

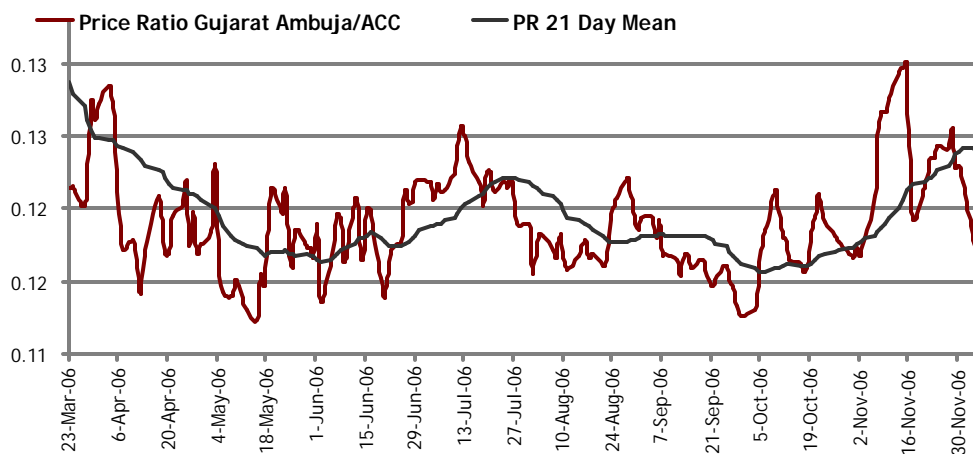
PAIR STRATEGY: LONG GUJARAT AMBUJA - SHORT ACC

Featured Pair: Gujarat Ambuja / ACC

Strategy:

Buy Gujarat Ambuja and sell ACC on a rupee-neutral basis in anticipation of a reversion to the 21 day mean price ratio. The current price ratio is trading 1.6 standard deviations below the 21 day mean price ratio. Over the past 21 days, Gujarat Ambuja has underperformed ACC, rising 7% compared to a 14% increase in ACC

Chart I: Price ratio Gujarat Ambuja & ACC



Risk Reward

The two stocks share a strong correlation (1 year correlation of 74%) and the price ratio has been mean reverting in nature. The premium/discount of the price ratio over its 21 day average has been moving in the range of 5% to -6% and it has currently reached the lower end of the range (see chart II). The price ratio has also been following a near normal distribution pattern over the last 8 months and the current ratio is in the lower end of range (see chart III). The 21 day rolling Z-Score has reached -1.6 levels, which has acted as a strong reverting level (see chart IV). Reversion to the target price ratio would yield a return of 8% on GEP.

Key Statistics

Stock ratio data		Average ratio		Correlation		Z-Score	
Current Ratio	0.122	21 day	0.13	3 months	63%	21 day	(1.62)
Expected Ratio	0.132	60 day	0.12	6 months	76%	60 day	(0.46)
% returns	8%	100 day	0.12	1 year	74%	100 day	(0.50)

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Gujarat Ambuja

Bloomberg code	NGAMB
Price	140
30/90 day percentile	76%/92%
6 month beta*	0.96
Market cap	190,481
Avg. cash volume	4,090
Avg. futures volume	1,052
52 Week High/Low	146/77

ACC

Bloomberg code	NACC
Price	1,145
30/90 day percentile	90%/97%
6 month beta*	0.90
Market cap	214,378
Avg. cash volume	7,112
Avg. futures volume	3,045
52 Week High/Low	1177/523

Mkt. Cap & Volume in INR mn

* beta relative to Nifty

Return Matrix (%)

Period	Gujarat Ambuja	ACC	Out/under Perf.
10 days	1.6	6.7	(5.1)
21 days	7.0	13.7	(6.7)
30 days	15.8	17.5	(1.6)
60 days	27.3	26.4	0.9
256 days	73.6	124.2	(50.6)

Chart II: Premium/Discount of price ratio over its 21 day moving average

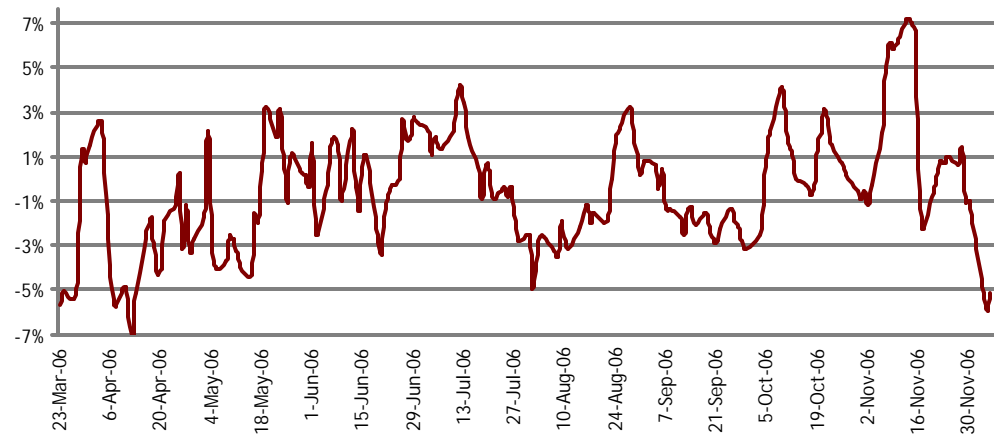


Chart III: Ratio Occurrences

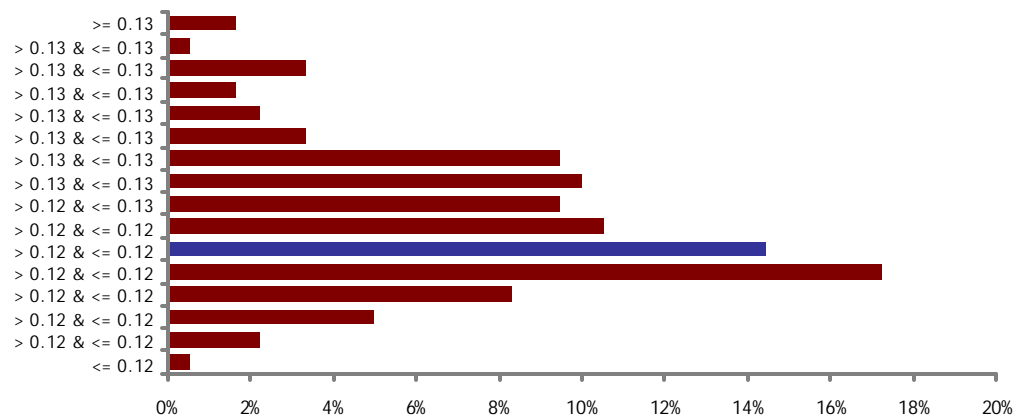
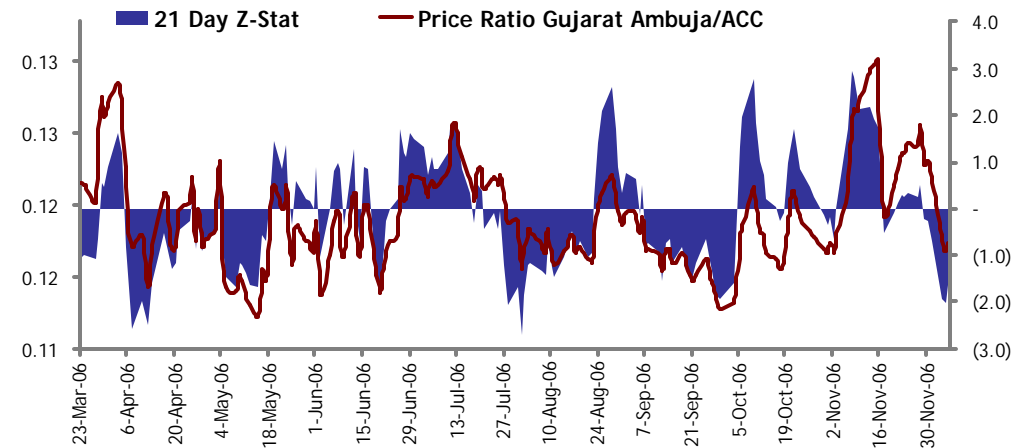


Chart IV: Price ratio & 21 day Z-Score



Closed Trades

Start Date/ Closing Date	Strategy	Entry Price	Entry Ratio	Close Price	Close Ratio	Target Ratio	Return on GEP*	Return on AD#	Max Gain on GEP*	Max loss on GEP*	Status
21-Nov-06	Long TCS	1,149		1,165							
29-Nov-06	Short Infosys	2,257	0.51	2,157	0.54	0.54	5.8%	11.6%	5.8%	0.0%	Closed
14-Nov-06	Long ACC	1,007		1,097							
17-Nov-06	Short Gujarat Ambuja	136	7.43	136	8.06	7.90	8.6%	17.1%	8.6%	-0.2%	Closed
08-Nov-06	Long Syndicate Bank	79		79							
10-Nov-06	Short Canara Bank	289	0.27	289	0.27	0.29	0.4%	0.8%	2.6%	0.0%	Closed
28-Aug-06	Long RCVL	300		348							
05-Oct-06	Short Bharti	417	0.72	459	0.76	0.76	5.8%	11.5%	6.7%	-2.1%	Closed
13-Jul-06	Long RCVL	269		300							
28-Aug-06	Short NIFTY	3,169	0.09	3,387	0.089	0.09	5.0%	10.0%	5.0%	-4.7%	Closed
22-Jun-06	Long RCVL	248		269							
13-Jul-06	Short Bharti	364	0.68	371	0.72	0.78	6.4%	12.7%	6.4%	-11.7%	Closed
22-Aug-06	Long Wipro	512		514							
15-Sep-06	Short Satyam	794	0.64	824	0.62	0.68	-3.5%	-6.9%	0.5%	-5.0%	Closed
07-Jul-06	Long HLL	223		234							
10-Aug-06	Short ITC	175	1.27	192	1.22	1.35	-4.2%	-8.5%	3.9%	-4.2%	Closed
07-Jul-06	Long Union Bank	91		118							
10-Aug-06	Short Bank of Baroda	201	0.45	238	0.49	0.48	10.9%	21.7%	10.9%	-3.0%	Closed
27-Jul-06	Long ITC	167		169							
01-Aug-06	Short HLL	246	0.68	229	0.74	0.73	8.5%	17.0%	8.5%	0.0%	Closed
05-Jan-04	Long HCLT	322		327							
13-Jan-04	Short NIIT	277	1.16	252	1.30	1.22	11.0%	21.9%	13.3%	-	Closed

* Gross Equity Exposure # Amount Deployed

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Sunil Jain - 2286 4308	Alternative & Quantitative	Harsh Biyani - 2286 4419
Yogesh Radke - 2286 4328	Alternative & Quantitative	Nirmal Ajmera - 2286 4258
		Ankit Doshi - 2286 4671
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RATING INTERPRETATION

Buy	Expected to appreciate more than 20% over a 12-month period	Reduce	Expected to depreciate up to 10% over a 12-month period
Accumulate	Expected to appreciate up to 20% over a 12-month period	Sell	Expected to depreciate more than 10% over a 12-month period
Trading Buy	Expected to appreciate more than 10% over a 45-day period	Trading Sell	Expected to depreciate more than 10% over a 45-day period

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