

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

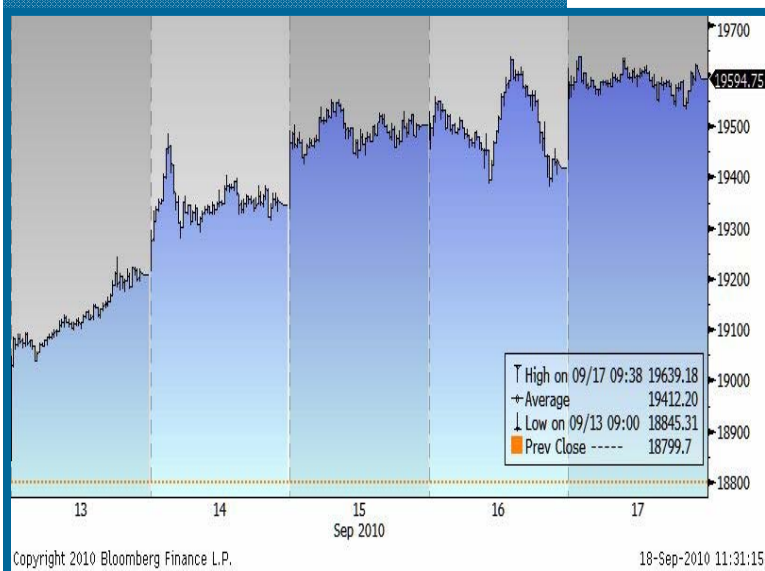
- Event Based Report
- RBI Monetary Review Report
- Annual Budget Expectation Report
- Annual Budget Review Report

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WEEKLY CHART OF SENSEX



WEEK IN RETROSPECT

Indian stock market surged to 32-month high during the last week on higher foreign fund inflows and strong advance tax payments by Indian companies. FII inflow from Sep 1 to Sep 16, 2010 totaled INR12442.80 crore. Some profit booking were witnessed on Thursday after the announcement of RBI's mid-quarterly policy review. The RBI hiked the repo rate by 25 basis points to 6% and the reverse repo rate by 50 basis points to 5%, thereby narrowing the gap between the two to 100 basis points. The market gained in 4 out of 5 trading sessions in the week. Banking stocks which were in focus due the RBI policy turned out to be the major gainers this week. Energy stocks led by heavyweights ONGC and Reliance also ended with sharp gains.

India's Foreign-Exchange Reserves declined by USD828 million to USD284.5 billion in the week ended September 10, 2010. India's Inflation based on the new Wholesale Price Index (WPI), with a base year of 2004-05, stood at 8.51% in August 2010 vis-à-vis 9.78% in July. India's monsoon was 19% above normal during the week ended September 15, 2010. Cumulative basis, rainfall was 2% above normal since the season began on June 1, 2010.

On the global front, the U.S. Industrial Production rose 0.2% in August 2010, a slower pace than the downwardly revised 0.6% in July. The U.S. Retail Sales rose in August for a second consecutive month. Purchases increased 0.4% following a 0.3% gain in July. The U.S. Initial Jobless Claims decreased by 3,000 to 450,000 for the week ended September 11, 2010, the lowest level in two months. Japanese Industrial Production fell by 0.2% in July 2010, revised down from a preliminary reported 0.3% rise. The U.K. Retail sales fell by 0.5% in August 2010 for the first time in seven months.

OUTLOOK

*Indian stock market is likely to remain strong; albeit volatility may increase led by volatilities in global equity, commodity and currency markets. Stock-specific movements is likely to continue based on expectations of Q2 FY2010-11 results. According to news reports, India's top hundred firms paid 16.4% higher advance tax at INR38107 crore in Q2 of FY2010-11 over Q2 of FY2009-10. The second quarter results announcement will start from next month. On the global front, the focus will be on the **U.S. FOMC Meeting on September 21, 2010**, where the Fed policymakers are likely to give the future outlook of the U.S. economy. Buy on dips LICHF, Gruh Finance, Dewan Housing, BEML, Elgi Equipments, Kewal Kiran an, Siyaram Silk Mills,, Bombay rayon, Bharat Forge, Exide Industries, DLF, Unitech, Mahindra Life. (For broader market outlook, please read page 3)*

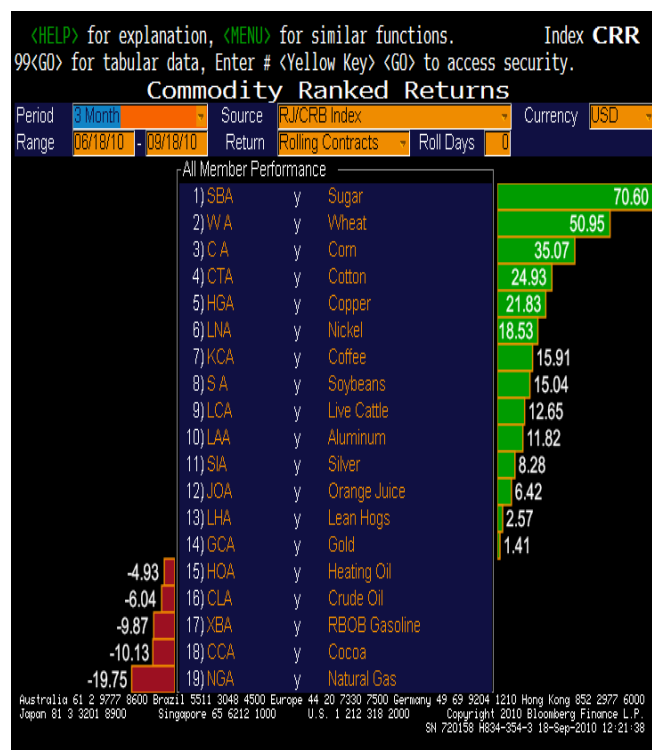
GLOBAL MARKET DURING LAST 5 DAYS

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH	1Y% CH	P/E	EST P/E	P/B	ESTP/B
DOW JONES	10607.85	1.39	3.86	1.50	8.02	13.72	12.77	2.64	2.43
NASDAQ	2315.61	3.26	6.23	0.25	8.57	24.74	17.27	2.46	2.44
S&P 500	1125.59	1.45	5.03	0.72	5.36	14.81	13.51	2.15	1.95
FTSE 100	5508.45	0.12	6.03	4.91	6.49	17.86	11.20	1.86	1.73
CAC 40	3722.02	(0.10)	5.56	0.94	(2.76)	13.01	10.96	1.22	1.24
DAX	6209.76	(0.08)	3.41	(0.12)	8.87	15.12	11.22	1.50	1.40
NIKKEI 225	9626.09	4.19	4.87	(3.69)	(7.18)	59.06	447.54	1.57	N/A
HANG SENG	21970.86	3.36	4.71	8.30	1.61	14.14	14.17	1.90	1.81
STRAITS TIMES	3076.37	1.79	4.76	8.58	16.18	12.40	14.96	1.70	1.70
TAIWAN TAIEX	8158.33	3.40	2.91	8.88	8.39	15.09	13.65	1.92	1.81
KOSPI	1827.35	1.37	2.92	6.74	7.51	13.68	10.06	1.27	1.34
BRAZIL BOVESPA	67089.12	0.42	0.62	4.11	10.52	14.89	12.72	1.85	1.70
RUSSIAN RTS	1464.21	(2.60)	2.75	3.89	17.55	8.53	7.62	1.10	1.04
SHANGHAI SE COMPOSIT	2598.69	(2.42)	(1.65)	3.40	(12.29)	17.91	15.27	2.50	2.16
BSE SENSEX	19594.75	4.23	6.48	11.52	17.04	23.70	19.32	3.62	2.95
NSE S&P CNX NIFTY	5884.95	4.34	6.41	11.83	18.27	24.24	19.40	3.57	2.94

Indian stock market is likely to remain strong; albeit volatility may increase led by volatilities in global equity, commodity and currency markets. On a relative basis, Indian market has started to command premium that does not justify in the short term, however, the same reasoning may not bode well if seen in longer term perspective. Stock-specific movements are likely to continue based on expectations of Q2 FY2010-11 results. According to news reports, India's top hundred firms paid 16.4% higher advance tax at INR38107 crore in Q2 of FY2010-11 over Q2 of FY2009-10. The second quarter results announcement will start from next month. On the global front, the focus will be on the U.S. FOMC Meeting on September 21, 2010, where the Fed policymakers are likely to give the future outlook of the U.S. economy.

The sectoral shift in investing pattern continues to add strength to the market. Continued investments from FII's added strength to the Indian market. However, its time FII's see opportunity in other global markets which may slow their pace of purchase in India. Whereas Banking valuation looks stretched, if the same compared with Global Banking Index, it still looks attractive. Hence buying in them on correction may continue. Strong buying in Housing Finance companies led by LICHF, Gruh and Dewan may continue to be seen. Equipments companies like BEML, Elgi equipments, Eimco Elecon and Textile companies may also see fund buying. Auto ancillary companies like Bharat Forge, Exide may see renewed interest.

The Real Estate may continue to remain in favor as the sectors performance in the past six months remains muted compared to other rate sensitive sectors like Banking and Automobiles. Opacity in operations, excess supply in the higher income bracket, absence of organized benchmarks, stringent land acquisition norms makes the sector less favorable for equity investors. However, we believe that government is likely to take measures that bring transparency in the sector, larger emphasis in the low and medium segment housing in future, introduction of Reits, allotment of land from government owned premises and development of national high ways to bring supply of housing and commercial land. Also, under ownership may bring in long term funds in the sector. Top picks remain DLF, Unitech, Mahindra Life Developers.



Global commodities, ex-crude oil and natural gas, are on a rising spree indicating demand. Sharp increase in commodities are unlikely to moderate Indian inflation to the rate that it is being perceived. Even though crude oil in global market continue to remain depressed, Indian consumer is unlikely to be benefited in the short term as deregulation of oil is unlikely to let prices decline.

MSCI INDICES

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
MSCI WORLD	1156.10	1.50	5.70	3.65
MSCI AC WORLD	298.47	1.60	5.58	4.30
MSCI AC ASIA PACIFIC	124.26	2.02	5.05	6.96
MSCI EM	1035.94	2.27	4.84	8.65

VOLATILITY INDICES

NAME	LAST	5D % CH	1M % CH	3M % CH
CBOE SPX VOLATILITY	22.01	0.09	(13.65)	(8.10)
INDIA NSE VOLATILITY	19.49	22.42	N/A	N/A

10 YERS BOND MARKETS

NAME	YIELD	5D % CH	1M % CH	3M % CH
US Generic Govt 10 Year Yield	2.74	(1.95)	3.99	(14.16)
UK Govt Bonds 10 Year Note Gen	3.13	0.06	2.09	(10.22)
Brazil Government Generic Bond	3.95	(6.95)	1.18	(17.36)
Japan Govt Bond Year to maturity	1.08	(7.32)	13.74	(12.52)
Australia Govt Bonds Generic M	5.12	2.77	3.63	(4.61)
India Govt Bond Generic Bid Yi	7.99	1.24	1.27	5.24

FOREX MARKET

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
DOLLAR INDEX SPOT	81.40	(1.57)	(1.01)	(5.01)
EUR-USD X-RATE	1.31	2.93	1.28	5.34
USD-GBP X-RATE	0.64	(1.75)	(0.30)	(5.17)
USD-BRL X-RATE	1.72	0.05	1.92	3.42
USD-JPY X-RATE	85.86	(1.99)	(0.38)	6.00
USD-INR X-RATE	45.84	1.39	1.76	1.04
USD-CNY X-RATE	6.73	0.66	0.99	1.55
USD-KRW X-RATE	1160.70	0.44	1.34	4.54

MONEY MARKETS

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
BBA LIBOR USD 3M	0.29	(0.22)	(17.22)	(45.93)
MIBOR Offer Market 3M	0.88	0.00	(2.22)	20.55
India Indicative Call Rate	6.15	17.14	6.96	16.48

INDUSTRIAL METALS & ENERGY MARKETS

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
COPPER (USD/T)	7720.00	3.13	4.58	19.76
ALUMINUM (USD/T)	2180.00	3.81	1.49	10.89
ZINC (USD/T)	2151.00	1.94	1.32	21.87
LEAD (USD/T)	2202.50	0.80	3.40	24.86
OIL (USD/BBL)	73.66	(3.65)	(2.78)	(4.08)
NATURAL GAS (USD/MMBTU)	4.02	3.63	(6.05)	(24.06)

PRECIOUS METALS

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
GOLD (USD/OZ)	1274.30	2.25	4.04	2.34
SILVER (USD/OZ)	20.76	4.36	12.10	10.90

INDUSTRY INDICES

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
BALTIC DRY INDEX	2676.00	(10.65)	6.40	(3.88)
BBG WORLD IRON INDEX	277.62	0.61	5.34	9.63

AGRO MARKET

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
COFFEE (USD/IB)	189.30	(0.26)	6.17	20.04
COTTON (USD/IB)	98.22	7.59	17.12	23.67
SUGAR (USD/IB)	23.25	7.09	23.80	42.20
WHEAT (USD/BU)	739.25	0.34	8.12	45.31
SOYBEAN (USD/BU)	1069.00	3.69	2.59	15.57

INSTITUTIONAL FLOW IN CR (13/09-17/09)

INSTRUMENT	PURCHASE	SALE	NET
FII (P)	22428.39	13046.23	9382.06
DII	5738.73	10586.29	(4847.57)
MUTUAL FUND (13/09-16/09)	2185.30	4521.40	(2336.20)

FII DERIVATIVE SEGMENT IN CR (13/09-17/09)

INSTRUMENT	PURCHASE	SALE	NET
INDEX FUTURE	13502.29	11937.25	1565.05
INDEX OPTION	41597.58	46549.74	(4952.16)
STOCK FUTURE	8430.96	9057.11	(626.13)
STOCK OPTION	4591.62	4672.41	(80.80)

TELECOM & IT

According to Telecom Regulatory Authority of India (TRAI) chairman, J.S. Sarma, Mobile Number Portability (MNP) — which allows mobile subscribers to retain their existing number while changing operators — is on schedule to be rolled out across the country on November 1. “I don't anticipate any further delay in implementing the facility,” Mr. Sharma told.

(Source: Hindu)

The Supreme Court issued notices to Bharti Airtel and Vodafone on a BSNL petition, seeking that the private telecom operators pay interconnection charges, along with penalty, for transferring to its network their calls that did not identify phone numbers. A bench headed by Chief Justice S H Kapadia issued notice to Bharti Airtel and Vodafone Essar Gujarat directing them to file their reply. The apex court further said that it would hear BSNL's plea later, along with a similar case where the state-owned firm is in dispute with Reliance Communications. BSNL had asked Bharti Airtel and Vodafone to pay more than `90 crore for routing calls with non-Caller Line Identification (CLI), incomplete CLI and unauthorized CLI from its Wireless in local loop, or WLL and basic landline phones between May 2003 to August 2005.

(Source: Business Standard)

The Central Board of Excise and Customs (CBEC) has asked the telecom department for copy of special audits that were undertaken on the books of all leading telecom companies to examine the service tax angle.

(Source: ET)

Bharti Airtel strengthened its six-year relationship with IBM by assigning the global IT major to manage its computing and mobile network across 16 African countries. The 10-year deal is estimated to be worth USD1-1.5 billion, one of the largest outsourcing deals signed by Bharti.

(Source: Business Standard)

Bharti Airtel become the first mobile operator in the country to get a licence from the Reserve Bank of India to start mobile payment services. This service will allow Airtel subscribers to exchange physical cash for virtual money which can be stored on mobile phones to pay for goods and services for transaction value less than INR5,000. Once the user loads up his phone with prepaid cash he can walk into specified merchant locations and purchase goods and services.

(Source: Business Line)

REAL ESTATE

FICCI and Ernst & Young ranked India 5th for future real estate investment. The ranking was based on several parameters of which regulatory index was one of the parameters. India was pulled down due to absence of real estate trust and a real estate regulator. There were issues on the 3 year lock in period of FDI policy in

real estate sector also. The report has recommended creation of a regulatory body which would make the sector transparent and build in confidence in investors and consumers.

(Source: Business line)

Govt Gives Approval to the Re-development of Mumbai Coastal Slums:

Bringing relief to lakhs of slum dwellers in Mumbai's coastal areas, Environment Ministry has decided to allow re-development of their housing units through joint ventures with 51 per cent Government equity. The relaxation incorporated in the new draft, Coastal Regulation Zone (CRZ) notification 2010, is expected to boost the real estate redevelopment work in the financial hub of the country. It will come into force in the middle of November.

(Source: Web)

POWER

PSU's to get 42% gas for power sector

The government has finalized a gas allocation policy for the power sector under which 42% of the domestic gas would be reserved for companies controlled by the Centre and the states. Besides, power plants located in SEZs and the Delhi-Mumbai industrial corridor would get 4% each. The remaining 50% gas would be given to the private sector, out of which 40% would be for independent power producers.

No power plant will be assured gas for its entire capacity. Domestic gas linkage would be provided for 60% of the plant's capacity. Initial allocation would be done on an in-principle basis, though the actual drawal of gas would happen only after the developer ties up at least 85% of the capacity, corresponding to 60% of domestic gas allocated.

With the ministry deciding to implement this policy coming in the XIIth Plan, it is not clear what criterion would be adopted for additional gas allocation made during the current Plan period.

Our View: The government has clearly not made any distinction between PSU and private power companies. Going forward, India's gas based projects are expected to be implemented more aggressively now that the gas allocation policy is clear and out. Since this policy would be implemented from the XIIth Five Year Plan, the companies have some time to decide on their projects' priority. This news is a clear positive for Indian power generation companies and brings an end to all speculation doing the rounds on government's allocation policy.

HEAVY ELECTRICAL EQUIPMENT

90% of BHEL orders in 2009-10 from private firms

BHEL secured orders worth INR59,000 crore from domestic and international companies in the financial year ended this March, of which about 90% came from the private sector. The total orders received by the power equipment maker in 2009-10 were for a generation capacity of 16,489 MW, of which orders for 14,689 MW came from private companies. Currently, the company has the capacity to manufacture power equipment with a cumulative generation capacity of 15,000 MW per annum, to be increased to 20,000 MW by the end of 2010-11. It also plans to increase investment on its R&D to INR1,200 crore by 2011-12, from INR829 crore in 2009-10.

BANKING

Reserve Bank of India (RBI) Mid-Quarter Monetary Policy Review was announced this week. There has been an increase in Repo rate and Reverse Repo rate by 25bps and 50bps respectively. RBI cited inflation as the dominant concern for hiking the rates and had raised rates four times since mid-March to tackle inflation. RBI said that the rate hike should contain inflation and reiterated that it will not disrupt growth.

The Reserve Bank of India (RBI) has lent its support to those disgruntled with New Delhi's economic data collection mechanism. Several economists have already expressed doubts over the GDP data that recorded India's growth at 8.8 per cent in the quarter ended June 30. On Thursday, RBI also spoke out against the Index of Industrial Production (IIP) data collection mechanism.

A day after the Employees Provident Fund Organization trustees raised the interest rates on PF deposits by 100 basis points to 9.5 per cent, the Reserve Bank of India on Thursday signaled banks to raise deposit rates to attract investors who have been shifting to other instruments

Mahindra & Mahindra Financial Services sees 40-45 per cent growth in FY11 net profit, led by growth in demand for commercial and pre-owned vehicles and construction equipment. "We will grow at 40-45 per cent. The higher growth rate would come from commercial equipment, construction equipment and second hand vehicles," said Ramesh Iyer, managing director, M&M Financial services.

Six banking institutions namely- ISN Bank, Bank Of Ellijay, First Commerce, The Peoples Bank, Bramble Savings and Maritime Savings closed today. They had a total assets of over USD 1.3 billion dollars and the loss to the FDIC Deposit Insurance Fund is estimated at USD 347.6 million. With these six banks failure, the total number has already reached to 125

- ◆ Coromandel International signed a license agreement with Shell Research Ltd for the Shell Thiogro technology to manufacture ammonium phosphate with sulphur element. This technology will be employed initially at Visakhapatnam unit and may extend it to Kakinada unit later. CIL is going to set up urea plant in Middle East or in Russia. The company is planning to double the paddy farm services in this fiscal in Andhra Pradesh to around 4000 acres.
- ◆ The government of India approved 11 new proposals to set up special economic zones, including those of Infosys and Wipro. The inter-ministerial Board of Approval (BoA) also approved JSL's proposal to surrender its sector-specific SEZ in Orissa. Infosys Technologies' IT SEZ would come up in an area of 24.4 hectares in Karnataka, while Wipro got approval to set up two IT/ITeS tax-free enclaves over 19.4 and 29.9 hectares in the state. The BoA also gave the green signal to Jawaharlal Nehru Port Trust's port-based multi-product SEZ in Mumbai. The Centre has also given additional time to 37 SEZ developers, including Wipro, Mahindra and Mahindra and Ansal SEZ Projects, to execute their projects.
- ◆ Ashok Leyland won an order from the Institute for Road Transport (IRT), the nodal agency for procurement of vehicles for the state of Tamil Nadu. The order includes a requirement from MTC for 150 vehicles conforming to BS IV emission norms and is the very first such order to be received from a state transport undertaking.
- ◆ HDIL raised INR11.57 billion via qualified institutional placement (QIP). The floor price in respect of the aforesaid placement was INR268.18 a share. The QIP issue opened on Sep. 13, 2010 and closed on Sep. 15, 2010.
- ◆ IVRCL Infrastructures & Projects won an order worth INR15 billion for extension of the Pune Mumbai expressway. The scope of work includes extension of the Pune-Mumbai Expressway, widening of flyovers and underpasses and establishment of foot over-bridges. The project will be developed by the company's subsidiary, IVRCL Assets & Holdings, while the company will do the construction work itself. The project is expected to be completed in the next 36 months.
- ◆ Power Grid Corporation is going to start the process for the base case - tower lease model and to proceed ahead to utilize feasible tower space for mounting of telecom antennas and associated accessories by the interested parties on a commercial basis through open tender process and take up associated action. The board has agreed with the recommendations of KPMG that the company may pursue the base case - tower lease model to leverage the immediate opportunity and subsequently upgrade to the improved base case, based on industry response, technical and regulatory approvals. KPMG was appointed the consultant to evaluate the telecom infrastructure business plan of the Company, including due diligence for tower business opportunity. The board also approved `Transmission System for Phase-I Generation Projects in Orissa - Part-A` at an estimated cost of INR20.74 billion, with commissioning schedule of 30 months.
- ◆ Tata Motors's global sales, comprising of Tata, Tata Daewoo and Hispano Carrocera range of commercial vehicles, Tata passenger vehicles along with distributed brands in India, and Jaguar and Land Rover, were 85,114 units in August 2010, showing a growth of 29% over August 2009. Cumulative sales for the fiscal (April - August 2010) are 424,938 units, higher by 42% compared to the corresponding period in 2009-10.
- ◆ D B Realty acquired 100% stake in L&T Bomtay Developers (P) (LTBDPL), being special purpose vehicle formed by L&T Urban Infrastructure (LTUIL) and Bombay Dyeing and Manufacturing Company (BDMC) for redevelopment of MIG Colony, situated at Bandra (East), Mumbai. Middle Income Group Cooperative Housing Society is a part of MIG Colony, The Society is entitled to the piece and parcel of land admeasuring nearly 20,000 sq mts land (including recreation ground) at the Gandhi Nagar layout, Bandra (East) in the registration of Bandra Bombay Suburban District. D B Realty has purchased the entire equity shareholding of LTBDPL from LTUIL (50%) and BDMC (50%) and hence LTBDPL has become a wholly owned subsidiary of the company and is proposing to undertake MIG Project, subject to necessary approvals from competent authorities and as per the understanding with the Society.
- ◆ ABB is going to acquire the Bangalore-based Metsys Engineering and Consultancy Pvt Ltd. Metsys has developed into one of the key technical solution providers to the steel industry in India and other emerging market countries. Metsys employees and R&D capabilities will be integrated into ABB's Process Automation division.
- ◆ C&C Constructions entered into a joint venture agreement with Isolux Corsan of Spain, which has businesses across 22 countries in almost all the verticals of the infrastructure space. C&C Constructions has interests in roads, buildings, power transmission towers and water and sewerage.

Sep 20, 2010

- ◆ The U.S. NAHB Housing Market Index data for September 2010.
- ◆ Inauguration of United Stock Exchange.

Sep 22, 2010

- ◆ The U.S. MBA Mortgage Application data for the week ended September 17, 2010.
- ◆ The U.S. ABC Consumer Confidence data for the week ended September 19, 2010.

Sep 24, 2010

- ◆ Merchant Banking Summit.
- ◆ The U.S. New Home Sales data for August 2010.
- ◆ The U.S. Durables Goods Order data for August 2010.
- ◆ The U.S. Capital Goods Order data for August 2010.

Sep 21, 2010

- ◆ The U.S. FOMC Rate Decision.
- ◆ The U.S. Housing Starts data for August 2010.
- ◆ Orient Green Power Press Conference for IPO.
- ◆ Capgemini launches Center of Excellence for Business Info.

Sep 23, 2010

- ◆ India's Food and Fuel Inflation data for the week ending September 11, 2010.
- ◆ Germany PMI Manufacturing data for September 2010.
- ◆ The U.S. Existing Home Sales data for August 2010.
- ◆ The U.S. Initial Jobless Claims data for the week ended September 18, 2010.

Disclaimer

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