

WEEKLY | FUNDAMENTAL



OUR REPORTS

Fundamental

Company Report
Sector Report
Theme Based Report

Daily & Weekly

Fundamental Market Update
Technical Market Update
Derivative Market Update
Currency Report
Debt Mutual Fund Report

Monthly

India Strategy Report
IIP Report
Auto Sector Update
Cement Sector Update
Metal Sector Update
Telecom Sector Update
Insurance and Mutual Fund Report
Inflation Report
Exports-Imports Report

Quarterly

India and Global Strategy Report
India Economy Report
Company Result Expectation
Company Result Analysis

Others

Event Based Report
RBI Monetary Review Report
Annual Budget Expectation Report
Annual Budget Review Report

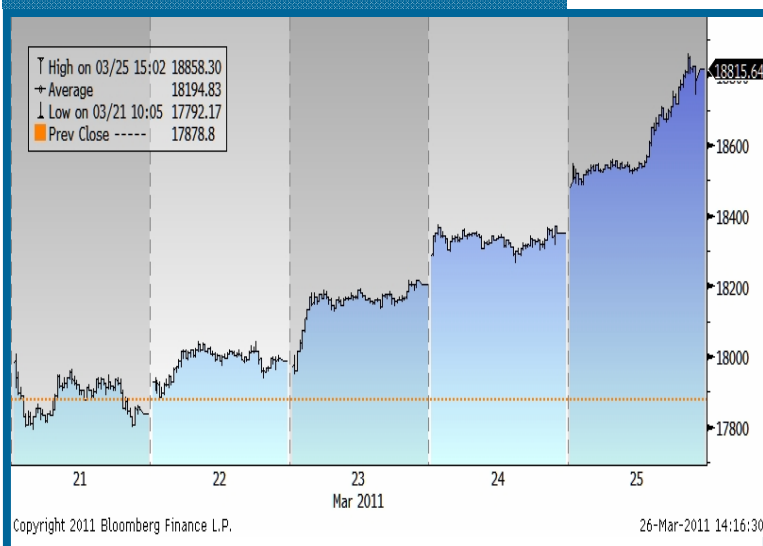
March 26, 2011

Sutapa Roy

E-mail: s-roy@microsec.in

MARKET UPDATE

WEEKLY CHART OF SENSEX



OUTLOOK

Indian stock market is likely to show some volatility ahead of Year-end position reshuffling and expiry of derivative contracts for the month of March 2011. High crude oil and other commodity prices remain a cause for concern. The Q4 FY11 earnings numbers will start coming in from the mid-April 2011 and the performance and guidance given by the major players will decide the direction of the market in the mid term. Monthly data of Auto, Cement and other commodities for March 2011 and also the exports-imports and PMI data are expected to be announced during the next week, will be in focus. Fertilizer shares are likely to remain firm. Buy Engineers India, Max India, Tube Investments, IFCI for a 6-8 per cent gains during the week.

WEEK IN RETROSPECT

Indian stock market recovered smartly last week as buying was witnessed after the recent sell off that was triggered by negative global cues. The rally could partly be attributed to the introduction of key bills in the parliament. A firm trend across global markets also boosted the sentiments. Market rose in four out of five trading sessions in the week with bullish comments on India from billionaire legendary investor Warren Buffett.

India's Foreign Exchange Reserves surged by USD1.67 billion to USD303.51 billion in the week ended March 17, 2011. India's food inflation accelerated for the first time in four weeks after prices of fruits, vegetables and poultry rose. Food inflation increased to 10.05 percent in the week ended March 12, 2011 from 9.42 percent in the previous week.

On the global front, the U.S. Q4 2010 GDP was revised up to 3.1 percent, from 2.8 percent previously reported. The sale of Newly Built Homes in the U.S. hit its lowest level in February 2011 since records began in 1963. Only 250,000 New Homes were sold in February, on a seasonally-adjusted annualized basis. Sales were down 17 percent from January, the third monthly fall in a row. The U.S. Existing Home Sales also fell 9.6 percent in February from the previous month. The drop was the largest since July. The U.S. Initial Jobless Claims declined by 5,000 to 382,000 in the week ended March 19, 2011. European leaders in their two-day summit agreed to increase their financial rescue fund to the full 440 billion euros by June and acknowledged that they faced new threats from a government collapse in Portugal.

GLOBAL MARKET DURING LAST 5 DAYS

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH	1Y% CH	Current P/E	FY11 EST P/E	FY12 EST P/E	Current P/B	FY11 EST P/B	FY12 EST P/B
DOW JONES	12220.59	3.05	(0.05)	5.57	12.63	14.07	12.62	11.27	2.77	2.50	2.22
NASDAQ	2743.06	3.76	(1.41)	3.01	14.53	27.83	17.44	14.41	2.79	2.70	2.39
S&P 500	1313.80	2.70	(1.01)	4.39	12.62	15.40	13.55	11.91	2.28	2.08	1.88
FTSE 100	5900.76	3.19	(1.56)	(1.80)	3.47	14.48	10.44	9.41	1.87	1.70	1.53
CAC 40	3972.38	4.26	(3.36)	2.95	(0.41)	11.92	10.37	9.28	1.28	1.24	1.15
DAX	6946.36	4.23	(4.48)	(0.37)	13.50	12.66	10.77	9.51	1.50	1.42	1.31
NIKKEI 225	9536.13	6.40	(10.24)	(7.35)	(13.28)	17.28	16.40	14.01	1.24	1.19	1.12
HANG SENG	23158.67	3.85	(0.77)	2.37	10.00	12.73	12.48	10.85	1.83	1.67	1.53
STRAITS TIMES	3070.84	4.60	2.00	(3.54)	5.66	10.77	14.14	12.76	1.57	1.56	1.44
TAIWAN TAIEX	8610.39	2.57	0.12	(2.94)	9.31	14.68	12.80	11.40	1.89	1.79	1.72
KOSPI	2054.04	3.68	5.92	1.02	20.99	30.28	10.17	8.88	1.36	1.33	1.20
BRAZIL BOVESPA	67765.94	1.32	0.57	(0.40)	(1.33)	11.52	10.71	9.15	1.70	1.53	1.39
RUSSIAN RTS	2036.75	2.76	3.39	15.11	34.01	9.59	6.59	5.88	1.35	1.19	1.00
SHANGHAI SE COMPOSIT	2977.81	2.44	2.50	8.96	(2.68)	18.45	13.98	11.79	2.71	2.18	1.85
BSE SENSEX	18815.64	5.24	5.57	(6.04)	6.64	16.76	17.66	14.86	3.25	2.98	2.56
NSE S&P CNX NIFTY	5654.25	5.22	6.02	(5.70)	7.05	16.80	17.37	14.64	3.18	2.91	2.53

MSCI INDICES

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
MSCI WORLD	1325.85	3.01	(1.91)	3.94
MSCI AC WORLD	340.54	3.16	(1.24)	3.63
MSCI AC ASIA PACIFIC	134.27	4.06	(2.34)	(1.26)
MSCI EM	1143.94	4.13	3.27	1.60

VOLATILITY INDICES

NAME	LAST	5D % CH	1M % CH	3M % CH
CBOE SPX VOLATILITY	17.91	(26.72)	(2.40)	2.23
INDIA NSE VOLATILITY	20.47	(20.93)	(16.11)	12.91

10 YERS BOND MARKETS

NAME	YIELD	5D % CH	1M % CH	3M % CH
US Generic Govt 10 Year Yield	3.44	5.23	0.77	1.34
UK Govt Bonds 10 Year Note Gen	3.61	2.91	(0.14)	2.91
Brazil Government Generic Bond	4.62	1.21	(2.66)	(0.13)
Japan Govt Bond Year to maturity	1.23	1.16	(2.24)	5.51
Australia Govt Bonds Generic M	5.44	0.74	(1.82)	(4.30)
India Govt Bond Generic Bid Yi	8.00	0.11	(1.19)	0.92

FOREX MARKET

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
DOLLAR INDEX SPOT	76.15	0.57	(1.45)	(5.43)
EUR-USD X-RATE	1.41	(0.66)	2.43	7.01
USD-GBP X-RATE	0.62	1.20	0.48	(3.87)
USD-BRL X-RATE	1.66	0.21	0.06	1.44
USD-JPY X-RATE	81.34	(0.93)	0.42	1.81
USD-INR X-RATE	44.68	1.01	1.46	1.27
USD-CNY X-RATE	6.56	0.19	0.29	1.13
USD-KRW X-RATE	1114.20	1.12	1.10	3.13

MONEY MARKETS

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
BBA LIBOR USD 3M	0.31	(0.49)	(0.97)	1.55
MIBOR Offer Market 3M	1.20	2.56	10.09	18.81
India Indicative Call Rate	7.75	2.24	13.14	10.71

INDUSTRIAL METALS & ENERGY MARKETS

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
COPPER (USD/T)	9685.00	1.84	(0.77)	3.63
ALUMINUM (USD/T)	2641.00	3.16	2.96	9.49
ZINC (USD/T)	2377.00	2.24	(4.58)	2.99
LEAD (USD/T)	2670.00	(0.26)	6.06	9.88
OIL (USD/BBL)	105.40	4.28	7.68	15.18
NATURAL GAS (USD/MMBTU)	4.40	5.64	9.94	6.05

PRECIOUS METALS

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
GOLD (USD/OZ)	1429.74	0.76	1.36	3.49
SILVER (USD/OZ)	37.33	5.88	11.73	28.19

INDUSTRY INDICES

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
BALTIC DRY INDEX	1585.00	3.53	27.31	(10.60)
BBG WORLD IRON INDEX	315.99	3.40	(0.05)	3.11

AGRO MARKET

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
COFFEE (USD/IB)	268.60	(2.75)	0.30	13.21
COTTON (USD/IB)	204.49	2.70	11.00	51.85
SUGAR (USD/IB)	27.86	0.54	(3.06)	(8.51)
WHEAT (USD/BU)	733.25	1.42	(9.61)	(9.50)
SOYBEAN (USD/BU)	1358.25	(0.31)	(1.22)	(0.64)

INSTITUTIONAL FLOW IN Cr (21/03-25/03)

INSTRUMENT	PURCHASE	SALE	NET
FII (P)	10213.71	7783.43	2430.38
DII	6419.82	5099.77	1320.05
MUTUAL FUND (21/03-23/03)	1035.60	1063.30	(27.70)

FII DERIVATIVE SEGMENT IN Cr (21/03-25/03)

INSTRUMENT	PURCHASE	SALE	NET
INDEX FUTURE	16569.38	10855.67	5713.72
INDEX OPTION	29877.94	29511.53	366.41
STOCK FUTURE	13599.22	13942.14	(342.93)
STOCK OPTION	1069.53	1045.31	24.21

TELECOM & IT

Amidst the ongoing controversy over 2G telecom license of Uninor, differences have emerged between stakeholders, Telenor and Unitech Wireless, with the matter going to the court. Norwegian firm Telenor, which holds 67.25 per cent stake in the joint venture, has said it will approach Indian courts after its partner Unitech obtained a stay on a rights issue by Uninor. In a statement, Telenor spokesperson said, "There is, however, now a stay order which halts the rights offer process. Telenor Group is petitioning the court to vacate the stay order so the decision of the company's board can be implemented and Uninor gets the funds it needs". The spokesperson added that the Board of Directors of Uninor had decided to initiate the process of a rights offer to meet Uninor's funding requirements. A rights issue is a way in which a company can sell new shares in order to raise capital. Shares are offered to existing shareholders in proportion to their current shareholding, respecting their pre-emption rights. The price at which the shares are offered is usually at a discount to the current share price, which gives investors an incentive to buy the new shares. Unitech has termed the decision of Uninor Board as a decision of Telenor. "Unitech has obtained a stay order on certain actions, which Telenor was proposing to take, which Unitech believes are not in the best interests of the shareholders. The court has recognised the merits in the viewpoint of Unitech," Unitech spokesperson said. The company spokesperson did not elaborate on the matter citing the matter is sub-judice but added that it will continue to remain a stakeholder in the company.

(Source: ET)

Bharti Airtel announced the launch of its 3G service in the North Karnataka towns of Hubballi, Dharwad & Belagavi. Home to the largest customer base of airtel mobile customers in Karnataka, these towns joined the airtel 3G map in India, to offer unparalleled airtel internet experience on 3G. This follows the successful 3G launches in Bengaluru, Mysore, Mangalore, Udupi, Manipal, Shimoga, Davanagere & Tumkur.

The Income Tax Dept issued a notice to Mahindra Satyam, the new brand identity of Satyam Computer Services, to pay INR6,165.3 million in taxes. The company said the Central Board of Direct Taxes, under Section 119 of the Income Tax Act, 1961, rejected various petitions filed by the company seeking reliefs for reopening of past assessments for the Assessment Years 2003-04 to 2008-09; determining the actual income based on the findings of investigating agencies; and granting a stay on recovery proceedings for the said assessment years.

Tata Consultancy Services become the first software firm to be assessed at level 5 enterprise-wide in software Services and Development.

BANKING & FINANCE

Event – The proposed Banking Laws (Amendment) Bill 2011 proposes aligning the voting rights in private banks in proportion to the shareholding and raise the ceiling in public sector banks from 1 percent to 10 percent Under existing rules, the voting rights of a shareholder are capped at 1 percent in nationalized banks and 10 percent in private banks, irrespective of the equity stake. Besides, it enables nationalized banks to increase or decrease their authorized capital with approval from the central government and Reserve Bank, without being limited by the ceiling of a maximum of INR3Bn. It also proposes to give powers to the nationalized banks to issue two additional instruments -bonus shares and rights issues, for accessing the capital market to raise capital required for expansion of banking business.

Impact—In our view, If approved, the amendments are going to be a positive trigger specially for PSU banks & small private sector banks.

We believe these amendments are just the prelude of the much anticipated Banking license bill. We also anticipate some amendment in the Banking Merger & Acquisition rules before the govt proceed with new banking licenses.

The government will infuse INR184 crore in Punjab National Bank (PNB) as recapitalisation package to shore up the bank's equity capital.

Bank of India (BoI) said the government has infused about INR1,010 crore into the bank's equity capital, taking its holding to 65.86 percent.

Infrastructure Development Finance raised INR2280.55 million through public issue of long term infrastructure bonds.

Anil Ambani group firm Reliance Life, which recently announced selling 26 percent stake to Japanese insurer Nippon for USD680 million, will have to seek government nod, said the Insurance Regulatory and Development Authority (IRDA).

Union Bank of India, which plans to set up a subsidiary in the United Kingdom and a branch in Australia and Belgium, is expected to get regulatory approval in the next six months.

Future Capital Holding and Centrum Capital broke their three-year joint ventures in wealth management and forex businesses as they walked their own paths to benefit from the soaring wealth of Indian businesses and individuals. Centrum will buy out Future Capital in the forex business and vice versa in the wealth management business.

- ◆ The Indian parliament approved the Union Budget for the financial year starting April 1, 2011 after the upper house passed it with a voice vote on March 24, 2011. The lower house had passed the bill on March 22.
- ◆ The Secretarial panel may meet on March 28, 2011 to discuss the proposals like partially free retail price of urea & to provide additional subsidy to the laggard units for 2 years to improve production efficiency. It is likely to increase urea price up to 10 percent from the current level & to be implemented on April CY2011. This is likely to be restricted to the gas based unit & extend the subsidy of INR4,000 per ton for every gas based urea unit.
- ◆ Bharat Heavy Electricals (BHEL) won a breakthrough order from Power Grid Corporation of India (PGCIL) for 800 kV 6,000 MW HVDC multi-terminal system package associated with the NE/ER-N/WR Interconnector-1 project, in consortium with ABB, Sweden. The order value for BHEL is INR15.90 billion. This is the largest order for BHEL in T&D sector.
- ◆ Zuari Industries is acquiring land to set up INR 5000cr gas based urea plant in Belgaum, Karnataka with the capacity of 1.3 million tons per year. The plant is likely to be built near Dabhol-Bangalore gas pipeline project & it is expected to be completed by 2012-13. Apart from this, Zuari is looking for land acquisition near Karwar for building customized phosphatic fertilizer plant with the estimated investment of INR 700cr. All of these are likely to improve the top line growth & margins of the company.
- ◆ Tata Steel UK, a subsidiary of Tata Steel, has entered into a definitive sale agreement to sell certain assets of Teesside Cast Products to Sahaviriya Steel Industries UK.
- ◆ Mahindra is going to invest INR3 billion to open a new tractor plant in India's Zaheerabad.
- ◆ Tata Power Company and Australian solar power company Sunengy entered into a partnership agreement to build a pilot floating on water solar plant in India by the end of this year.
- ◆ Sesa Goa acquired the assets of the upcoming steel plant unit of Bellary Steel & Alloys for INR220 crores. The properties of the under construction plant includes 700 acres of free hold land, buildings and structures, plant and machinery and other assets of the steel plant.
- ◆ NTPC's Unit-VII of 500 MW of Korba Super Thermal Power Project, Stage-III has become operational with effect from March 21, 2011. According to the company, it wants 10 percent of its power generation capacity to be nuclear by 2032.
- ◆ Mundra Port and Special Economic Zone won a bid to develop a coal import terminal at Vishakhapatnam. The terminal will be built at cost of INR300 crores. This marks the entry of MPSEZ on the eastern coast of India.
- ◆ Patel Engineering bagged INR160.69 crores Tinthini-Kalmala Road upgradation work from Government of Karnataka. The project comprises up-gradation of 73.8 Km long stretch from Tinthini to Kalmala a part of State Highway 61 and State Highway 15, and is expected to be completed within two and a half years.
- ◆ Madhucon Projects won 163.50 KMs of National Authority of India (NHAI) Annuity Project worth around INR15 billion in Jharkhand.
- ◆ Hindustan Composites sold its Jalna unit for a total consideration of INR5.83 crores to Spitmaan Group.
- ◆ Sadbhav Engineering in joint venture with GKC Projects, Hyderabad bagged two projects from Narmada Development Division, M. P for contract value of INR869.23 crores.
- ◆ Godawari Power and Ispat announced merger of Hira Industries and R. R. Ispat with itself. Godawari Power will issue 36,86,440 shares of INR10 each to shareholders of Hira Industries and shares of R. R. Ispat will be cancelled.
- ◆ Pipavav Shipyard received license to build warships for Indian Navy. It has also received clearance from foreign investment promotion board, ministry of finance, Government of India which permits foreign direct equity investment. The clearance will help the company to bid warship projects like frigates, destroyers, aircraft carriers, LPDs, submarine, corvettes etc. of Indian Navy.

Mar 28, 2011

- ◆ The U.S. Personal Income data for February 2011.
- ◆ The U.S. Pending Home Sales data for February 2011.
- ◆ Germany Retail Sales data for February 2011.

Mar 29, 2011

- ◆ The U.S. Consumer Confidence data for March 2011.
- ◆ The U.K. GDP data for Q4 of 2010.
- ◆ China's Industrial Profits data for February 2011.
- ◆ Japan Jobless Rate data for February 2011.

Mar 30, 2011

- ◆ The U.S. MBA Mortgage Application data for the week ended March 25, 2011.
- ◆ The U.S. ADB Employment Change data for March 2011.
- ◆ Japan Industrial Production data for February 2011.

Mar 31, 2011

- ◆ India's Current Account Balance data for Q3 of FY2010-11.
- ◆ India's Food and Fuel Inflation data for the week ended March 19, 2011.
- ◆ The U.S. Initial Jobless Claims data for the week ended March 26, 2011.
- ◆ The U.S. Factory Orders data for February 2011.
- ◆ The U.S. Bloomberg Consumer Comfort data for the week ended March 27, 2011.
- ◆ Germany Unemployment Rate data for March 2011.

Apr 01, 2011

- ◆ India's Exports-Imports data for February 2011.
- ◆ India, China, Germany and U.K. PMI Manufacturing data for March 2011.
- ◆ The U.S. Unemployment Rate data for March 2011.
- ◆ The U.S. ISM Manufacturing data for March 2011.

Disclaimer

The investments discussed or recommended in this report may not be suitable for all investors. Investors should use this research as one input into formulating an investment opinion. Additional inputs should include, but are not limited to, the review of other. This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Microsec Capital Limited is not responsible for any error or inaccuracy or for any losses suffered on account of information contained in this report. This report does not purport to be offer for purchase and sale of share/ units. We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation discussed herein or act as advisor or lender I borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The same persons may have acted upon the information contained here. No part of this material may be duplicated in any form and/or redistributed without Microsec Capital Limited' prior written consent.