

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

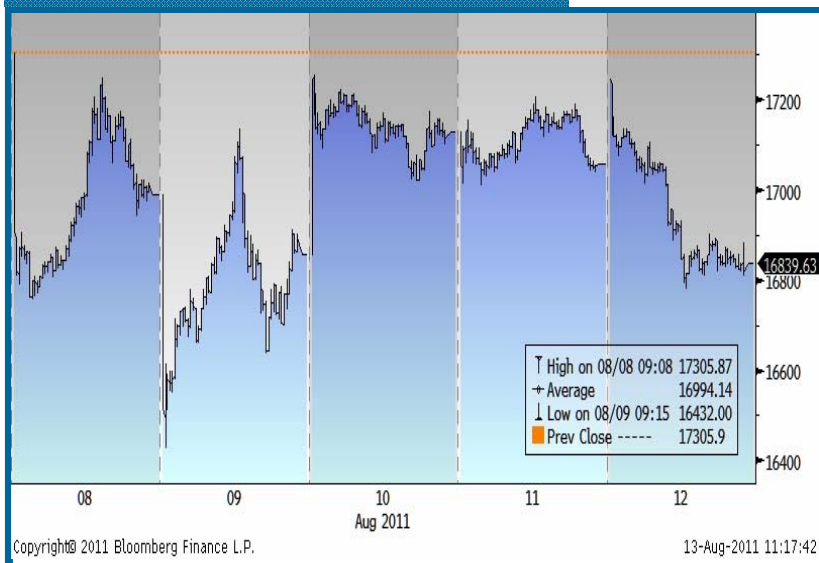
August 13, 2011

Sutapa Roy

E-mail: s-roy@microsec.in

MARKET UPDATE

WEEKLY CHART OF SENSEX



WEEK IN RETROSPECT

Growing fears of the U.S. slowdown following S&P's downgrade, dragged the Indian stock market lower last week. Credit rating agency, S&P, downgraded U.S. from its perfect "AAA" to "AA+" on August 5, 2011 leading to fears about the strength of the economy. The lurking fears of a worsening crisis in Europe only exacerbated the jitters.

India's food inflation accelerated to 9.90 percent in the week ended July 30, 2011 from 8.04 percent in the week to July 23. India's monsoon rains were 14 percent above normal in the week to August 10, 2011, improving sharply from 22 percent below average the week before. India's exports jumped by 81.8 percent YoY to USD29.3 billion in July 2011.

On the global front, the U.S. Fed on its FOMC meeting decided to keep interest rates unchanged between 0.00 percent and 0.25 percent at least mid-2013 compared with the previous pledge of "for an extended period". So the Fed has lengthened its low rate guidance by roughly 22 months. More significant perhaps was that the Fed "discussed the range of policy tools available to promote a stronger economic recovery" and said that it is "prepared to employ these tools as appropriate". That may have included QE3. Although the chances of QE3 have risen, it probably won't happen until next year when core inflation has started to fall back. The U.S. initial jobless claims decreased to 395,000 in the week ending August 5, 2011 from 402,000 registered the previous week. The U.S. retail sales rose in July 2011 by the largest amount in four months. Sales rose 0.5 percent in July, the best since March's 0.8 percent increase. In response to particularly sharp falls in banking shares, the regulators of France, Belgium, Italy and Spain announced a 15-day ban on the short-selling of certain financial stocks and derivatives linked to them.

OUTLOOK

With the end of Q1 FY2011-12 result session, Indian stock market is likely to trade on global cues. A recent correction in commodity prices, including that of oil and metals augurs well for Indian manufacturing firms. Lower commodity prices may also help rein in high inflation. The market remains closed on Monday, August 15 2011, on account of Independence Day. Shares of State Bank of India, Aditya Birla Nuvo, Reliance Communications, Reliance Capital and Shipping Corporation of India will react to their Q1 results on Tuesday, August 16, which will be announced on Saturday, August 13. India's Inflation data for the month of July 2011 which is scheduled to announce on August 16 and progress of monsoon will also be in focus.

GLOBAL MARKET DURING LAST 5 DAYS

NAME	LAST PRICE	5D % CH	1M % CH	3M % CH	1Y% CH	Current P/E	FY12 EST P/E	Current P/B	FY12 EST P/B
DOW JONES	11269.02	(1.53)	(9.70)	(10.53)	9.37	12.12	11.39	2.41	2.30
NASDAQ	2507.98	(0.96)	(10.10)	(11.33)	15.39	19.23	14.96	2.22	2.47
S&P 500	1178.81	(1.72)	(10.43)	(11.88)	9.22	12.91	11.88	1.93	1.86
FTSE 100	5320.03	1.39	(8.96)	(10.22)	0.85	10.77	9.42	1.61	1.51
CAC 40	3213.88	(1.97)	(13.76)	(20.03)	(11.00)	9.41	8.55	1.07	1.00
DAX	5997.74	(3.82)	(16.93)	(18.99)	(1.84)	10.57	9.06	1.26	1.17
NIKKEI 225	8963.72	(3.61)	(10.13)	(7.10)	(3.13)	16.91	14.91	1.15	1.10
HANG SENG	19620.01	(6.33)	(10.31)	(15.71)	(6.89)	9.45	10.46	1.46	1.37
STRAITS TIMES	2850.59	(8.25)	(7.58)	(9.90)	(3.04)	8.16	13.05	1.40	1.40
TAIWAN TAIEX	7637.02	(2.75)	(10.94)	(15.21)	(3.23)	14.04	13.33	1.60	1.61
KOSPI	1793.31	(7.74)	(16.40)	(15.41)	2.70	11.37	8.16	1.07	1.11
BRAZIL BOVESPA	53473.35	0.99	(10.10)	(15.44)	(19.30)	8.25	8.69	1.28	1.18
RUSSIAN RTS	1592.40	(3.94)	(17.86)	(14.68)	10.17	4.43	5.17	1.05	0.88
SHANGHAI SE COMPOSIT	2593.17	(1.27)	(8.05)	(9.68)	(0.52)	14.34	11.88	2.18	1.81
BSE SENSEX	16839.63	(2.69)	(9.28)	(9.13)	(7.31)	15.04	13.89	2.78	2.49
NSE S&P CNX NIFTY	5072.95	(2.65)	(9.10)	(8.51)	(6.95)	14.56	13.67	2.58	2.31

MSCI INDICES				
NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
MSCI WORLD	1180.82	(1.11)	(10.08)	(12.09)
MSCI AC WORLD	302.11	(1.63)	(10.46)	(12.28)
MSCI AC ASIA PACIFIC	121.92	(3.30)	(10.14)	(10.46)
MSCI EM	989.74	(4.93)	(12.84)	(13.54)

VOLATILITY INDICES				
NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
CBOE SPX VOLATILITY	36.36	13.63	86.18	113.01
INDIA NSE VOLATILITY	27.02	8.51	35.44	30.97

10 YERS BOND MARKETS				
NAME	YIELD	5D % CH	1M % CH	3M % CH
US Generic Govt 10 Year Yield	2.25	(11.87)	(21.63)	(30.03)
UK Govt Bonds 10 Year Note Gen	2.53	(5.73)	(18.05)	(24.99)
Brazil Government Generic Bond	3.97	(0.58)	(0.43)	(12.70)
Japan Govt Bond Year to maturity	1.05	4.17	(5.50)	(6.76)
Australia Govt Bonds Generic M	4.43	(0.96)	(10.32)	(17.28)
India Govt Bond Generic Bid Yi	8.27	(0.64)	(0.16)	0.44

FOREX MARKET				
NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
DOLLAR INDEX SPOT	74.61	0.01	(1.59)	(0.84)
EUR-USD X-RATE	1.42	(0.24)	1.95	0.01
USD-GBP X-RATE	0.61	0.69	(2.24)	0.07
USD-BRL X-RATE	1.61	(2.21)	(2.02)	0.50
USD-JPY X-RATE	76.71	2.20	3.30	5.51
USD-INR X-RATE	45.34	(1.32)	(1.38)	(0.74)
USD-CNY X-RATE	6.39	0.80	1.29	1.71
USD-KRW X-RATE	1079.63	(1.14)	(1.22)	0.51

MONEY MARKETS				
NAME	LAST	5D % CH	1M % CH	3M % CH
BBA LIBOR USD 3M	0.29	6.79	16.49	11.24
MIBOR Offer Market 3M	1.53	(1.92)	(4.38)	7.75
India Indicative Call Rate	8.05	0.25	8.05	8.78

INDUSTRIAL METALS & ENERGY MARKETS				
NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
COPPER (USD/T)	8865.00	(1.95)	(8.13)	1.55
ALUMINUM (USD/T)	2400.00	(0.08)	(3.69)	(8.22)
ZINC (USD/T)	2177.00	(1.05)	(7.32)	1.61
LEAD (USD/T)	2380.00	0.80	(12.90)	3.14
OIL (USD/BBL)	85.38	(1.73)	(12.37)	(13.73)
NATURAL GAS (USD/MMBTU)	4.06	3.02	(5.84)	(6.13)

PRECIOUS METALS				
NAME	LAST	5D % CH	1M % CH	3M % CH
GOLD (USD/OZ)	1746.90	4.99	11.43	16.00
SILVER (USD/OZ)	39.10	1.95	8.30	12.60

INDUSTRY INDICES				
NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
BALTIC DRY INDEX	1287.00	1.50	(8.79)	(2.50)
BBG WORLD IRON INDEX	247.51	(3.91)	(16.50)	(17.58)

AGRO MARKET				
NAME	LAST PRICE	5D % CH	1M % CH	3M % CH
COFFEE (USD/IB)	243.85	0.81	(6.86)	(13.24)
COTTON (USD/IB)	100.52	(1.04)	(3.71)	(15.66)
SUGAR (USD/IB)	27.84	1.09	(8.69)	29.43
WHEAT (USD/BU)	732.25	1.28	3.83	(12.65)
SOYBEAN (USD/BU)	1334.75	(0.09)	(1.73)	0.64

INSTITUTIONAL FLOW IN Cr (08/08-12/08)			
INSTRUMENT	PURCHASE	SALE	NET
FII (P)	12108.39	15976.74	(3868.35)
DII	9509.74	6121.18	3388.56
MUTUAL FUND (08/08-11/08)	3878.60	2580.10	1298.50

FII DERIVATIVE SEGMENT IN Cr (08/08-12/08)			
INSTRUMENT	PURCHASE	SALE	NET
INDEX FUTURE	18786.59	17977.29	809.30
INDEX OPTION	76851.89	73555.74	3296.15
STOCK FUTURE	10298.09	9077.27	1220.82
STOCK OPTION	1103.01	1088.91	14.10

Rural Electrification Corporation

Rural Electrification Corpn Ltd (REC) has posted a better than expected result for Q1'12. The top line was 11 percent above our expectation and the bottomline exceeded our expectation by 5.2 percent. REC had provided INR250 Mn for bad & doubtful debts. There was no provision in earlier quarters.

At 187.7, the stock is trading at a P/Ex of 5.25 & P/BVx of 1.14 based on its FY13 expected earnings. The 5 Year average P/BV for the stock stood at 1.96. The current valuation looks quite attractive (TTM at 26 percent discount to 5 year average) for long term investments.

Rural Electrification Corpn Ltd -Standalone- [INR-Millions]					
DESCRIPTION	Q1'12	Q4'11	Q1'11	QoQ%	YoY%
Net Sales & Other Operating Income	23345.90	21883.30	18995.90	6.68%	22.90%
Total Expenditure	732.60	553.60	335.40	32.33%	118.43%
PBIDT (Excl OI)	22613.30	21329.70	18660.50	6.02%	21.18%
Other Income	382.90	1180.00	291.80	-67.55%	31.22%
Operating Profit	22996.20	22509.70	18952.30	2.16%	21.34%
Interest	14031.50	13042.50	11012.30	7.58%	27.42%
PBDT	8964.70	9467.20	7940.00	-5.31%	12.91%
Depreciation	7.40	7.80	7.40	-5.13%	0.00%
PBT	8957.30	9459.40	7932.60	-5.31%	12.92%
Tax	2337.70	2456.80	2059.00	-4.85%	13.54%
Profit After Tax	6619.60	7002.60	5873.60	-5.47%	12.70%
Basic EPS before Extraordinary Items	6.70	7.10	5.95	-5.63%	12.61%
Diluted EPS after Extraordinary Items	6.70	7.10	5.95	-5.63%	12.61%

Rolta India

Rolta India Ltd posted its Q4 FY2011 numbers, June Ending, on 11 August 2011. A summary of these numbers is as follows:

Particulars	Q4 11	Q1 11	Q4 10	QoQ (%)	YoY (%)
Revenues	476.6	460.3	412.1	3.5%	15.7%
EBITDA	193.4	183.2	160.1	5.6%	20.8%
EBIDTA Margins	40.6%	39.8%	38.9%	79 bps	174 bps
Net Income	88.6	84.0	69.1	5.5%	28.1%
Net Income Margins	18.6%	18.2%	16.8%	35 bps	181 bps
Earnings Per Equity share	5.5	5.2	4.3	5.6%	28.2%
All data in ₹ Crores unless specified, EPS represents Diluted EPS					

While Rolta's top line increased 3.5 percent sequentially to INR476.6 Crores, it reported a 5.5 percent q-o-q growth in net profit to INR88.6 Crores in Q4 FY2011.

Tech Mahindra

Tech Mahindra Ltd posted its Q1 FY2012 numbers on 12 August 2011. A summary of these numbers, excluding Satyam's numbers, is as follows:

Particulars	Q1 12	Q4 11	Q1 11	QoQ (%)	YoY (%)
Revenues	1,292.5	1,261.5	1,133.7	2.5%	14.0%
EBITDA	241.7	259.0	212.7	-6.7%	13.7%
EBIDTA Margins	18.7%	20.5%	18.8%	(183)bps	(6)bps
Net Income	180.5	206.5	144.3	-12.6%	25.1%
Net Income Margins	14.0%	16.4%	12.7%	(240)bps	124 bps
Earnings Per Equity share	13.7	15.8	11.1	-13.5%	23.5%
All data in ₹ Crores unless specified, EPS represents Diluted EPS					

While Tech Mahindra's top line increased 2.5 percent sequentially to INR1,292.5 Crores, it reported a 12.6 percent q-o-q decline in net profit to INR180.5 Crores in Q1 FY2012.

Including Satyam's numbers, the results are as follows:

Particulars	Q1 12	Q4 11	Q1 11	QoQ (%)	YoY (%)
Revenues	1,292.5	1,261.5	1,133.7	2.5%	14.0%
EBITDA	241.7	259.0	212.7	-6.7%	13.7%
EBIDTA Margins	18.7%	20.5%	18.8%	(183)bps	(6)bps
Net Income	276.6	92.2	144.3	200.0%	91.7%
Net Income Margins	21.4%	7.3%	12.7%	1,409 bps	867 bps
Earnings Per Equity share	21.0	7.1	11.1	196.7%	89.3%
All data in ₹ Crores unless specified, EPS represents Diluted EPS					

While after including Satyam's numbers, top line increased 2.5 percent sequentially to INR1,292.5 Crores, its net profit tripled q-o-q to INR276.6 Crores in Q1 FY2012.

- ◆ **State Bank of India (SBI)** consolidated basis posted a net profit after Minority Interest of INR25124.70 million for the quarter ended June 30, 2011 as compared to INR33652.60 million for the quarter ended June 30, 2010. Total Income increased from INR328080.60 million for the quarter ended June 30, 2010 to INR391260.60 million for the quarter ended June 30, 2011.
- ◆ **Tata Steel** posted strong growth of 2.93 times in its consolidated net profit at INR53.47 billion led by higher other income for the quarter ended June 30, 2011 as compared to INR18.25 billion for the quarter ended June 30, 2010. Other income stood at INR38.82 billion for the quarter ended June 30, 2011 as against INR0.59 billion for the quarter ended June 30, 2010, representing growth of 65.80 times. Total income of the company on the consolidated basis has increased from INR272.53 billion for the quarter ended June 30, 2010 to INR368.82 billion for the quarter ended June 30, 2011, representing increase of 35.33 percent.
- ◆ **Bharat Petroleum Corporation (BPCL)** posted a net loss of INR25.61 billion for the quarter ended June 30, 2011 as compared to INR17.18 billion for the quarter ended June 30, 2010. Net sales has increased from INR345.53 billion for the quarter ended June 30, 2010 to INR465.66 billion for the quarter ended June 30, 2011, representing increase of 34.77 percent.
- ◆ **Hindustan Petroleum Corporation (HPCL)** posted a net loss of INR30.80 billion for the quarter ended June 30, 2011 as compared to INR18.84 billion for the quarter ended June 30. Net sales have increased from INR294.66 billion for the quarter ended June 30, 2010 to INR410.56 billion for the quarter ended June 30, 2011, representing increase of 39.33 percent.
- ◆ **India Cement** posted a net profit of INR1,020.3 million for the quarter ended June 30, 2011 as compared to INR249.8 million for the quarter ended June 30, 2010 representing rise of 4.08 times. Total income has increased from INR8.83 billion for the quarter ended June 30, 2010 to INR10.61 billion for the quarter ended June 30, 2011, representing increase of 20.16 percent.
- ◆ **Housing Development and Infrastructure (HDIL)** posted consolidated net profit of INR1.89 billion for the quarter ended June 30, 2011 as compared to net profit of INR2.16 billion for the quarter ended June 30, 2010, representing decrease of 12.50 percent. Total income has increased from INR4.68 billion for the quarter ended June 30, 2010 to INR5.22 billion for the quarter ended June 30, 2011, representing increase of 11.54 percent.
- ◆ **Jindal Saw** posted a net profit of INR828 million for the quarter ended June 30, 2011 as compared to INR1,488.30 million for the quarter ended June 30, 2010, representing decrease of 44.37 percent. Total income has decreased from INR11.59 billion for the quarter ended June 30, 2010 to INR11.37 billion for the quarter ended June 30, 2011, representing marginal decrease of 1.90 percent.
- ◆ **Bajaj Hindusthan** posted a net profit of INR11.5 million for the quarter ended June 30, 2011 as compared to net loss of INR149.1 million for the quarter ended June 30, 2010. Total income has increased from INR7.28 billion for the quarter ended June 30, 2010 to INR10.62 billion for the quarter ended June 30, 2011, representing increase of 45.88 percent.
- ◆ **Rajesh Exports** posted a net profit of INR951.23 million for the quarter ended June 30, 2011 as compared to INR474.01 million for the quarter ended June 30, 2010, representing rise of 2 times. Net sales have increased from INR42.83 billion for the quarter ended June 30, 2010 to INR47.37 billion for the quarter ended June 30, 2011, representing increase of 10.60 percent.
- ◆ **Gitanjali Gems** posted a net profit of INR1,232.31 million for the quarter ended June 30, 2011 as compared to INR787.01 million for the quarter ended June 30, 2010 representing rise of 56.58 percent. Net sales have increased from INR18.66 billion for the quarter ended June 30, 2010 to INR25.95 billion for the quarter ended June 30, 2011, representing increase of 39.07 percent.
- ◆ **Moser Baer (India)** posted a net loss of INR922.1 million for the quarter ended June 30, 2011 as compared to net loss of INR878.4 million for the quarter ended June 30, 2010. Net sales has increased from INR4.59 billion for the quarter ended June 30, 2010 to INR5.45 billion for the quarter ended June 30, 2011, representing increase of 18.74 percent.
- ◆ **Fortis Healthcare (India)** posted consolidated net profit of INR137.6 million for the quarter ended June 30, 2011 as compared to net loss of INR134.1 million for the quarter ended June 30, 2010. Total Income has increased from INR3.37 billion for the quarter ended June 30, 2010 to INR4.83 billion for the quarter ended June 30, 2011, representing increase of 43.32 percent.
- ◆ **DB Realty** posted consolidated net profit of INR411.45 million for the quarter ended June 30, 2011 as compared to INR618.49 million for the quarter ended June 30, 2010 representing decrease of 33.48 percent. Total income has increased from INR2.80 billion for the quarter ended June 30, 2010 to INR3 billion for the quarter ended June 30, 2011, representing increase of 7.14 percent.

August 15, 2011

- ◆ Japan's GDP data for Q2 of 2011.
- ◆ The U.S. Empire Manufacturing data for August 2011.

August 16, 2011

- ◆ **India's Inflation data for July 2011.**
- ◆ Germany GDP data for Q2 of 2011.
- ◆ The U.S. Industrial Production data for July 2011.
- ◆ The U.S. Housing Starts data for July 2011.

August 17, 2011

- ◆ The U.S. Producer Price Index data for July 2011.
- ◆ The U.S. MBA Mortgage Application data for the week ended August 12, 2011.
- ◆ Bank of England Minutes.

August 18, 2011

- ◆ India's weekly Inflation Food and Fuel Inflation data for the week ended August 06, 2011.
- ◆ The U.S. Initial Jobless Claims data for the week ended August 12, 2011.
- ◆ The U.S. Existing Home Sales data for July 2011.
- ◆ The U.S. Bloomberg Consumer Confidence data for the week ended August 14, 2011.
- ◆ The U.S. Consumer Price Index data for July 2011.
- ◆ The U.S. Leading Indicators for July 2011.
- ◆ The U.K. Retail Sales data for July 2011.
- ◆ Japan's Trade Balance data for July 2011.

August 19, 2011

- ◆ Germany Producer Price Index data for July 2011.
- ◆ The U.K. Public Sector Net Borrowing data for July 2011.

- Investment Banking
- Equity, Commodity & Currency Broking
- Wealth Management
- Insurance Broking
- Club Kautilya
- prpsolutions.com



accountable... answerable, always



Kolkata

Investment Banking
Azimganj House, 2nd Floor,
7, Camac Street, Kolkata- 700 017, India
Tel.: 91 33 2282 9330, Fax: 91 33 2282 933

Brokerage and Wealth Management
Shivam Chambers, 1st Floor,
53, Syed Amir Ali Avenue, Kolkata- 700 019, India
Tel.: 91 33 3051 2100, Fax: 91 33 3051 20205

Mumbai

42A & 74A, Mittal Tower,
4th & 7th floor 210, Nariman Point,
Mumbai- 400 021, India
Tel.: 91 22 2285 5544, Fax: 91 22 2285 5548

New Delhi

417, World Trade Centre, 4th Floor, Babar Road,
Connaught Place, New Delhi- 110 001, India
Tel.: 91 11 4152 8152



E-mail: info@microsec.in Website: www.microsec.in

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 / 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.