

Major indices movements

Major indices	Clsg	1d (%)	3m (%)	6m (%)
BSE Sensex	14,042	5.5	(3.6)	(6.4)
Nifty	4,245	5.1	(2.4)	(7.2)
Dow	11,388	3.3	(3.8)	(7.9)
Nikkei	12,157	2.0	(12.8)	(2.6)
Hang Seng	19,366	0.2	(14.9)	(8.3)
Brasil Bovespa	53,055	9.6	(17.9)	(10.1)
Mexico Bolsa	25,701	4.6	(13.0)	(11.6)

Turnover

Value Traded (Rs bn)	19 Sep 2008	% Chg	52 Wk Hi	52 Wk Lo
Cash BSE	62.3	(15.6)	118.7	32.6
Cash NSE	162.9	1.3	284.8	74.9
Total	225.2			
Del.(%)	43.3			
F&O	739.7	(0.2)	1105.6	143.8
Total Trade	964.9			

Fund Activity

Net Inflows (Rs bn)	Purch	Sales	Net	YTD
18 Sep 08				
FII's	71.5	(77.5)	(6.0)	233.3
Domestic Funds	14.9	(5.5)	9.4	102.3
19 Sep 08				
Cash Provisional			(2.7)	
F&O - Index	69.9	(38.4)	31.5	(27.6)
F&O - Stock	26.6	(18.3)	8.3	(11.6)

Advances/declines BSECash

19 Sep 2008	A	B1	B2	Total
Advance	185	1226	329	1740
Decline	20	454	111	585

Commodity Prices

Commodity	22 Sep 2008	1d (%)	3m (%)	6m (%)
Crude (USD/Bbl)	104.7	0.1	(22.2)	2.8
Copper(usd/t)	7,060	4.6	(15.2)	(11.5)
Aluminum H.G.(usd/t)	2,535	1.6	(17.5)	(13.2)
Zinc(usd/t)	1,779	3.7	(8.0)	(26.2)

Debt/Forex Mkt

Debt/Forex Mkt	Clsg	1d (%)	3m (%)	6m (%)
Re/USD	45.69	0.0	(6.1)	(13.5)
10 yr Gsec Yield	8.39	0.1	(0.9)	9.3

Contents

■ Research Update included

Sesa Goa ; Initiating Coverage - (C)ore Earnings

Inflation - Inflation marginally up at 12.14%

Southwest Monsoon - Probable near normal end

■ Dealer Comments

■ Technical Comments

■ Derivative Comments

News clippings

- **Reliance Industries** has begun crude oil production from the nation's first deep-sea oilfield D6 block in KG basin on September 17.
- **Maytas Metro** has inked the concession agreement with the Government of AP for undertaking the development of the fully elevated Hyderabad Metro Rail (MRTS) project on design, build, finance, operate and transfer (the 'DBFOT') basis to the consortium comprising Nava Bharat Ventures, Maytas Infra, Italian-Thai Development Public Company and Infrastructure Leasing & Financial Services.
- **Indian Oil Corporation (IOC)** will invest Rs 6,500 crore to increase its pipeline network to over 13,000-KM by March 2012. IOC also plans to complete its first gas pipeline by the end of the current financial year.
- **Essar Steel Holdings**, a part of Essar Global, has lined up investments of more than \$4 billion (over Rs 18,000 crore) in North America. The investments would be made in the company's acquired companies, Algoma in Canada and Minnesota Steel in the US, as well as greenfield plants in Trinidad and Tobago.
- **Simbhaoli Sugars** is mulling acquisition of two sick sugar units near its existing plant in Uttar Pradesh at an investment of Rs 60 crore. These units running below the breakeven capacity of 5,000 tonnes crushing per day (tcd) have been accruing losses.
- **Opto Circuits India** has signed a non-binding letter of intent to fully acquire a Europe-based medical devices company in a deal which is estimated at over \$100 million.
- The Centre could consider the industry's demand for allowing up to 49 per cent foreign direct investment (FDI) in the defence sector "on a case-to-case basis".
- As per the weekly statistical supplement of the Reserve Bank of India (RBI) released on Sep. 19, 2008, foreign currency assets rose by \$676 million to \$280,302 million.

19th September, 2008**BUY**Price
Rs104Target
Rs157

Sensex - 13,316

Price Performance

(%)	1M	3M	6M	12M
Absolute	(37)	(44)	(34)	(7)
Rel. to Sensex	(31)	(35)	(26)	15

Source: Bloomberg

Stock Details

Sector	Metals & Mining
Reuters	SESA.BO
Bloomberg	SESA@IN
Equity Capital (Rs mn)	787
Face Value (Rs)	1
No of shares o/s (mn)	787
52 Week H/L (Rs)	220/99
Market Cap (Rs bn/USD mn)	82/1,760
Daily Avg Vol (No of shares)	10078674
Daily Avg Turnover (US\$ mn)	34.4

Shareholding Pattern (%)

	30/06/08	31/03/08	31/12/07
Promoters	51.2	51.2	51.2
FII/NRI	23.4	21.7	18.6
Institutions	7.1	9.5	13.0
Private Corp	5.2	5.5	4.9
Public	13.1	12.1	12.4

Source: Capitaline

Vishal Chandakvishal.chandak@emkayshare.com
+91 22 6612 1251**Chirag Khasgiwala**chirag.khasgiwala@emkayshare.com
+91 22 6612 1254**Sesa Goa****(C)ore Earnings**

Initiating

We initiate coverage on Sesa Goa with a BUY and a target price of Rs157 based on 2.5x FY10E EV/EBITDA. We expect Sesa to report PAT CAGR of 15% from Rs15.5bn in FY08 to Rs20.3bn in FY10E driven by (a) volume CAGR of 35% in iron ore business and 48% CAGR in revenue and (b) shift in sales mix of iron ore from contract to spot market. We have built in 20% export tax for both FY09 and FY10 and 10% royalty on ad-valorem basis for FY10 in our estimates. We expect the seaborne iron ore trade to be robust with incremental demand from China outweighing the incremental supply till CY10E. We value Sesa at a discount of 32% vis-à-vis its peers to account for Sesa's geographical and mineral concentration. On P/E basis, the stock is currently available at 3.9x FY09E EPS of Rs27 and 4.0x on FY10E EPS Rs26. At our target price, the stock is likely to trade at a P/E of 7.3x FY09E and 7.6x FY10E earnings.

Strong volume growth and change in sales mix in iron ore business

We expect Sesa to report a volume CAGR of 35% from 12.4mt in FY08 to 22.5mt in iron ore sales for FY10E. Sesa is also diverting the entire increased output into the spot markets, thereby benefiting from the higher prices in spot market as compared to the contract prices.

Sesa has Rs20bn in cash

With no significant capex in pipeline and residual mine life of 8 years, we believe the cash balance could be meaningfully deployed in acquiring iron ore reserves in India or abroad triggering a re-rating of the stock.

Attractive Valuations

The FoB iron ore price in the spot market has corrected by ~20% over the last 2 months. However, the stock has corrected sharply by ~50% during the same period. We believe the correction is overdone and given the strong volume growth offered by Sesa Goa, the current valuations are very attractive. We have factored in a further 30% decline in the spot iron ore prices while estimating the earnings for FY09.

The stock is currently trading at 3.9x our FY09E EPS estimate of Rs27 and at 1.5x FY09E EV/EBITDA. With a 2 year PAT CAGR of 15%, driven by both volume and pricing gains and with cash in hand equivalent to Rs26/sh, the stock is trading at a discount of 69% on one year forward EV/EBITDA basis as compared to consensus global mining stock valuations, which we believe is undemanding. We initiate coverage on Sesa with BUY and target price of Rs157, which is based on 2.5x FY10E EV/EBITDA.

Risks to our earnings estimate

Key risks to our earnings are higher than expected iron ore domestic production from China, lower than expected steel output in China and iron ore exports ban in India.

Valuation Table

Year End	Net Sales (Rs bn)	EBITDA (Rs bn)	%	PAT (Rs bn)	EPS Rs	EPS growth (%)	ROCE %	P/E (x)	EV/EBITDA (x)	P/BV (x)
FY07	22	10	46	7	8	13	44	10.3	5.8	5.0
FY08	38	24	63	15	20	138	65	8.0	4.3	2.7
FY09E	62	32	52	21	27	37	53	3.9	1.5	1.7
FY10E	82	31	38	20	26	-4	35	4.0	1.2	1.2

Inflation marginally up at 12.14%

September 19, 2008

Kashyap Jhaveri

kashyap.jhaveri@emkayshare.com

+91 22 6612 1249

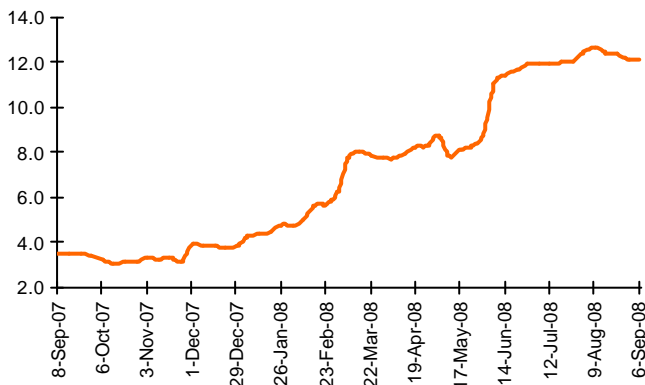
Pradeep Agrawal

pradeep.agrawal@emkayshare.com

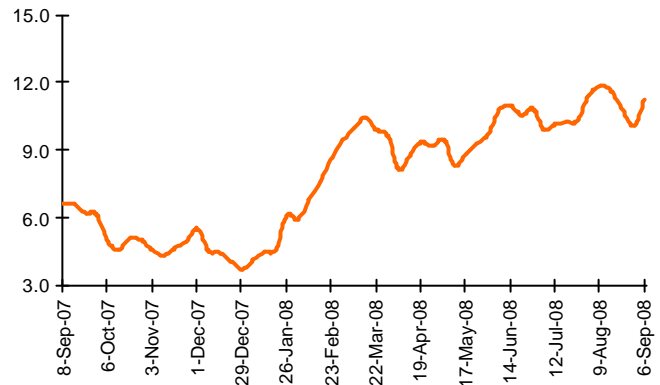
+91 22 6612 1340

- Inflation for the week ended September 06, 2008 moved up marginally to 12.14% as compared to 12.10% reported in the last week.
- The prices of primary articles increased to 11.27% for week ended September 06, 2008 as compared to 10.07% for the preceding week.
- The prices of fuel items declined to 16.66% for the week as compared to 16.94% for the preceding week.
- The inflation for manufactured products declined to 10.78% during the week, as compare to 11.07% for the preceding week.
- Amongst the manufactured articles, the prices of metal products, food products, chemicals and woods products rose the most, by 20.85% yoy, 15.60% yoy, 9.80% yoy and 9.77% yoy respectively.
- However, the rise in price of almost all manufacturing articles was lower than the preceding week.

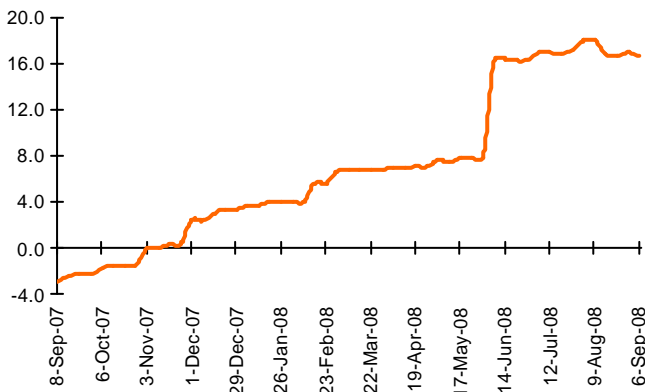
WPI – all (wt 100%)



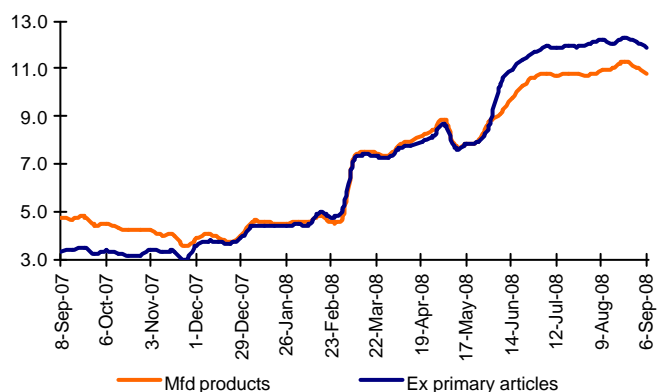
WPI – primary articles (wt 22.03%)



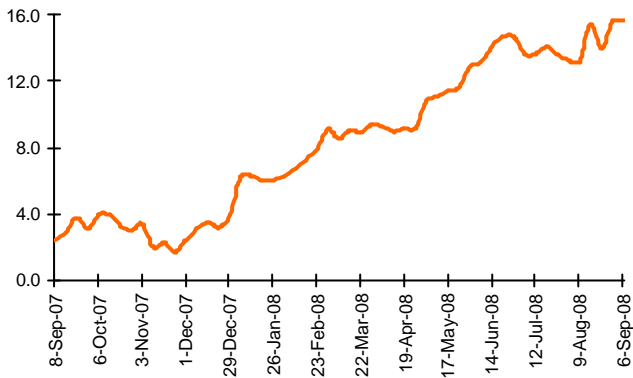
WPI – Fuel, power, light and lubricants (wt 14.23%)



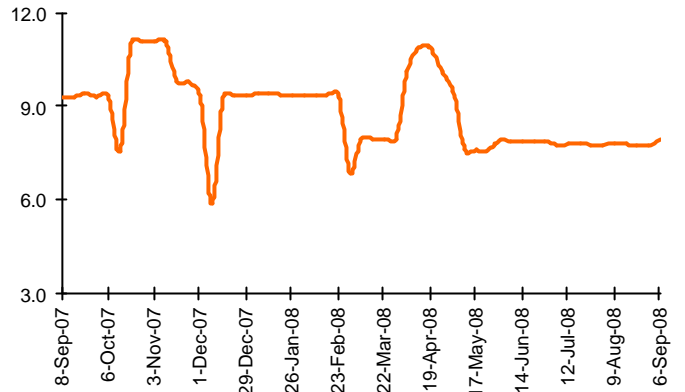
WPI – manufacturing products and ex primary products (wt 63.75%)



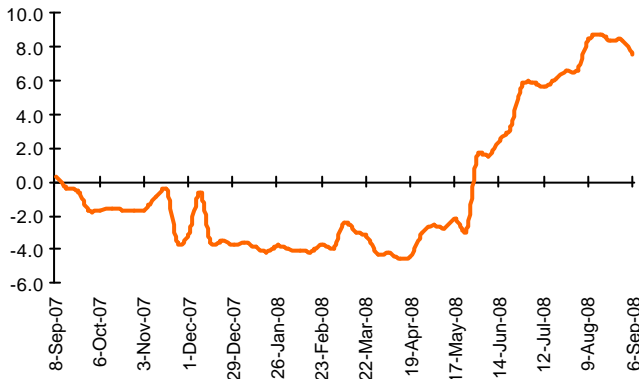
WPI – food products (wt 11.54%)



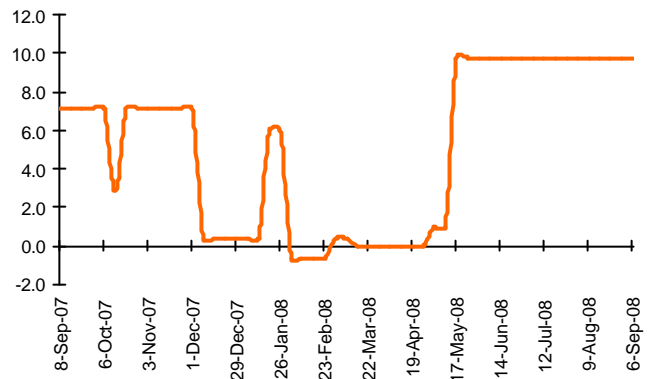
WPI – beverage, tobacco and tobacco products (wt 1.34%)



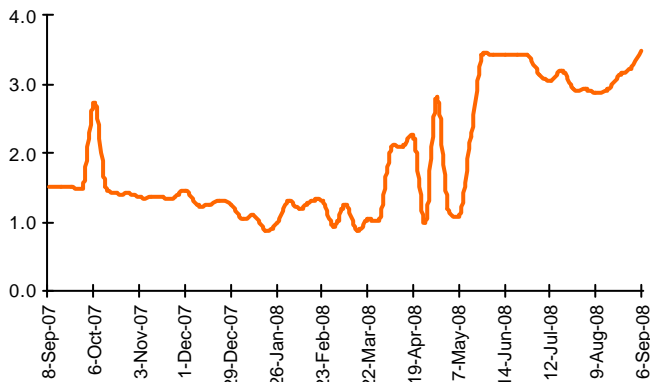
WPI – textiles (wt 9.8%)



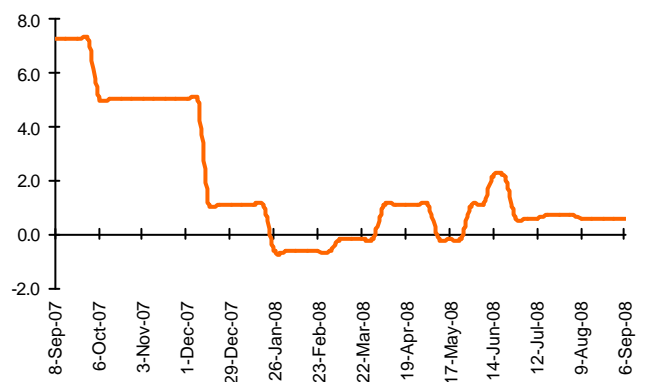
WPI – wood and wood products (wt 0.17%)



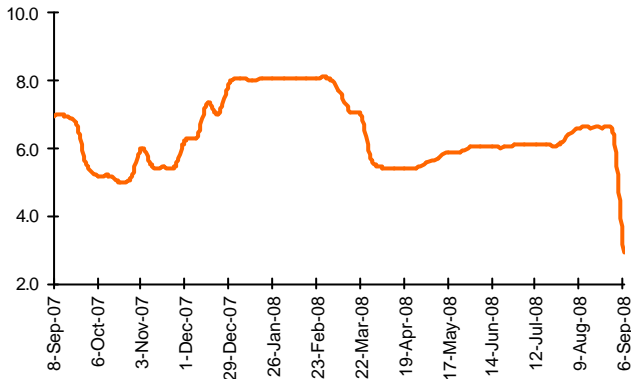
WPI – paper and paper products (wt 2.04%)



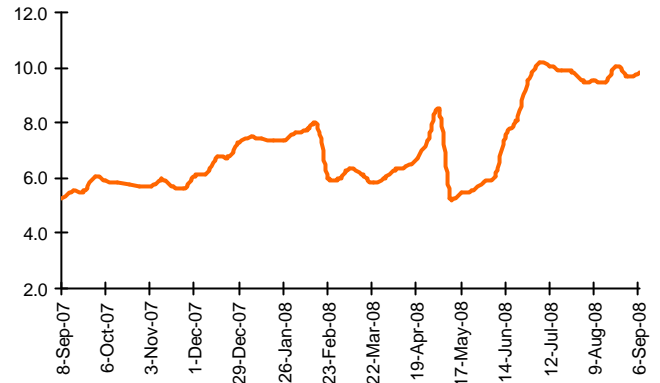
WPI – leather and leather products (wt 1.02%)



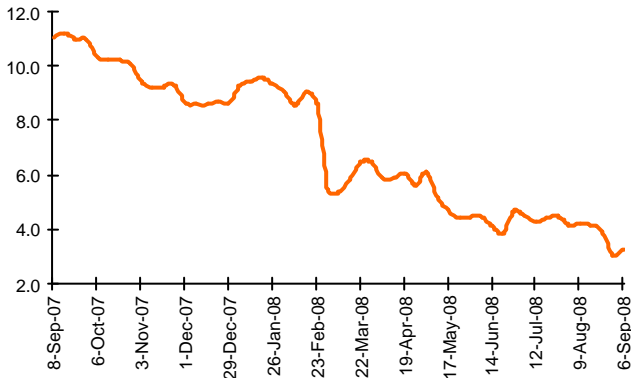
WPI – rubber and plastic products (wt 2.39%)



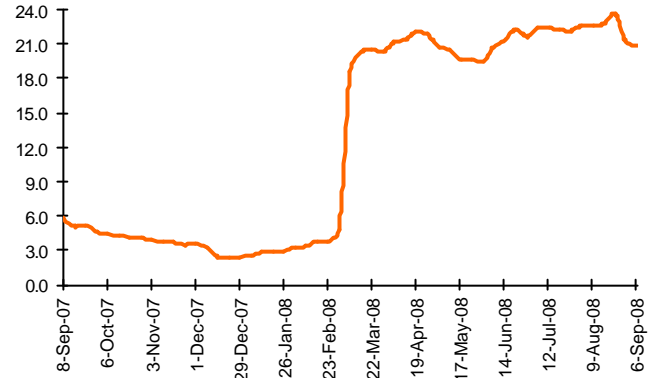
WPI – chemicals and chemicals products (wt 11.93%)



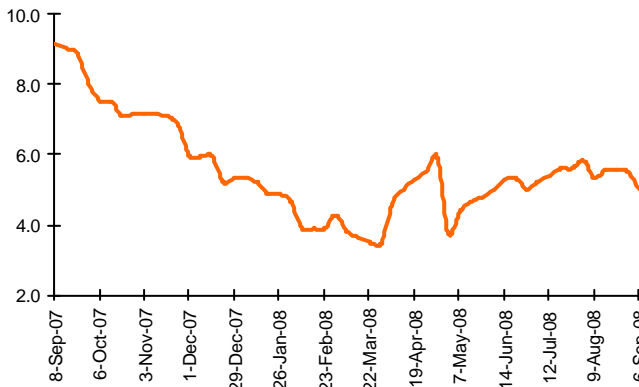
WPI – non-metallic mineral products (wt 2.52%)



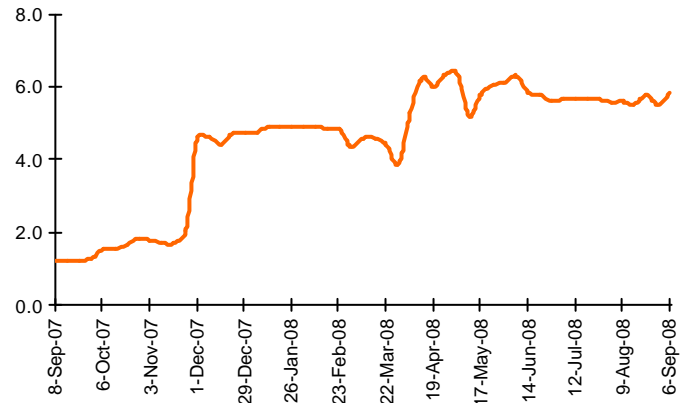
WPI – basis metals, alloys and metal products (wt 8.34%)



WPI – machinery and machine tools (wt 8.36%)



WPI – transportation equipments (wt 4.29%)



Probable near normal end

September 19, 2008

Kashyap Jhaveri

kashyap.jhaveri@emkayshare.com

+91 22 6612 1249

Pradeep Agrawal

pradeep.agrawal@emkayshare.com

+91 22 6612 1340

The advancement of the Southwest monsoon continued in stable manner as it is approaching its end. During the week ended September 17, 2008 the weighted average rainfall was 0.5% above normal. Moreover the number of divisions with deficient/scanty rainfall reduced to just 2 for the week from 5 in the preceding week. The key takeaways of our analysis upto 17th September are as under:

- The weighted average rainfall across the country was at 0.5% above normal for week ended September 17, 2008 from 0.5% below normal in the preceding week.
- In the rain dependent areas the weighted average rainfall was at just 0.1% below normal.
- The total rainfall till date is now 93.2% of the normal (see *table IV*) rainfall for the full season compared with 96.5% for the corresponding period last year.
- **Number of divisions with deficient or scanty rainfall fell to just 2 for the week ended September 17, 2008 from 5 for the last week.**
- The sowing is going at normal pace except for crops like coarse cereals, sugarcane and cotton (see *table V*)

TABLE – I: Advancement of southwest monsoon

% deviation to normal	30-Jul-08	06-Aug-08	13-Aug-08	20-Aug-08	27-Aug-08	03-Sept-08	10-Sept-08	17-Sept-08
Well Irrigated areas	49.7	38.3	31.5	35.5	28.9	20.9	17.5	11.6
Adequately Rain-fed areas	-18.5	-17.0	-12.9	-12.3	-13.6	-21.4	-8.8	-8.9
Rain Dependent Areas	-2.5	-0.7	4.9	2.7	-1.4	-3.7	-3.1	-0.1
India	2.4	2.4	5.9	5.5	1.7	-3.0	-0.5	0.5

TABLE – II: Distribution of rainfall

No of divisions	30-Jul-08	06-Aug-08	13-Aug-08	20-Aug-08	27-Aug-08	03-Sept-08	10-Sept-08	17-Sept-08
Excess	7	9	8	9	6	3	4	2
Normal	20	20	24	23	26	26	27	32
Deficient/Scanty	9	7	4	4	4	7	5	2

Source: Indian Meteorological Department, Emkay Research

TABLE – III: Distribution of rainfall during southwest monsoon till September 17, 2008

Division	From June 1 to					
	September 17, 2008			September 19, 2007		
	Actual (MM)	Normal (MM)	Deviation (%)	Actual (MM)	Normal (MM)	Deviation (%)
Well Irrigated areas	758	679	11.6	486	686	-29.2
East Uttar Pradesh	957	859	11.4	666	868	-23.3
West Uttar Pradesh	814	732	11.2	450	740	-39.2
Haryana, Chandigarh and Delhi	446	441	1.1	305	444	-31.3
Punjab	558	462	20.8	346	466	-25.8
Adequately Rain-fed areas	1,679	1,843	-8.9	2,050	1,861	10.1
Konkan and Goa region	2,857	2,665	7.2	3,076	2,681	14.7
coastal Karnataka	2,612	3,043	-14.2	3,334	3,063	8.8
Kerala	1,633	2,018	-19.1	2,612	2,033	28.5
sub-Himalayan West Bengal and Sikkim	2,028	1,813	11.9	2,036	1,840	10.7
Assam & Meghalaya	1,503	1,775	-15.3	1,681	1,793	-6.2
Nagaland, Manipur, Mizoram and Tripura	872	1,152	-24.3	1,256	1,167	7.6
Arunachal Pradesh	1,389	1,702	-18.4	1,454	1,724	-15.7
Uttaranchal	1,061	1,164	-8.8	1,352	1,174	15.2
Andaman & Nicobar Islands	1,678	1,552	8.1	1,510	1,582	-4.6
Lakshadweep	929	908	2.3	1,398	923	51.5
Rain Dependent Areas	707	708	-0.1	786	718	9.5
Gangetic West Bengal	1,138	1,029	10.6	1,322	1,039	27.2
Orissa	1,287	1,076	19.6	1,227	1,089	12.7
Jharkhand	1,004	1,012	-0.8	1,042	1,024	1.8
Bihar	1,036	961	7.8	1,144	975	17.3
Himachal Pradesh	625	726	-13.9	474	732	-35.2
Jammu & Kashmir	513	474	8.2	489	480	1.9
west Rajasthan	277	253	9.5	219	254	-13.8
east Rajasthan	561	599	-6.3	514	604	-14.9
West Madhya Pradesh	664	856	-22.4	807	865	-6.7
East Madhya Pradesh	877	1,050	-16.5	710	1,058	-32.9
Gujarat region	833	885	-5.9	1,072	890	20.4
Saurashtra and Kutch	508	463	9.7	805	466	72.7
madhya Maharashtra	707	624	13.3	843	633	33.2
Marathwada	549	627	-12.4	589	638	-7.7
Vidarbha	754	915	-17.6	1,018	925	10.1
Chattisgarh	972	1,135	-14.4	1,011	1,147	-11.9
coastal Andhra Pradesh	576	493	16.8	664	507	31.0
Telangana region	780	692	12.7	716	703	1.8
Rayalaseema	369	311	18.6	720	360	100.0
north interior Karnataka	401	406	-1.2	632	420	50.5
south interior Karnataka	712	584	21.9	875	596	46.8
Tamil Nadu and Pondicherry	310	259	19.7	323	269	20.1
India	788	785	0.5	817	795	2.8
Excess/Normal/Deficient/Scanty	No of divisions			No of divisions		
Excess	2			11		
Normal	32			19		
Deficient/Scanty	2			6		

Source: Indian Meteorological Department, Emkay Research

TABLE – IV: Rainfall till date as % of full season

Division	From June 1 to					
	September 17, 2008			September 19, 2007		
	Sept 03, 2008	Full season	% of FS	Sept 05, 2007	Full season	% of FS
Well Irrigated areas	758	723	104.8	486	723	67.2
East Uttar Pradesh	957	914	104.7	666	914	72.9
West Uttar Pradesh	814	773	105.3	450	773	58.2
Haryana, Chandigarh and Delhi	446	470	94.9	305	470	64.9
Punjab	558	502	111.2	346	502	68.9
Adequately Rain-fed areas	1,679	1,959	85.7	2,050	1,959	104.6
Konkan and Goa region	2,857	2,802	102.0	3,076	2,802	109.8
coastal Karnataka	2,612	3,174	82.3	3,334	3,174	105.0
Kerala	1,633	2,143	76.2	2,612	2,143	121.9
sub-Himalayan West Bengal and Sikkim	2,028	1,955	103.7	2,036	1,955	104.1
Assam & Meghalaya	1,503	1,885	79.7	1,681	1,885	89.2
Nagaland, Manipur, Mizoram and Tripura	872	1,241	70.3	1,256	1,241	101.2
Arunachal Pradesh	1,389	1,835	75.7	1,454	1,835	79.2
Uttaranchal	1,061	1,223	86.8	1,352	1,223	110.5
Andaman & Nicobar Islands	1,678	1,755	95.6	1,510	1,755	86.0
Lakshadweep	929	985	94.3	1,398	985	141.9
Rain Dependent Areas	707	768	92.0	786	768	102.3
Gangetic West Bengal	1,138	1,136	100.2	1,322	1,136	116.4
Orissa	1,287	1,165	110.5	1,227	1,165	105.3
Jharkhand	1,004	1,093	91.9	1,042	1,093	95.3
Bihar	1,036	1,039	99.7	1,144	1,039	110.1
Himachal Pradesh	625	774	80.7	474	774	61.2
Jammu & Kashmir	513	514	99.8	489	514	95.1
west Rajasthan	277	263	105.3	219	263	83.3
east Rajasthan	561	624	89.9	514	624	82.4
West Madhya Pradesh	664	904	73.5	807	904	89.3
East Madhya Pradesh	877	1,097	79.9	710	1,097	64.7
Gujarat region	833	934	89.2	1,072	934	114.8
Saurashtra and Kutch	508	486	104.5	805	486	165.6
madhya Maharashtra	707	700	101.0	843	700	120.4
Marathwada	549	704	78.0	589	704	83.7
Vidarbha	754	976	77.3	1,018	976	104.3
Chattisgarh	972	1,206	80.6	1,011	1,206	83.8
coastal Andhra Pradesh	576	575	100.2	664	575	115.5
Telangana region	780	767	101.7	716	767	93.4
Rayalaseema	369	381	96.9	720	381	189.0
north interior Karnataka	401	491	81.7	632	491	128.7
south interior Karnataka	712	659	108.0	875	659	132.8
Tamil Nadu and Pondicherry	310	316	98.1	323	316	102.2
India	788	846	93.2	817	846	96.5

Source: Indian Meteorological Department, Emkay Research

Full season is normal rainfall from June 1 to September 30

TABLE – V: Area under cultivation (million hectares)

Crop	Monsoon 2008-09	Monsoon 2007-08	% yoy change	Normal for full season	Current as % of normal
Rice	36.9	35.0	5.3	39.1	94.3
Coarse cereals	19.5	21.0	-7.1	22.7	86.2
Pulses	10.2	12.0	-15.3	10.9	93.7
Oilseeds	17.7	17.3	2.0	15.9	111.0
Groundnut	5.1	5.3	-3.6	5.4	95.0
Soybean	9.6	8.7	9.5	7.3	131.9
Cash crops					
Cotton	9.1	9.1	-0.4	8.4	108.1
Sugarcane	4.4	5.3	-16.8	4.2	106.3
Jute	0.7	0.8	-11.0	0.8	89.0

Source: Ministry of agriculture, newspaper articles, Emkay Research

Normal is average of full season between 2001-06

Company	No. Of Shares (In lacs)	% Change In price
J P Associate	218	6.2
TCS	21.7	6.4
Sesa Goa	89	5.3
CESC	24.7	5.7
Satyam Comp	63.1	10.5

Nifty movers

Top Gainers	Price	Index Points
Reliance Ind	2055.10	27.7
ONGC	1071.25	24.2
Bharti Airtel	805.85	13.8
NTPC	182.95	12.0
Infosys	1624.95	9.2

Losers

Hero Honda	821.25	-0.6
Sun Pharma	1394.10	-0.2
BPCL	345.60	-0.1
SBI	1565.75	-0.1
ACC	606.80	0.1

Index- volatility

Indices	Sensex	Nifty
High	14097	4263
Low	13675	4041
Close	14042	4245
Volatility (in %)	422 2.99	222 5.21

Dealer Comments

Market Summary: The markets opened the session on a significant higher note with 450 odd points upward gap on the back of extremely positive cues from the global markets particularly the US markets mirroring governments decision to create an entity to deal with billions of dollars of bad debt choking the financial systems and US regulator SEC's decision to halt short selling in 799 financial companies aided by earlier day's decision to infuse enough liquidity in the systems to tackle credit related crisis. Even surge in the crude oil and gold prices didn't deter the markets to move one way north bound till close. It was a spectacular session for the markets led by strong positive news from global markets with China and Europe also resorting to temporary halting of short selling which led these markets to close almost 8-9% higher. All these optimistic news became helpful and energetic for our markets. After displaying range bound movement in early morning trades the indices firmed up and rallied to higher levels in latter part of the day. The buying was seen across the board with good volumes on the bourses as is evident from the fact that the overall market breadth remained fairly positive and was at 2.5.x. The day's rally was mainly led by aggressive and momentous buying mainly in rate sensitive stocks like banking, realty and capital goods besides IT, oil & gas, power and metal also saw good buying interest. Finally the sensdex jumped 727 points or 5.46% higher to settle at 14042 levels while Nifty gained 207 points or 5.13% higher to settle at 4245 levels. On a weekly basis both sensdex and nifty closed 0.5% higher while on sectoral indices Bankex gained 2.3% and Oil & Gas gained 4% respectively. Among the sectoral indices all of them ended in the green with Realty, IT, Oil & Gas, Power, Bankex, Capital Goods, Metals and FMCG out performed the most. Among the index heavy weights, which gained the most were Reliance Ind, ONGC, Bharti Airtel, NTPC and Infosys while Hero Honda, Sun Pharma, BPCL, SBI and ACC were weak and ended as losers. Some of the midcap stocks, which saw extremely good buying action were I-Bulls Real Estate, Educomp, Rel Capital, I-Bulls Fin, Hanung Toys, Akruti City, Mercator Lines, Cummins India, GSFC, Kotak Bank, IFCI, HDIL and India Infoline and were up in the range of 9 -18%.

The overall traded volumes were almost flattish compared to earlier day and were at Rs 965 bn. Delivery-based volumes were at 43.3% the total turnover.

Among the institutional activities FII's were net sellers to the tune of Rs 5.99 bn while Domestic Funds were net buyers to the tune of Rs 9.40 bn respectively in the cash segment on 18th September 2008. While on 19th September 2008 FII's bought shares worth Rs. 10.16 bn in cash segment (provisional) and in the F&O segment bought Futures and Options worth Rs. 39.82 bn whereas Domestic Funds bought shares worth Rs. 0.44 bn (provisional).

Movement of indices

Indices	Previous close	This week	% chg
Sensex	14,000	14,042	0.30
Nifty	4228	4245	0.40
S&P CNX 500	3377	3314	-1.87
BSE 500	5,429	5,336	-1.71
BSE Mid-Cap	5,537	5,228	-5.58
BSE Small-Cap	6,711	6,215	-7.39
BSE Auto	3,951	3,958	0.18
BSE Health	4,169	3,924	-5.88
BSE FMCG	2,206	2,175	-1.41
BSE IT	3,806	3,666	-3.68
BSE PSU	6,691	6,637	-0.81
BSE Bankex	7,029	7,109	1.14
BSE Oil & Gas	9,116	9,468	3.86
BSE Metals	10,881	10,033	-7.79
BSE Cons Dur	3,575	3,311	-7.38
BSE Cap Good	11,836	11,740	-0.81
BSE Realty	4,693	4,102	-12.59
BSE Power	2,546	2,529	0.67

Levels to watch

	Sensex	Nifty
Week High	14,097	4262
Week Low	12558	3799
34 DMA	14313	4297
55 DMA	14483	4343
Swing High	14097	4262
Swing Low	12558	3799

Manas Jaiswal

Technical Analyst

manas.jaiswal@emkayshare.com

+91 22 66121274

Suruchi Kapoor

Junior Technical Analyst

suruchi.kapoor@emkayshare.com

+91 22 66121275

Technical Comments



Outlook for next week

Last week, Nifty opened on a negative note and broke the neckline of the mentioned **“Head and Shoulder”** pattern and continued its southbound journey on Thursday it made a low of 3799, which was very near to our mentioned target of 3790, but thereafter it took support and made **“Double Bottom”** with **“Hammer”** pattern and bounced back smartly. On Friday Nifty retraced almost 61.80% of the recent fall from 4558 to 3799 and made a high of 4262. Finally Nifty closed at 4245 with a marginal gain of 0.40% on w-o-w basis. In sectoral indices, BSE Realty index (-12.59%) followed by BSE Metals index (-7.79%) were the top-loser on w-o-w basis, while BSE Bankex index (+1.14%) and BSE Oil & Gas index (+3.86%) were the top-gainers on w-o-w basis. On the Weekly chart Nifty had formed **“Hammer”** pattern, thus now if Nifty sustains above 4268 levels then it can test 4325 which is 61.80% retracement level of the entire fall from 4649 to 3799. Thus one should exit from long positions near to the above mentioned levels. However downside in the immediate term Nifty has strong support in the range of 3800 to 3790.

Monday's Strategy:

For Monday Nifty has resistance at 4268 and it has support 4197 and below that 4133.

Sectoral Speak

As expected last week the **BSE Metals** index continued its southbound journey and on Thursday it tested our mentioned target of 9248 and made a low of 9188. Thereafter it took support and on Friday it recovered smartly and recovered some of its losses and made a high of 10080. Finally this index closed at 10033 with a loss of 7.79% on w-o-w basis. As we had mentioned earlier that this if this index starts trading above 10260, then we may witness further upside in this index and it can test 10826 levels, which is 50% of the retracement level of the recent fall from 12464 to 9188.

Continuing its southbound journey last week the **BSE Realty** index opened on a negative note and further fell sharply. It tested our mentioned **“Head and Shoulder”** target of 3623 and made a low of 3598. But on Friday this index recovered some of its losses and it broke the mentioned resistance of 3956, which was the upper value of the Gap on the daily chart and made a high of 4164. Finally this index closed at 4102 with a loss of 12.59% on w-o-w basis. On the daily chart this index had formed **“Island Reversal”** pattern, thus in the coming days we can witness some bounce back in this index and it can test 4289 levels which is 38.20% retracement of the recent fall from 5407 to 3598. However downside in the immediate term the level of 3598 will play as support.

Last week on Monday, the **BSE Cap Good** index broke the mentioned neckline of the **“Head and Shoulder”** pattern and further continued its southbound journey and on Thursday it fell sharply and made a low of 10528. Thereafter on Friday it recovered most of losses and finally closed above the neckline of the **“Head and Shoulder”** pattern at 11740 with a marginal loss of 0.81% on w-o-w basis. On the weekly chart this index had formed **“Hammer”** pattern, and this index had already retraced 50% of the recent fall from 12815 to 10528, thus now this index has some resistance at 11777 which is the upper value of the **Gap** on the weekly chart.

Last week the **BSE Bankex** index opened on a negative note and on Wednesday it broke the neckline of the mentioned Head and shoulder pattern and made a low of 6433, but there also this index continues its southbound journey and on Thursday it further fell sharply and broke the Wednesday low of 6433 and made a low of 6178. But thereafter after it took support and on Friday it recovered all its losses and made a high of 7140 and finally closed above the neckline of the **“Head and Shoulder”** pattern at 7109 with a gain of 1.14% on w-o-w basis. This index had already retraced 61.80% of the recent fall from 7581 to 6178, thus now this index has strong resistance in the range of 7750 to 7581.

Nifty

	12.09.08	19.09.08	Chg	% Chg
Spot	4201.0	4251.6	50.65	1.21
Sep Fut	4216.0	4281.2	65.2	1.55
Oct Fut	4214.0	4280.55	66.55	1.58

Nifty Cost of Carry

	12.09.08		19.09.08	
	Basis	COC %	Basis	COC %
Sep Fut	15.1	10.1	29.6	42.4

Nifty open interest

	No of Shares ('000)			
	12.09.08	19.09.08	Chg	%Chg
Sep Fut	34852	31740	-3112	-8.93
Oct Fut	2282	6805	4523	198.20
Total	37197	38654	1457	3.92

Nifty put call ratio

	No of Shares ('000)			
	12.09.08	19.09.08	Chg	%Chg
Call OI	41960	45411	3451	8.22
Put OI	39236	43384	4148	10.57
PCR	0.94	0.96	0.02	

Sameer Shetye

Associate Derivative Research

sameer.shetye@emkayshare.com

Tel: +91 22 6612 1276

Derivative Comments**Market Activity**

This week Nifty opened Negative; and in the later part of the week it corrected sharply but on Thursday it took support at around 3800 levels and bounced back sharply to end the week at 4245.25 with a marginal gain of 16.8 points (0.40%) from its previous weeks close. Major Gainers for the week were KSK, Akruiti, Punj Llyod, IOB and Kotak Bank. Losers were NIIT Ltd, Ranbaxy, Peninsula Land, Rajesh Exports and NIIT Tech.

FII's remained net Sellers in Index futures to the tune of 22511 contracts and have shed 2971 contracts in OI. They remained net Buyers in Index options to the tune of 41472 contracts and the OI has increased by 134208 contracts. In stock futures too they were net Buyers to the tune of 34612 contracts and have added 66368 contracts in OI.

Market Outlook:

The Sep futures cost of carry for the Nifty stood at a Positive 42.4 % against a Positive 10.1 % for the last week. Nifty Sep Futures traded at a Premium of 25 - 30 Points. The IV of Nifty this week has increased from 36 - 37 % to 40 - 41 %. And on a week on week basis Nifty added 14.56 lac shares (3.9%) in Open Interest.

Open Interest (OI) Analysis:

Short OI was seen in NIIT Tech(52%),Welspun(23%) and Sesa Goa(20%). Hence we would advise clients to avoid going long on these stocks.

Long OI Build up was witnessed in Arkuti (220%) and LIC Hsg Fin (120%). Hence we expect these stocks to show further upside move. The CoC of LiC Hsg Fin having turned negative we would advise clients to enter the stock at lower levels.

Put Call Ratio Analysis:

The Put Call Ratio of Nifty WoW increased from 0.94 to 0.96. On w-o-w basis Nifty Call options added 34.5 Lakh shares (8.23%) and Put options added 41.5 Lakh shares (10.6%) in OI.

On Friday on the calls side maximum unwinding was witnessed at 4500 strike(10.96L) followed by 4400 strike(5L). On the total Call OI front maximum open interest now stands at 4500 strike (74.80L) followed by 4300 strike (54.68L). Thus Nifty has very strong resistance at 4500 and it has immediate resistance at 4300.

On the Puts Front significant action was seen at 4000 Strike which added (9.36L) shares and also at 4100 Strike which added(3.8L). However the highest open interest in Puts is at 4000 Strike stands at (72.4L). Hence on the downside Nifty has strong support at 4000 levels.

Cost of Carry (CoC):

Turned Positive: Ashok Leyland, BPCL, Tata Motors, Unitech and Zee.

Turned Negative: LIC Hsg Fin, Reliance Capital and Sterlite.

FII's Weekly Derivative Statistics 18.09.08

	Buy		Sell		Open Interest as on 18.09.08		Open Interest as on 11.09.08		Change in FII's Open Interest (W-o-W)	
	No. Of Contracts	Amt in Crs.	No. Of Contracts	Amt in Crs.	No. Of Contracts	Amt in Crs.	No. Of Contracts	Amt in Crs.	No. Of Contracts	Amt in Crs.
Index Futures	564512	11361.83	587023	11840.68	620952	12508.72	623923	13378.69	-2971	-869.97
Index Options	199777	4027.86	158305	3253.39	1187058	23925.42	1052850	22544.75	134208	1380.67
Stock Futures	317847	5235.86	283235	4764.66	1245516	19951.79	1179148	20478.61	66368	-526.82
Stock Options	11913	173.29	18012	236.04	95391	1533.8	69528	1292.78	25863	241.02
TOTAL	1094049	20798.84	1046575	20094.77	3148917	57919.73	2925449	57694.83	223468	224.9

[Home](#)

DISCLAIMER: This document is not for public distribution and has been furnished to you solely for your information and may not be reproduced or redistributed to any other person. The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions. This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. No person associated with Emkay Global Financial Services Ltd. is obligated to call or initiate contact with you for the purposes of elaborating or following up on the information contained in this document. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon. Neither Emkay Global Financial Services Ltd., nor any person connected with it, accepts any liability arising from the use of this document. The recipient of this material should rely on their own investigations and take their own professional advice. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. We and our affiliates, officers, directors, and employees world wide, 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 or act as a market maker in the financial instruments of the company (ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender / 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 Emkay Global Financial Services Ltd.'s prior written consent. No part of this document may be distributed in Canada or used by private customers in the United Kingdom. In so far as this report includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Emkay Global Financial Services Ltd.
Paragon Center, H -13 -16, 1st Floor,
Pandurang Budhkar Marg, Worli, Mumbai – 400 013.
Tel no. 6612 1212. Fax: 6624 2410