GICS Sector	Target price (INR)	Last Price (INR)	Up / downside (%)	2011E CROCI (%)	
<b>Conviction Sell</b>						
ACC IB	ACC	Materials	757	989	-23.5	16
CIPLA IB	Cipla	Health Care	253	306	-17.3	17
RPWR IB	Reliance Power	Utilities	91	114	-19.8	3

Pricing, GS ratings, and 12-month target prices are as of the close of March 3, 2011. Stock ratings: B-Buy; S-Sell; N-Neutral; NC=Not Covered; List memberships: B\*=On Conviction Buy List; S\*=On Conviction Sell List. Note: For important disclosures, please go to <http://www.gs.com/research/hedge.html>.

Source: FactSet, Goldman Sachs Research estimates, GS Global ECS Research.

### India Economic Forecasts

(yoy, %)	FY11	FY12E	FY13E
Real GDP	8.5	8.7	8.3
Nominal GDP	24.5	13.6	13.8
Domestic Demand	9.7	9.6	9.4
Consumers' Expenditure	7.9	7.3	7.0
Exports	10.0	12.0	12.3
Imports	11.0	14.5	14.2
Wholesale Prices	9.0	6.7	5.4
Industrial Production	7.4	8.6	8.4
Broad Money	16.1	17.0	17.0
(% of GDP)			
Fiscal Balance	-8.4	-7.8	-7.5
Trade Balance	-9.5	-10.1	-9.7
Current Account	-4.0	-4.3	-3.8
USD/INR	46.00	47.00	47.00
Gross Intl. Reserves incl Gold (USD bn)	280	289	298

Source: Goldman Sachs Research estimates.

# Snapshot: 3QFY11 earnings update

Bberg Ticker	Name	GS Rating	FY11E GS vs Cons.	3QFY10	2QFY11	3QFY11
RIL IS	Reliance Ind	B*	2.5%	12.3	15.1	15.7
INFO IS	Infosys Tech	B	1.9%	25.7	28.6	28.6
ICICIBC IS	ICICI Bank	B	(21.5%)	9.9	10.7	12.5
ITC IS	ITC (IN)	N	1.6%	1.5	1.6	1.8
LT IS	Larsen & Toubro	B	(6.0%)	11.6	11.5	13.8
HDFC IS	Housing Dev Finance	S	(17.6%)	4.7	5.5	6.1
HDFCB IS	HDFC Bank	N	(20.4%)	18.7	19.8	23.4
SBIN IS	State Bank of India	S	(33.0%)	39.1	39.4	44.5
TCS IS	Tata Consultancy Svcs	N	2.4%	7.9	9.2	10.5
TTMT IS	Tata Motors	N	(2.2%)	12.6	7.5	6.6
TATA IS	Tata Steel	B*	3.6%	13.4	23.0	16.8
BHARTI IS	Bharti Airtel	B*	(4.3%)	6.1	5.5	4.9
ONGC IS	Oil & Natural Gas	N	(6.2%)	3.6	6.3	8.3
AXSB IS	Axis Bank	N	(16.8%)	16.3	18.0	21.8
BHEL IS	Bharat Heavy Electricals	N	(4.3%)	21.9	23.3	28.7
MM IS	Mahindra & Mahindra	S	7.0%	7.6	13.3	12.6
HUVR IS	Hindustan Unilever	N	9.0%	3.0	2.6	2.9
HNDL IS	Hindalco Ind	N	(5.6%)	2.4	2.3	2.4
NATP IS	NTPC	N	0.4%	2.9	2.6	2.9
WPRO IS	Wipro	N	(0.9%)	5.1	4.8	5.0
GAIL IS	GAIL India	B	1.5%	6.8	7.3	7.6
DRRD IS	Dr Reddys Lab	N	0.5%	10.0	13.0	15.5
TPWR IS	Tata Power	B	9.7%	6.0	10.5	6.5
BJAUT IS	Bajaj Auto	B	7.4%	16.4	23.6	23.1
MSIL IS	Maruti Suzuki India	N	(0.2%)	23.8	20.7	19.6
SUNP IS	Sun Pharma Ind	S	4.3%	3.1	3.3	3.3
IDFC IS	Infrastructure Dev Finance	N	(10.3%)	1.9	2.1	2.1
CIPLA IS	Cipla	S*	2.0%	3.6	3.3	2.9
CAIR IS	Cairn India	B	(18.1%)	-0.2	-0.4	-0.4
KMB IS	Kotak Mahindra Bank	N	(61.1%)	2.1	2.7	2.6
PNB IS	Punjab National Bank	B	(10.4%)	32.1	34.1	34.6
HH IS	Hero Honda Motors	S	16.0%	26.8	25.3	21.5
PWGR IS	Power Grid Corp of India	S	(2.9%)	1.2	1.6	1.3
SIEM IS	Siemens India	NC	-	7.0	7.5	7.2
HCLT IS	HCL Tech	B	36.9%	3.8	2.9	4.2
ACEM IS	Ambuja Cements	N	8.6%	1.6	1.0	1.7
JPA IS	Jaiprakash Associates	B	7.5%	0.5	0.5	1.1
ACC IS	ACC	S*	18.4%	14.9	5.3	13.6
SAIL IS	Steel Authority of India	N	2.5%	4.1	2.6	2.7
RELI IS	Reliance Infrastructure	N	(22.7%)	12.3	7.0	6.8
DLFU IS	DLF	N	3.8%	1.3	0.7	1.2
BPCL IS	Bharat Petroleum	N	(14.4%)	10.5	59.3	5.2
RBXY IS	Ranbaxy Lab	N	22.6%	11.6	5.3	1.3
RPWR IS	Reliance Power	S*	16.0%	0.3	0.1	0.1
RCOM IS	Reliance Comm	N	9.4%	-0.2	-2.3	-1.8
RCAPT IS	Reliance Capital	NC	-	1.7	2.5	0.2

Shaded companies have GS FY11E estimates +/- 5% above/below cons. Estimates

As of Mar 03, 2011

Stock ratings: B-Buy; S-Sell; N-Neutral; NC=Not Covered; List memberships: B\*=On Conviction Buy List; S\*=On Conviction Sell List. Note: For important disclosures, please go to <http://www.gs.com/research/hedge.html>.

Source: NSE, BSE, IISL, Bloomberg, FactSet, S&P, MSCI, Goldman Sachs Global ECS Research.

Sector	Earnings Surprises			Aggregate Earnings			
	Reported / Total	Total # co's	(% of co's, total = 100%)			Actual vs. Est (%)	Growth (YoY %)
<b>Cons. Stap.</b>	41 / 40	41	50	5	45	7	(7)
<b>Health Care</b>	35 / 36	36	55	9	36	2	14
<b>Financials</b>	79 / 80	80	37	25	38	2	29
<b>Cons. Disc.</b>	81 / 81	82	50	13	38	(1)	8
<b>I.T</b>	36 / 36	36	24	14	62	(8)	11
<b>Energy</b>	18 / 18	18	40	7	53	(9)	44
<b>Utilities</b>	19 / 20	20	26	16	58	(20)	(5)
<b>Materials</b>	90 / 91	92	21	15	64	(25)	1
<b>Industrials</b>	87 / 87	87	25	13	62	(37)	3
<b>Telecom</b>	7 / 7	7	83	0	17	(57)	(47)
<b>CNX 500</b>	<b>493 / 496</b>	<b>500</b>	<b>35</b>	<b>15</b>	<b>50</b>	<b>(12)</b>	<b>14</b>
<b>Nifty</b>	<b>50 / 50</b>	<b>50</b>	<b>23</b>	<b>18</b>	<b>59</b>	<b>(14)</b>	<b>17</b>
<b>GS India Baskets</b>							
<b>GSSZINM2</b>	49 / 50	50	41	5	55	3	45
<b>GSISBANK</b>	5 / 5	5	60	20	20	0	24
<b>GSISFINA</b>	10 / 10	10	40	10	50	(3)	23
<b>GSISSOFT</b>	3 / 3	3	0	0	100	(5)	16
<b>GSISENER</b>	3 / 3	3	33	33	33	(5)	47
<b>GSISINDU</b>	4 / 4	4	0	33	67	(15)	48
<b>GSISCNSM</b>	54 / 54	55	55	5	40	(17)	1
<b>GSSZINIS</b>	17 / 17	17	15	15	69	(21)	5
<b>GSISPROP</b>	4 / 4	4	25	0	75	(24)	17
<b>GSISUTIL</b>	8 / 9	9	13	13	75	(25)	(8)
<b>GSISMATL</b>	4 / 4	4	0	25	75	(26)	26

As of Mar 03, 2011.

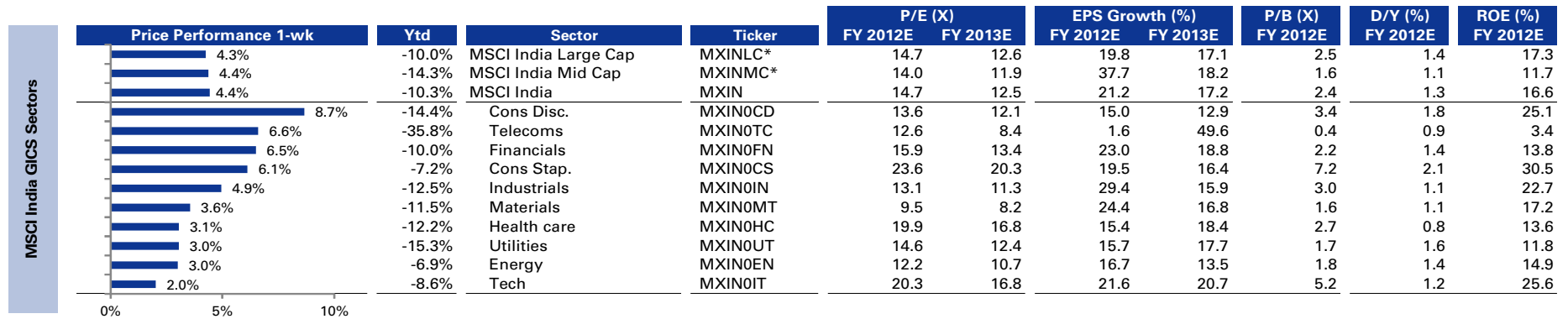
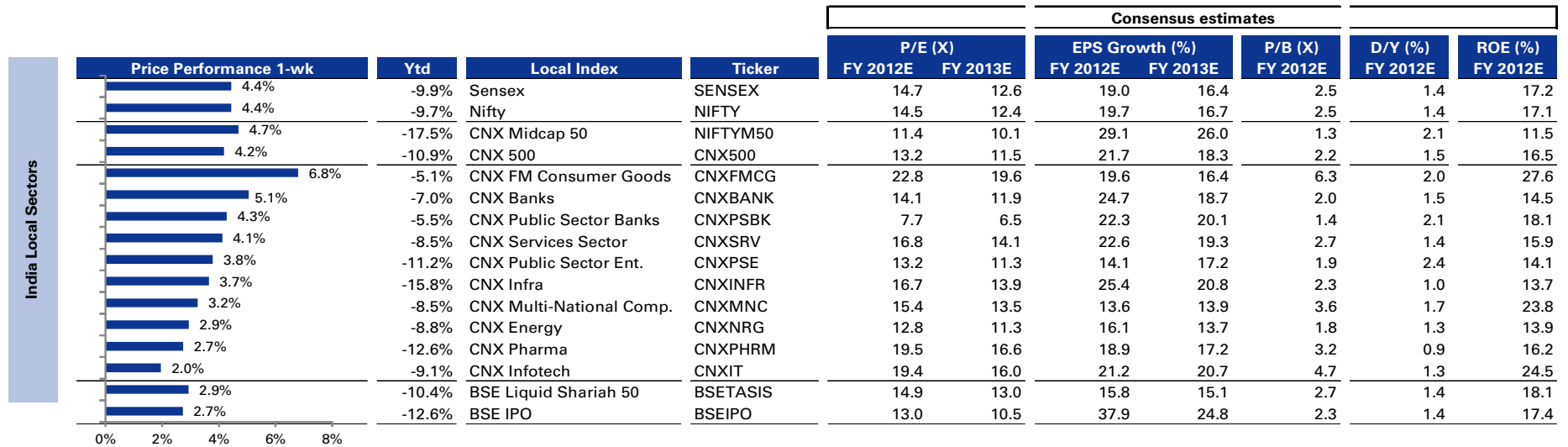
GS India baskets – Please note that those listed above are the ones, with quarterly results (2QFY11) for at least one constituent stock.

The ability to trade these baskets will depend upon market conditions, including liquidity and borrow constraints at the time of trade.

# Performance summary

**Exhibit 1: NIFTY & SENSEX erased last week's losses to end 4.4% higher w/w; All sectors ended in the green with consumers (CNXFMCG Index up 6.8%) and banks (CNXBANK Index up 5.1%) outperforming w/w**

Price performance of India sector indices, and India specific CATs



Ytd refers to the performance from December 31, 2010. Indices marked \* (if any) are priced as of March 03, 2011.

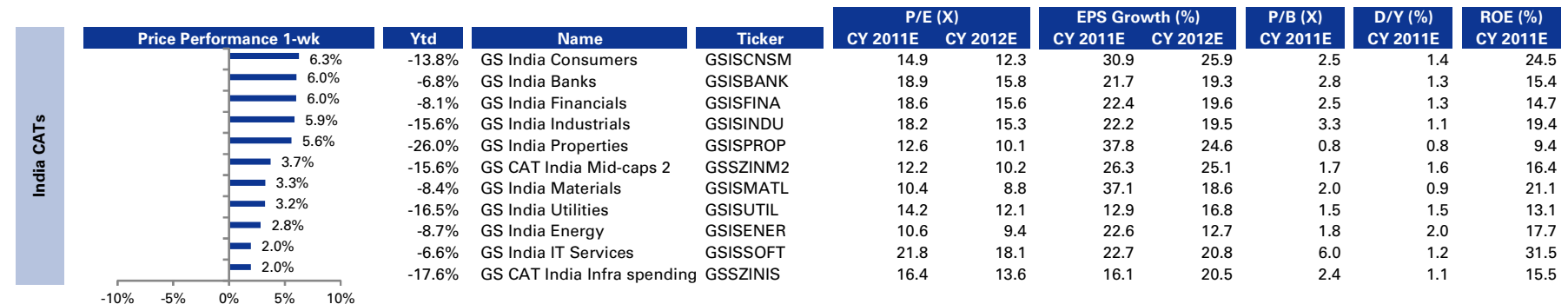
Source: FactSet, I/B/E/S, GS Global ECS Research estimates.

# India and the region

**Exhibit 2: Asian markets ended the week almost 3% up. India (+4.4%) and China (+4.7%) outperformed the region**

Market	Bloomberg ticker	Index close	Performance		Consensus estimates						GS bottom-up est.		
					P/E (X)		EPS growth (%)		P/B (X)	D/Y (%)	ROAE (%)	EPS growth (%)	
					YTD	WOW	CY2011E	CY2012E	CY2011E	CY2012E	CY2011E	CY2011E	CY2011E
<b>Local market indexes (local currency)</b>													
Asia*	SPA50	3,530	0.1%	2.9%	11.4	9.9	16.8	14.4	1.7	3.2	15.3	19.6	15.3
	MXAPEXA	878	1.4%	3.5%	11.8	10.2	14.5	15.1	1.8	3.0	15.3	16.0	16.8
Australia	AS51	4,864	2.5%	0.6%	12.8	11.3	16.0	13.1	1.8	4.4	15.0	28.3	20.5
Hong Kong/	HSI	23,409	1.6%	1.7%	12.4	10.7	19.0	16.2	1.7	3.3	13.9	15.7	17.2
China	HSCEI	12,850	1.2%	4.7%	10.7	9.1	19.5	17.7	1.8	3.2	17.9	25.4	20.2
	HSCCI	4,106	-1.5%	3.6%	13.1	11.1	12.3	18.0	1.6	2.3	12.5	5.7	18.5
	XIN0I	19,207	0.7%	4.1%	10.9	9.4	18.6	16.0	1.7	3.2	17.2	23.9	17.5
	SHSZ300	3,271	4.6%	2.3%	14.5	12.0	24.9	20.2	2.4	1.8	17.7	24.7	21.3
	XIN9I	9,676	5.2%	3.5%	11.5	9.7	22.2	18.1	1.9	2.4	17.9	22.4	20.5
India	NIFTY	5,539	-9.7%	4.4%	15.1	12.9	20.3	17.4	2.6	1.4	18.7	24.1	19.5
	SENSEX	18,486	-9.9%	4.4%	15.3	13.1	19.3	17.0	2.6	1.4	18.8	22.7	19.8
Indonesia	JCI	3,543	-4.3%	2.9%	13.8	11.6	27.2	17.9	3.0	2.7	23.7	27.1	17.9
	LQ45	633	-4.3%	4.1%	13.6	11.6	23.1	17.2	3.1	2.9	24.5	23.0	17.1
Japan	NKY	10,694	4.5%	1.6%	15.3	13.5	31.5	13.9	1.3	1.9	8.5	30.7	12.4
	TPX	956	6.3%	1.5%	14.0	12.4	28.1	13.3	1.1	2.1	8.0	20.7	12.2
Korea	KOSPI2	265	-2.1%	2.4%	9.9	8.4	17.1	17.7	1.3	1.5	11.5	21.1	14.3
	KOSPI	2,005	-2.3%	2.1%	9.9	8.3	17.9	17.8	1.3	1.5	11.7	20.4	14.9
	KOSDAQ	519	1.6%	1.9%	9.9	8.0	54.5	25.6	1.9	0.7	17.4	58.1	23.4
Philippines	PCOMP	3,883	-7.6%	3.9%	12.7	11.5	8.3	10.8	2.1	3.5	14.3	8.3	11.3
Singapore	FSSTI	3,061	-4.0%	1.2%	13.8	12.5	3.4	10.6	1.6	3.3	12.0	-15.3	10.0
Taiwan	TWSE	8,784	-2.1%	2.1%	12.8	11.3	14.6	13.5	1.8	4.3	14.3	14.3	15.8
Thailand	SET50	695	-3.4%	0.9%	11.9	10.3	6.7	15.8	1.9	3.7	16.8	9.9	13.7
	SET	996	-3.6%	1.0%	11.8	10.1	8.2	16.2	1.8	3.9	16.5	11.0	14.4
Comparison													
	MXIN	728	-10.3%	4.4%	15.3	13.0	21.4	18.1	2.5	1.3	18.2	19.2	18.1
	MXAPJ ex India	-	-	-	12.3	10.9	18.3	13.5	1.8	3.3	14.8	21.0	15.3

Note: \*SPA50 and MXAPEXA indices are quoted in USD. All others are quoted in local currency.



NM—valuations are not calculated because of negative FY0 EPS. Real-time pricings are available on Bloomberg GSSA 9 <GO> for Liquid Sectors and GSSA 5 <GO> for CATs.

Please refer to *Pan-Asia Alpha CAT scan publications* and <http://360.gs.com/gs/portal/?action=action.doc&d=7259720>, June 1, 2009 for details.

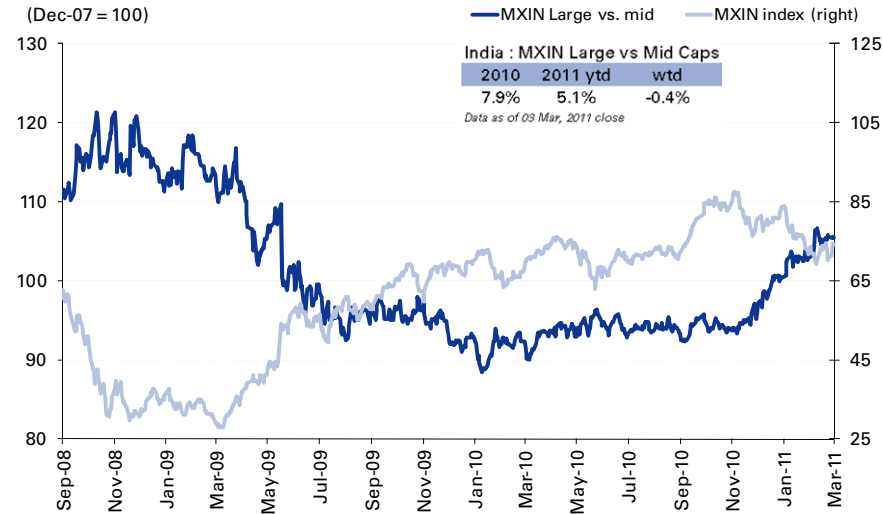
The ability to trade these baskets will depend upon market conditions, including liquidity and borrow constraints at the time of trade.

Source: FactSet, I/B/E/S, MSCI, FTSE, Local Exchange Index Compilers, GS Global ECS Research estimates.

# How Indian equity markets are trading: A peek at style and correlation

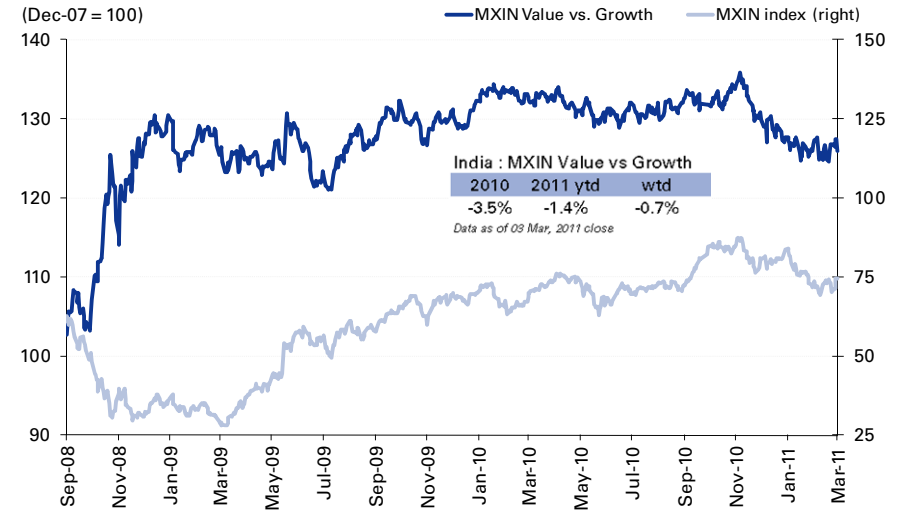
**Exhibit 3: Large-caps ended flat relative to mid-caps wov**

Relative performance of MSCI India Large vs. Mid cap



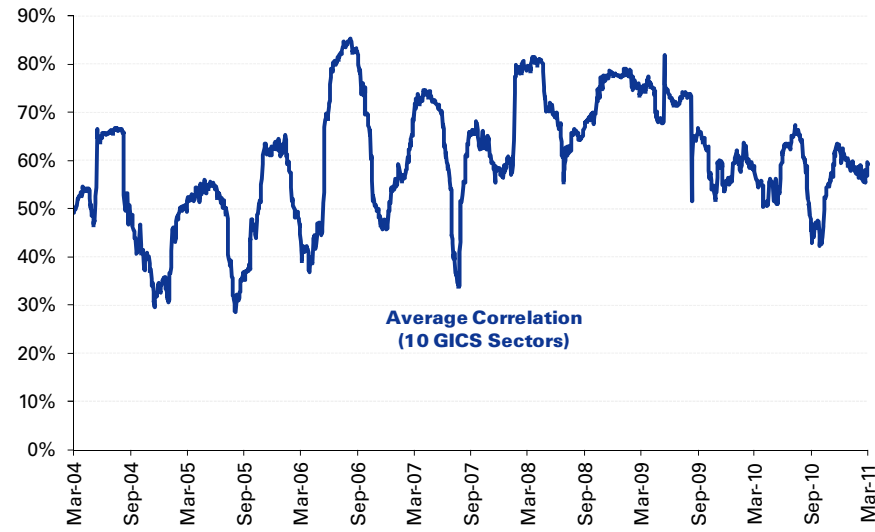
**Exhibit 4: Value stocks underperformed Growth stocks by 0.7% wov**

Relative performance of MSCI India Value vs. Growth



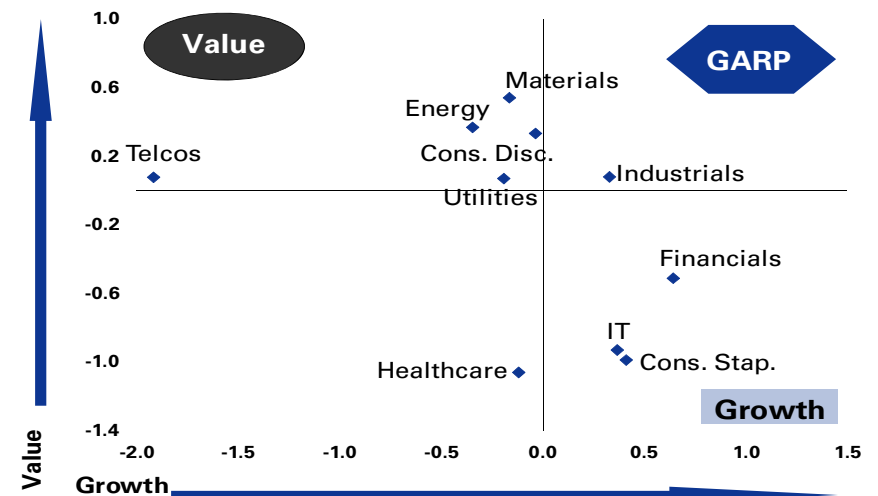
**Exhibit 5: Average sector correlation rose further wov**

Trailing 3-month correlation



**Exhibit 6: Growth, value, and GARP investing by MSCI India GICS sectors**

Based on CY 2011E valuations

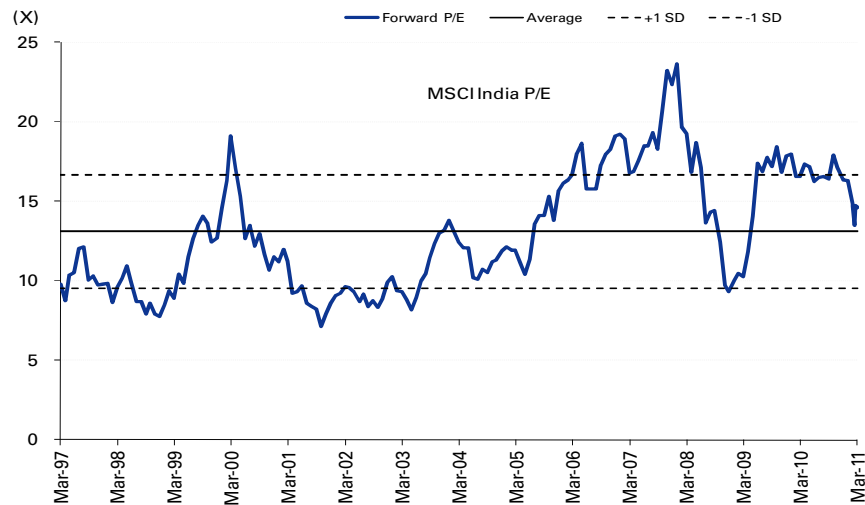


Source: NSE, FactSet, MSCI, GS Global ECS Research.

# Valuation: Index, sector, and comparables

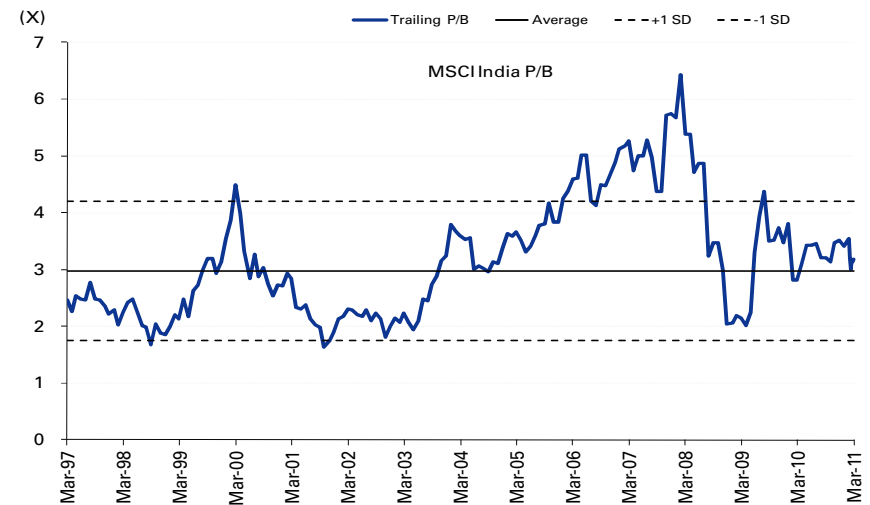
**Exhibit 7: India's 12m forward P/E is around its long-term mean**

Historical 12M forward P/E (INR)



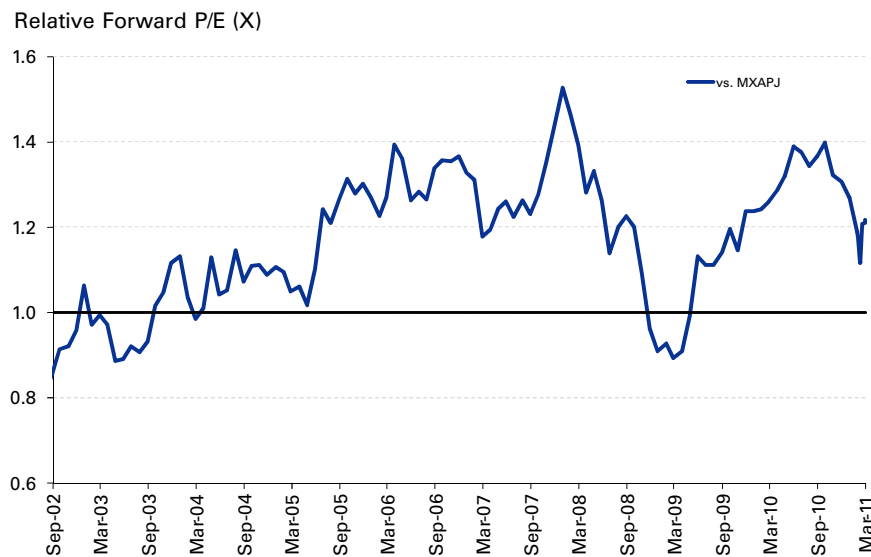
**Exhibit 8: In book terms, India is trading just above its historical average**

Historical 12M trailing P/B (INR)



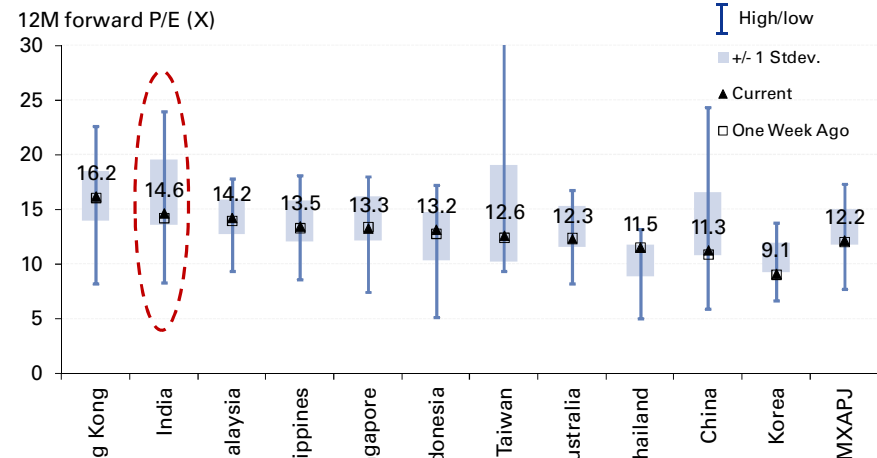
**Exhibit 9: India's valuation premium relative to MXAPJ crept up above 20%**

Relative P/E of MXIN vs. MXAPJ



**Exhibit 10: Hong Kong and India are currently the most highly priced markets in the region**

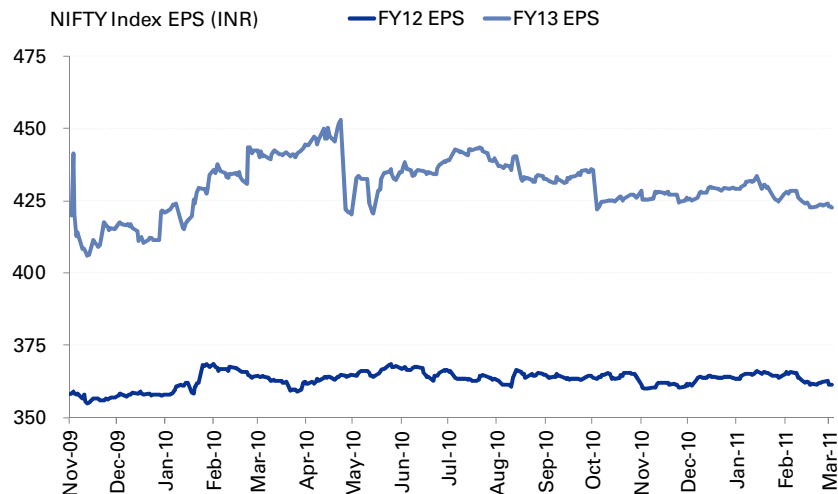
Forward P/E relative to one-year range for Asian markets



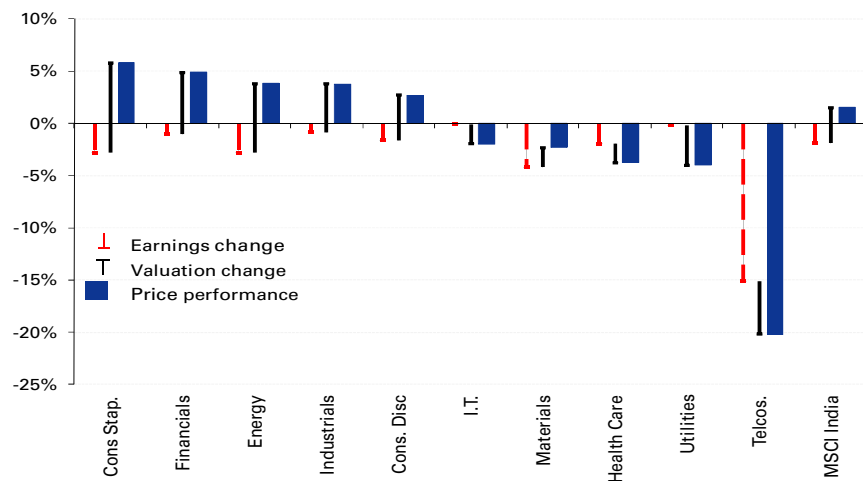
Source: FactSet, I/B/E/S, MSCI, GS Global ECS Research.

# Earnings revisions and momentum

**Exhibit 11: NIFTY's FY12E EPS and FY13E EPS ended flat w/w**  
FY EPS levels (INR) of NIFTY Index



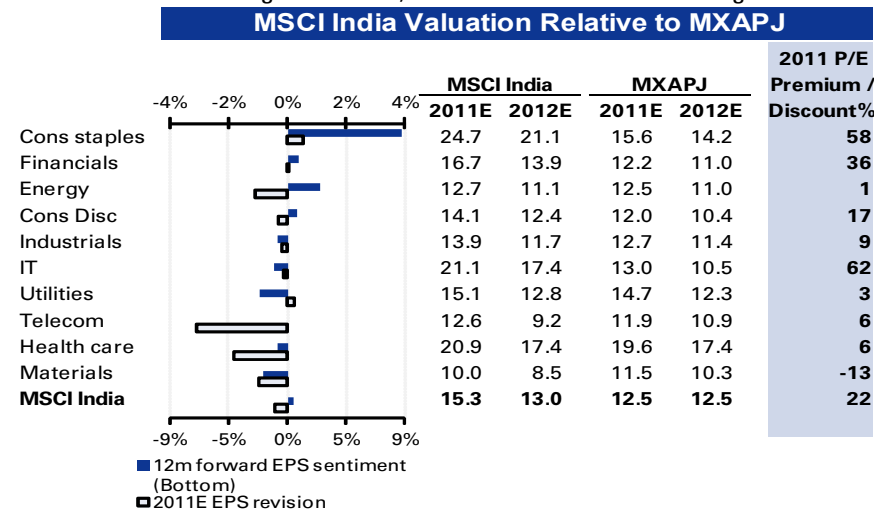
**Exhibit 13: Price performance, CY2011E earnings, and valuation changes of MSCI India Index (INR) over a 4-week horizon**



Source: Bloomberg, FactSet, I/B/E/S, MSCI, GS Global ECS Research estimates.

**Exhibit 12: MSCI India Consumer Staples had the strongest EPS sentiment (8.8%) w/w**

Sector CY 2011E earnings sentiment, revision & valuation vs. the region w/w



**Exhibit 14: Ranbaxy's 2011E EPS was revised down 18.1% w/w**

Consensus 2011E EPS revision of BSE200 stocks

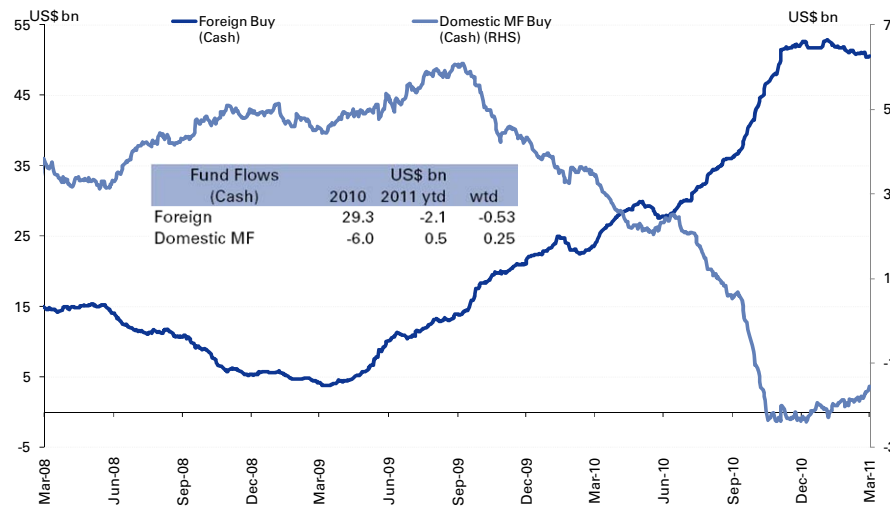
Ticker	Stock name	1-wk chg	Ticker	Stock name	1-wk chg
<b>Top</b>			<b>Bottom</b>		
CBK IS	Canara Bank	3.1%	RBXY IS	Ranbaxy Lab	-18.1%
ITC IS	ITC (IN)	1.0%	JPA IS	Jaiprakash Associates	-12.2%
ACC IS	ACC	0.6%	SESA IS	Sesa GOA	-5.9%
DLFU IS	DLF	0.5%	CIPLA IS	Cipla	-0.8%



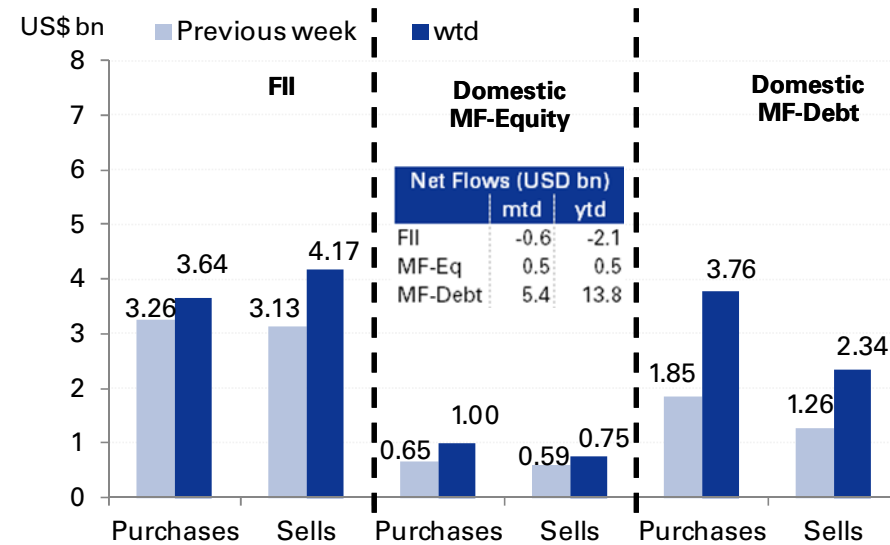
# Foreign and Domestic Flows

**Exhibit 15: Foreign investors sold US\$0.53 bn wow, while domestic MFs bought US\$0.25 bn wow**

Cumulative net foreign and domestic buying since Sept. 2007 as of Mar 01, 2011



**Exhibit 17: FIIs have sold US\$2.1 bn ytd; domestic MFs bought US\$0.5 bn ytd**  
Flows in equity and debt markets as of Mar 01, 2011



Source: Bloomberg, Datastream, GS Global ECS Research.

**Exhibit 16: ADRs/GDRs/IDRs (Premium/Discount)**  
ADRs/GDRs/IDRs (Premium/Discount averaged over 1 week)

ADR/GDR Ticker	Underlying Ticker	Name	ADR/GDR Price (USD)	Underlying Price (INR)	1W Avg Daily Prem/(Disc)	1Y Avg Prem/(Disc)
WIT UN	WPRO IS	Wipro Ltd	14	427	37.1%	47.5%
NTBC LN	NTB IS	Noida Toll Bridge Co	3	26	15.7%	1.5%
HDB UN	HDFCB IS	HDFC Bank	157	2,059	7.5%	12.9%
FTIS LI	FTECH IS	Financial Technologies India	3	789	6.9%	0.2%
MAHMV UV	MM IS	Mahindra & Mahindra	15.5	616	2.7%	0.7%
SBID LI	SBIN IS	State Bank of India	123	2,529	2.4%	0.4%
MTE UN	MTNL IS	Mahanagar Telephone Nigam	2	39	2.2%	1.2%
RIFS LI	RELI IS	Reliance Infrastructure	41	666	1.9%	0.6%
AXB LI	AXSB IS	Axis Bank	29	1,190	1.4%	0.4%
GAID LI	GAIL IS	GAIL India	62	438	1.3%	0.0%
MTCH LX	MTCH IS	Micro Technologies India	3	123	0.8%	0.1%
TTM UN	TTMT IS	Tata Motors	26	1,054.4	0.8%	5.1%
AVOC LX	AVOC IB	Avon Weighing Systems	3	5	0.7%	0.1%
GMON LX	GMON IS	Gammon India	3	115	0.6%	-0.3%
CPMG LX	CPM IS	JK Paper	1	46	0.4%	0.0%
INFV UW	INFO IS	Infosys Technologies	68	3,009	0.3%	0.4%
TATG LX	TPWR IS	Tata Power Co	2,381	1,191	0.3%	-0.1%
ICEMR LX	ICEM IS	India Cements	4	87	0.3%	0.0%
SLT UN	STLT IS	Sterile Industries India	15	163	0.2%	-0.2%
AFTK LX	AFTK IS	Aftak	0.8	13	0.2%	0.1%
LTOD LI	LT IS	Larsen & Toubro	37	1,516	0.2%	0.2%
IBN UN	ICICIB IS	ICICI Bank	46	951	0.2%	0.1%
RDY UN	DRRD IS	Dr Reddys Laboratories	36	1,500	0.1%	0.2%
MDHG LX	MDHPJ IS	Madhucon Projects	2	96	0.1%	0.0%
BRCMGS LX	BRCM IS	Balrampur Chini Mills	2	67	0.1%	0.0%
CIPLG LX	CIPLA IS	Cipla/India	7	299	0.1%	0.0%
RLCMZ LX	RCOM IS	Reliance Communications	2	92	0.1%	-0.6%
SAX LX	SA IS	Shah Alloys	0.2	15	0.1%	0.0%
KMBG LX	KMB IS	Kotak Mahindra Bank	9	402	0.1%	0.0%
ARIX LX	ARCP IS	Anant Raj Industries	2	73	-0.1%	0.0%
DHSGZ LX	DSM IS	Dhampur Sugar Mills	2	70	-0.1%	0.0%
IBULLG LX	IBULL IS	Indiabulls Financial Services	3	142	-0.1%	0.0%
WANB LX	WANB IB	Wanbury Ltd	2	29	-0.2%	0.0%
SLT LX	SLT IS	Sterling Biotech	13	98	-0.2%	0.0%
ARMG LX	ARVND IS	Arvind	1	55	-0.2%	-0.2%
RIGD LI	RIL IS	Reliance Industries	43	964	-0.2%	0.2%
BSELG LX	BSEL IS	BSEL Infrastructure Realty	1	6	-0.3%	0.1%
MCDOW LX	UNSP IS	United Spirits	12	1,040	-0.4%	0.0%
PTI UN	PATNI IS	Patni Computer Systems	20	453	-0.5%	2.0%
RBXD LI	RBXY IS	Ranbaxy Laboratories	10	442	-1.1%	0.7%
SUEL LI	SUEL IS	Suzlon Energy	4	45	-1.1%	1.0%
TCL UN	TCOM IS	Tata Communications	9	224	-1.6%	0.0%
WOCK LX	WPL IS	Wockhardt Ltd	8	344	-1.7%	0.0%

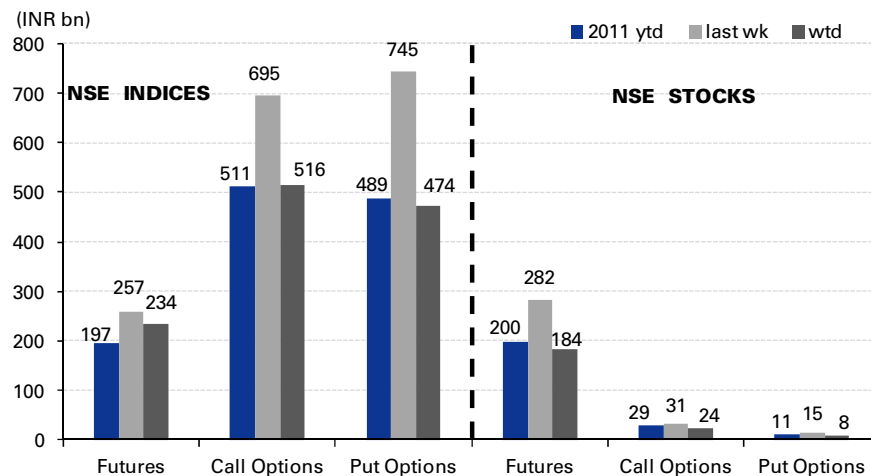
IDR Ticker	Underlying Ticker	Name	IDR Price (INR)	Underlying Price (GBP)	1W Avg Daily Prem/(Disc)	1Y Avg Prem/(Disc)
STAN IN	STAN LN	Standard Chartered Plc	117	1,713	-30.7%	-33.9%

Priced as of March 03, 2011 unless otherwise indicated.

# Futures, options, and ETFs

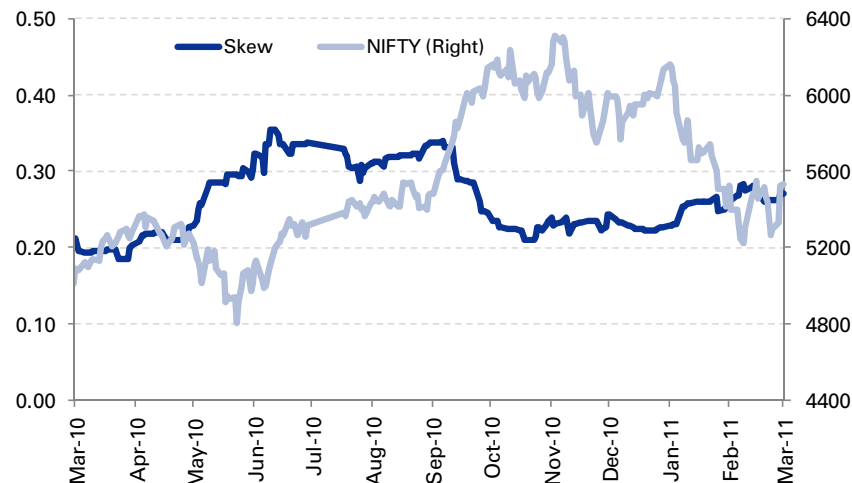
**Exhibit 18: Average turnover of NSE Derivatives segment**

Average weekly and ytd turnover of options and futures



**Exhibit 19: NIFTY skew ended higher compared to last week**

NIFTY skew and NIFTY Index level



Normalized skew: (1 mo 25 delta put – 1 mo 25 delta call) / 1 mo 50 delta call

**Exhibit 20: Nifty VIX declined sharply from the highs of last week**

S&P CNX Nifty VIX and Nifty rolling 3-month returns



**Exhibit 21: Key ETFs tracking Indian benchmark indices**

ETFs and their underlying indices, screened on the basis of 20D ADVT

ETF Ticker	Name (Quoted Currency)	Price	20d ADVT (US\$ '000)	Underlying Index		
				Underlying Index Ticker	Performance (INR) (%)	Index cap (US\$ bn)
INDIA SP	iShares MSCI India (USD)	7.1	4570.1	MXIN	4.9	NA
2836 HK	iShares Sensex (HKD)	18.1	2928.1	SENSEX	4.9	328.3
NBEES IN	Nifty BeES (INR)	558.9	1835.1	NIFTY	5.2	367.1
MOSTM50 IN	Motilal Oswal M50 (INR)	76.8	210.9	NIFTY	5.2	367.1
KOTSS IN	Kotak Sensex (INR)	187.0	6.4	SENSEX	4.9	328.3
JBEES IN	Junior BeES (INR)	107.3	146.2	NIFTYJR	4.5	31.9
KOPSUB IN	Kotak PSU Bank (INR)	441.0	15.7	CNXPSBK	6.4	12.9
BBEES IN	Bank BeES (INR)	1093.5	72.8	CNXBANK	6.9	57.3
PSUBBE IN	PSU Bank BeES (INR)	429.6	16.6	CNXPSBK	6.4	12.9
KONIFTY IN	Kotak Nifty 50 (INR)	554.0	129.9	NIFTY	5.2	367.1
RBETF IN	Reliance Banking (INR)	1081.7	2.5	CNXBANK	6.9	57.3
ICSPICE IN	Sensex PruICI - SPICe (INR)	184.0	0.0	SENSEX	4.9	328.3
QINDEX IN	Quantum Index Fund (INR)	557.9	0.7	NIFTY	5.2	367.1

Source: NSE, Bloomberg, GS Global ECS Research.

Priced as of March 03, 2011 close.

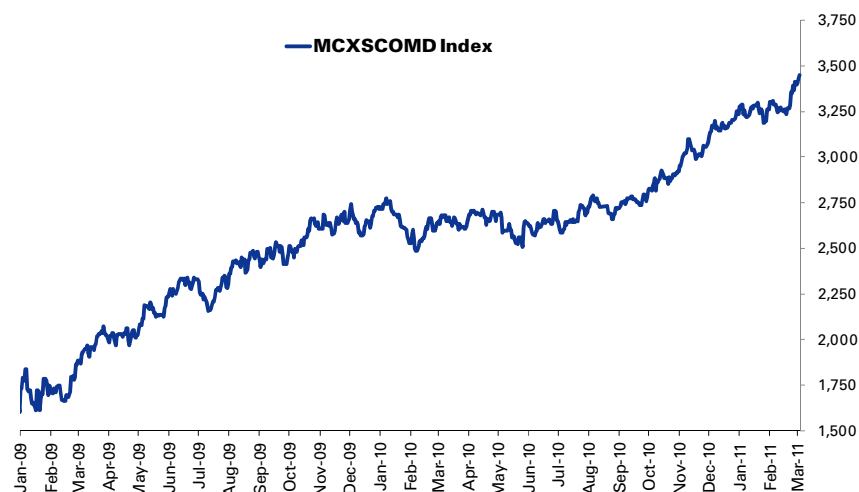
# Stocks and commodities

**Exhibit 22: Ranked stocks from CNX 500 Index last week by standardized price performance (52-wk std. dev.) (cap > US\$3bn)**

Bloomberg	Stock name	GS sector	1W perf		Ytd
			(%)	(# S.D.)	chg (%)
ITC IB	ITC (IN)	Staples	10.7	3.7	-0.9
MM IB	Mahindra & Mahindra	Autos	13.1	2.9	-13.4
CAIR IB	Cairn India	Oil and gas	6.2	2.8	5.3
BHEL IB	Bharat Heavy Electricals	Industrials	7.7	2.6	-8.5
LT IB	Larsen & Toubro	Industrials	9.8	2.0	-16.0
HDFCB IB	HDFC Bank	Banks	7.2	1.7	-6.5
HDFC IB	Housing Dev Finance	Banks	7.0	1.6	-7.9
JSTL IB	JSW Steel	Steel	10.8	1.4	-18.5
GAIL IB	GAIL India	Utilities	4.3	1.3	-10.7
BPCL IB	Bharat Petroleum	Oil and gas	6.0	1.3	-13.3

Bloomberg	Stock name	GS sector	1W perf		Ytd
			(%)	(# S.D.)	chg (%)
SESA IB	Sesa GOA	Steel	-3.1	-0.7	-16.5
JI IB	Jain Irrigation Sys	Industrials	-5.3	-0.6	-11.3
ACC IB	ACC	Building materials	-0.4	-0.1	-8.1
PWGR IB	Power Grid Corp of India	Utilities	-0.2	-0.1	0.9
HH IB	Hero Honda Motors	Autos	0.1	0.0	-24.4
BHARTI IB	Bharti Airtel	Telecoms	0.5	0.1	-7.7
INFO IB	Infosys Tech	Software	0.6	0.2	-12.2
RIL IB	Reliance Ind	Oil and gas	1.3	0.4	-7.5
ADE IB	Adani Ent	Industrials	1.6	0.4	-6.7
RBXY IB	Ranbaxy Lab	Staples	2.0	0.4	-23.3

**Exhibit 24: MCDX Spot Commodity Index climbed 1.6% wov**  
MCDX Commodity Spot Index since January 2009



Source: MCX, FactSet, Bloomberg, NSE, BSE, GS Global ECS Research.

**Exhibit 23: Highly traded stocks of the week**  
Stocks with the highest 1 week ADVT (INR mn)

Ticker	Name	GICS Sector	Price (INR)	GS Rating	1 wk ADVT (INR mn)	Annualized Turnover Velocity (%)
SBIN IB	State Bank of India	Financials	2690	S	1,531	24
TTMT IB	Tata Motors Ltd.	Industrials	1176	N	897	38
TATA IB	Tata Steel Ltd.	Materials	623	B*	795	35
COAL IB	Coal India Ltd.	Energy	329	NC	756	10
RELI IB	Reliance Infrastructure Ltd.	Utilities	598	N	739	116
LT IB	Larsen & Toubro Ltd.	Industrials	1662	B	711	19
MPHL IB	Mphasis Ltd.	Information Technology	451	N	697	193
ICICIB IB	ICICI Bank Ltd.	Financials	1018	B	648	15
RCAPT IB	Reliance Capital Ltd.	Financials	482	NC	611	136
RIL IB	Reliance Industries Ltd.	Energy	978	B*	555	5
JSTL IB	JSW Steel Ltd.	Materials	959	B	490	62
LICFB IB	LIC Housing Finance Ltd.	Financials	199	N	467	132
RCOM IB	Reliance Communications Ltd.	Telecommunication Services	93	N	421	59
MM IB	Mahindra & Mahindra Ltd.	Consumer Discretionary	673	S	371	24
ARSS IB	ARSS Infrastructure Projects Ltd.	Industrials	604	NC	356	1,005
SESA IB	Sesa Goa Ltd.	Materials	274	NR	309	34
INFO IB	Infosys Technologies Ltd.	Information Technology	3026	B	307	5
ITC IB	ITC Ltd.	Consumer Staples	173	N	300	6
OCP IB	Orchid Chem. & Pharma.	Health Care	264	NC	299	424
TWL IB	Titagarh Wagons Ltd.	Industrials	328	NC	262	1,084

\*\*\*Refer to end pg for note

**Exhibit 25: Crude(+4%) & Silver(+2.6%) rose further; Copper gained 5% wov**  
Performance of key indices – Commodity, Agriculture, Energy & Metals on MCX

Price Performance (%)			
Commodity (Spot)	1-week	1-mth	Ytd
<b>Commodity</b>	1.6	4.5	6.5
<b>Metal</b>	2.0	5.8	5.0
Copper (1 Kg)	5.0	-2.1	3.6
Silver (1 Kg)	2.6	17.9	10.5
Gold (10 gms)	-0.2	5.6	1.7
<b>Agriculture</b>	0.3	-2.5	3.2
Turmeric	4.5	-10.3	-31.0
Refined Soy Oil	1.7	-2.6	1.0
Mustard Seed (20 Kg)	1.5	-4.7	3.0
Wheat	-0.4	-1.6	0.7
Sugar	-0.4	-0.5	-5.1
Guar seed	-0.9	2.7	23.0
Chana	-2.1	-3.4	4.1
<b>Energy</b>	1.7	6.1	10.5
Natural Gas	-2.3	-14.7	-11.6
Crude Oil	4.0	11.3	14.4

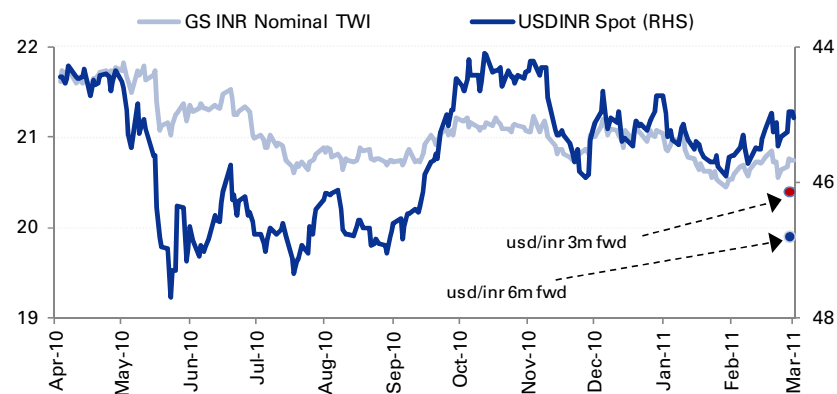
Priced as of March 03, 2011 close.

## Key events and data releases

**Exhibit 26: Key releases in the coming days**

Economics data release			
Period	Event	Previous	Expected date
-	Auction of INR 50 Bln 91 day bills	-	09-Mar-11
-	Auction of INR 30 Bln 364 day bills	-	09-Mar-11
26-Feb	Primary Articles WPI, yoy	-	10-Mar-11
26-Feb	Fuel Power Light WPI, yoy	-	10-Mar-11
26-Feb	Food Articles WPI, yoy	-	10-Mar-11
Jan	Industrial Production, yoy	1.60%	11-Mar-11
Feb	Monthly Wholesale Prices, %yoy	8.23%	14-Mar-11

**Exhibit 27: GS INR TWI vs. USDINR X-rate**



**Exhibit 28: Indian sovereign bond and policy rates**

Sovereign Bond Rates	Bloomberg	(%)		(bp)	
		Last Close	6-mo	1-yr	YTD
India Sovereign - 3M	F12303M Index	7.10	101	305	(7)
India Sovereign - 6M	F12306M Index	7.56	121	295	20
India Sovereign - 12M	F12301Y Index	7.59	107	223	22
India Sovereign - 5Y	F12305Y Index	8.26	35	38	18
India Sovereign - 10Y	F12310Y Index	8.09	(10)	(24)	(5)

Policy Rates	Bloomberg	(%)		(bp)	
		Last Close	6-mo	1-yr	YTD
RBI Reverse Repo	RSPOYLD Index	5.50	100	225	25
RBI Repo	INRPYLD Index	6.50	75	175	25
RBI Bank Rate	RBIBKRTE Index	6.00	0	0	0
RBI CRR	RBICRR Index	6.00	0	25	0
RBI SLR	RBICSLR Index	24.00	(100)	(100)	0

Source: NSE, Bloomberg, GS Global ECS Research.

Priced as of March 03, 2011 close.

## Changes to GS ratings and 12-month target prices over the last week

Bloomberg	Name	Closing Price (INR) (03-Mar-2011)	Rating		Target price(INR)		Percentage change
			Current	1-wk ago	Current	1-wk ago	
JSTL IB	JSW Steel	959	B	B	<b>1,151</b>	1,286	-10.5%
MPLH IB	Mphasis	451	N	N	<b>502</b>	743	-32.4%

Stock ratings: B-Buy; S-Sell; N-Neutral; NC=Not Covered; List memberships: B\*=On Conviction Buy List; S\*=On Conviction Sell List. All prices are in INR. Note: For important disclosures, please go to <http://www.gs.com/research/hedge.html>.

Source: FactSet, Goldman Sachs Research estimates.

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The ability to trade these baskets will depend upon market conditions, including liquidity and borrow constraints at the time of trade.

*The authors thank Ketaki Garg & Vishal Vaibhaw for their valuable assistance with this publication.*

## Reg AC

We, Caesar Maasry, Ramasubramanian Dharmaraj and Timothy Moe, CFA, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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**Selling Options** - Investors who sell calls on securities they do not own risk unlimited loss of the security price less the strike price. Investors who sell covered calls (sell calls while owning the underlying security) risk having to deliver the underlying security or pay the difference between the security price and the strike price, depending on whether the option is settled by physical delivery or cash-settled. Investors who sell puts risk loss of the strike price less the premium received for selling the put. Investors who sell put or call spreads risk a maximum loss of the difference between the strikes less the premium received, while their maximum gain is the premium received.

**For options settled by physical delivery**, the above risks assume the options buyer or seller, buys or sells the resulting securities at the settlement price on expiry.

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