

Market Commentary

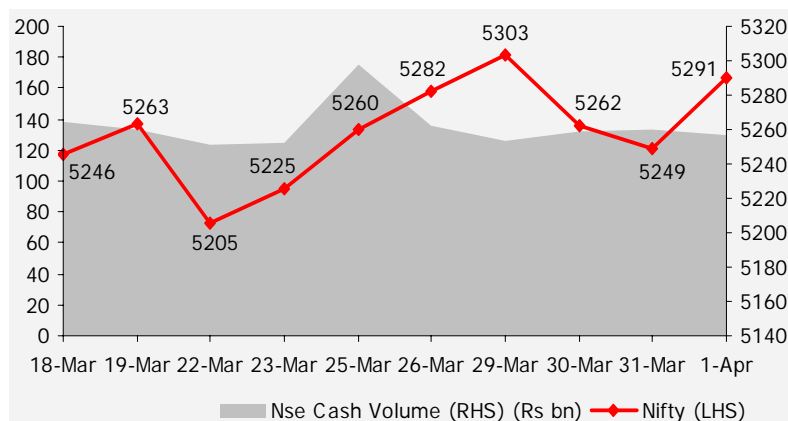
Indian markets extended their gain and breached their 25-months' high. Firm rally in the global equity market coupled with the improving labour and economic outlook in the US and Europe helped the broader indices to gain 0.2% during the week. Buying was witnessed in real estate and metal stocks across large- and mid-cap spaces. Both equity and debt markets witnessed a record inflow of USD 3.9bn and USD 4.4bn during the first quarter of CY2010. Market sentiment was further boosted with better-than-expected export numbers which grew by 34.8% to USD 16.09bn, while foreign direct investment in sectors like services, IT, telecom and real estate witnessing growth of 15.4% to USD 1.72bn.

Market Statistics

| Developed | Last Close | % Change | |
|--------------------------|--------------|-------------|--------|
| | | WTD | YTD |
| U.S. (S&P)* | 1,169 | 0.2 | 4.9 |
| UK (FTSE)* | 5,724 | 0.4 | 5.7 |
| Japan (Nikkei 225) | 11,244 | 2.3 | 6.6 |
| Dollar Index* | 81 | (0.8) | 4.1 |
| Emerging Markets | | | |
| India (Sensex) | 17,693 | 0.3 | 1.3 |
| India (Nifty) | 5,291 | 0.2 | 1.7 |
| China (Shanghai) | 3,147 | 2.9 | (4.0) |
| Russia (Micex)* | 1,478 | 4.4 | 7.9 |
| Brazil (Ibov)* | 70,372 | 2.5 | 2.6 |
| Asian Markets | | | |
| Hong Kong (HSI) | 21,537 | 2.3 | (1.5) |
| Singapore (Straits) | 2,943 | 1.3 | 1.6 |
| Korea (Kospi) | 1,719 | 1.3 | 2.2 |
| BSE Sector | | % Change | |
| | | WTD | YTD |
| BSE Mid Cap | 6,866 | 1.5 | 2.2 |
| BSE Small Cap | 8,704 | 3.3 | 4.1 |
| Auto | 7,665 | 0.5 | 3.1 |
| Bankex | 10,713 | 0.7 | 6.8 |
| Capital Goods | 14,275 | 1.4 | 2.2 |
| Power | 3,110 | 1.4 | (2.4) |
| Realty | 3,310 | 3.3 | (14.2) |
| Technology | 3,321 | (2.5) | 1.3 |
| FMCG | 2,825 | (0.6) | 1.2 |
| Metal | 18,230 | 1.8 | 4.8 |
| Institutional Activities | | Spot market | |
| | | WTD | MTD |
| FII (Rs bn) | 21.5 | 1.1 | 190.2 |
| MF (Rs bn) | (1.9) | 4.5 | (55.2) |
| Commodities Update | | % Change | |
| | | WTD | YTD |
| Crude Oil(NYME)** | \$/Bbl 84 | 5.5 | 6.4 |
| Gold(OTC)** | \$/Oz 1,116 | 0.8 | 1.8 |
| Silver(OTC)** | \$/Oz 18 | 4.6 | 4.8 |
| Copper(LME)** | \$/MT 7,759 | 3.7 | 5.7 |
| Aluminum(LME)** | \$/MT 2,294 | 4.7 | 4.4 |
| Sugar(LIFFE)** | \$/MT 490.70 | 1.0 | (28.7) |

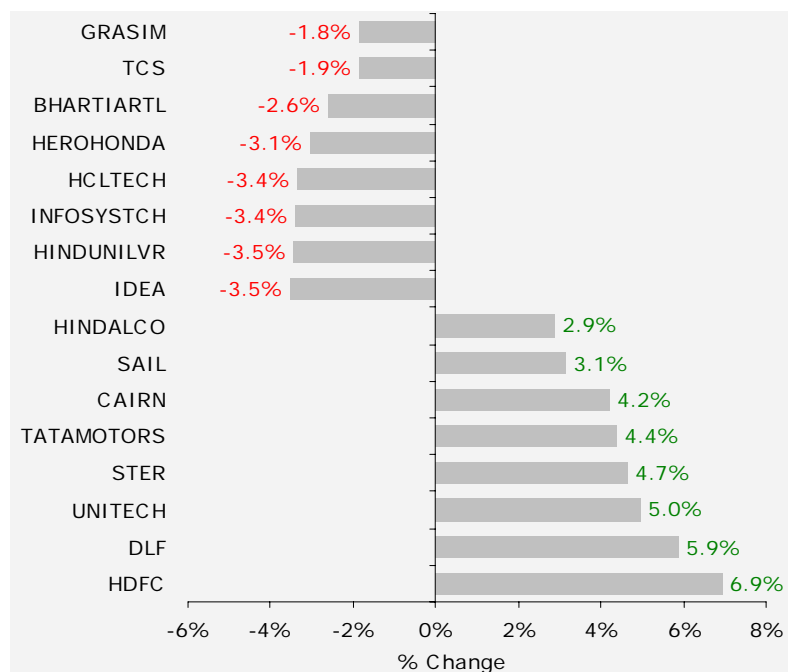
* As per Thursday closing
 ** As per Friday 16:30 hrs IST
 Source: Bloomberg

Nifty Performance



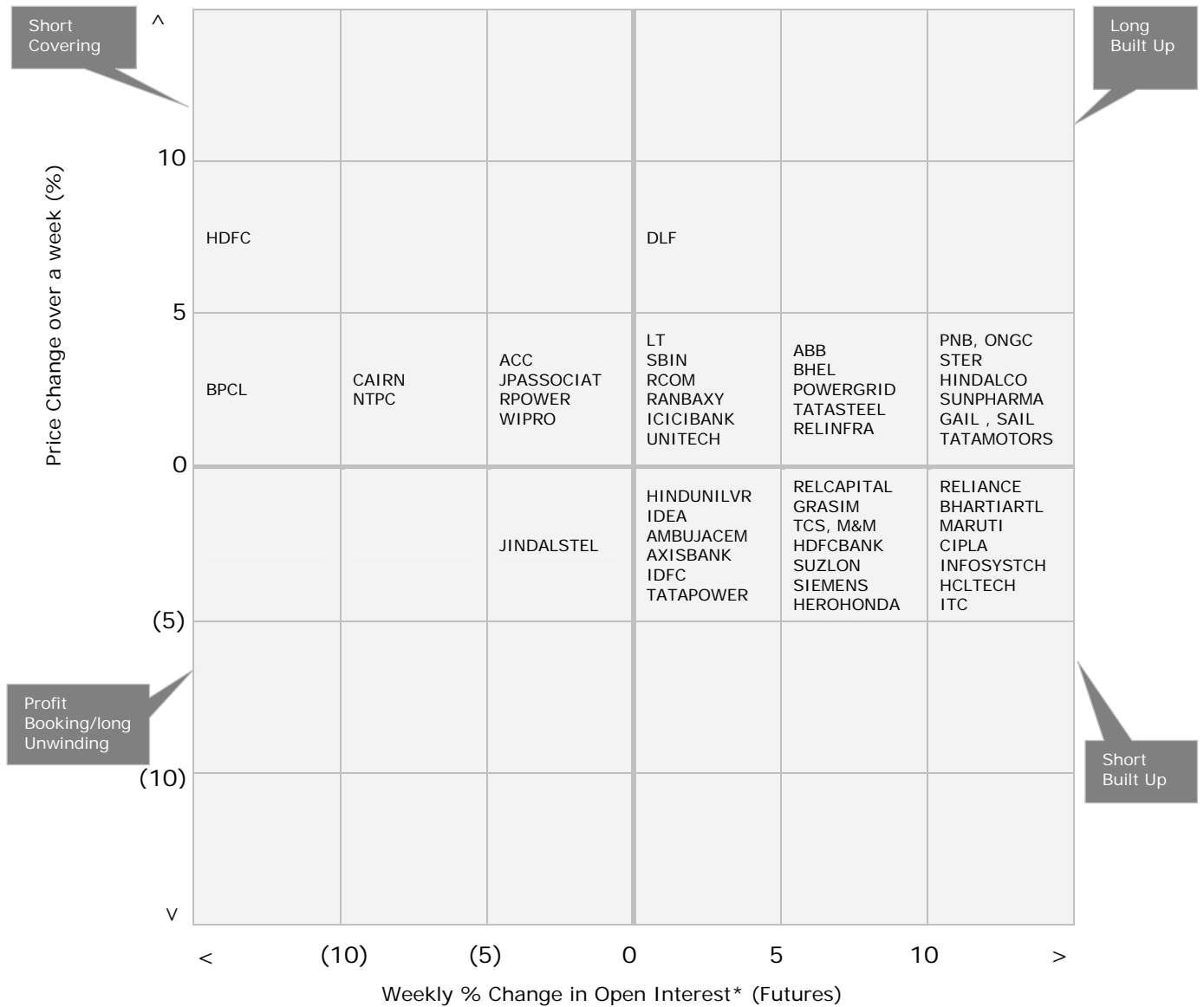
Source: NSE

Top Nifty Gainers and Losers (Weekly)

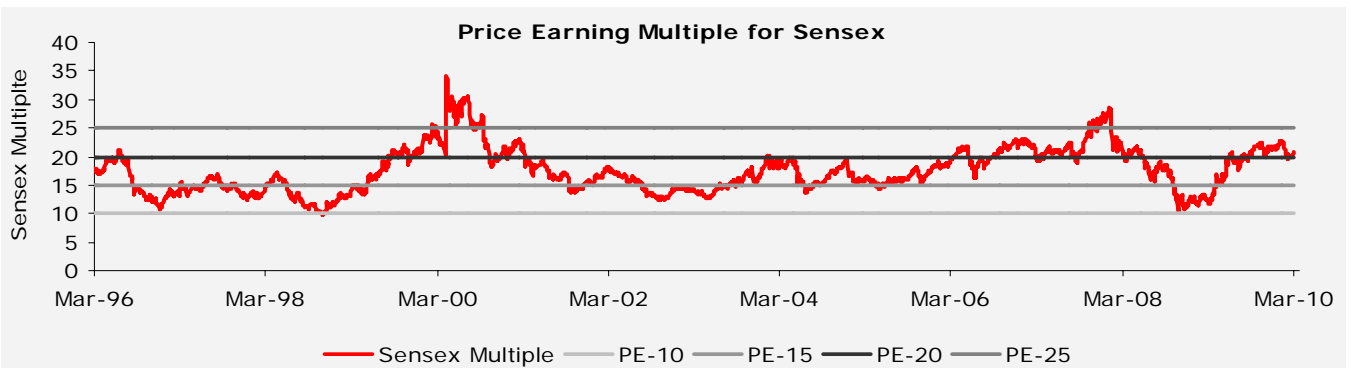


Source: NSE

Nifty Movers and Shakers



Sensex Valuations (Trailing Earnings)



Source: Bloomberg

Key events during the week

Macro Economic and Other News

Core industries grow 4.5% in Feb

The six 'core' infrastructure industries have registered a 4.5% YoY growth in February, compared to 1.9% in the same period last year. Production of electricity rose by 7.3% in February (against 0.6% in the same month of 2009), while increasing by 6.8% (6%) for coal, 5.8% (8.3%) for cement, 4% (minus 6.2%) for crude petroleum, 0.8% (0.5%) for refined petro-products and 0.9% (2.4%) for finished steel.

Dumping duty on Chinese plastic processing machines

The Finance Ministry has imposed definitive anti-dumping duty on imports of certain plastic processing or injection moulding machines from China. Plastic processing machines are used for processing plastic to make bumpers, water bottles, bottle caps, medicine bottles, household items and writing instruments.

Govt to borrow record \$ 64bn in H1 FY11

Reserve Bank of India will sell Rs 2.87tn (USD 64bn) of bonds in the first half of 2010/11, 63% of its record full-year target. India's gross borrowing in 2010/11 is set to rise an annual 1.3% to Rs 4.57tn to fund a fiscal deficit that is projected at 5.5% of the gross domestic product.

Corporate and other news

Steel raw material costs rise (positive for GPIL and Usha Martin from both short and long terms)

There has been a rise in the iron ore and coking coal prices and we estimate it to push up steel prices by ~USD 135 per tonne. This will be positive for Godawari Power & Ispat Limited (GPIL) as it owns captive iron ore mines and produces steel through the sponge iron-induction furnace route which insulates it from the rise in coking coal prices. Thus, while its costs are likely to remain the same, it will benefit from the raw material cost push to steel prices. Similarly, Usha Martin will benefit as it also owns captive iron ore mine and partly produces steel through the sponge iron-induction furnace route for which it also has a captive coal mine. We recommend a Buy on GPIL and Usha Martin for a target price of Rs 328 and Rs 120 respectively.

Tata Steel plans \$ 500mn GDR issue in 6 months (positive in medium term)

According to media reports, Tata Steel is planning to raise another USD 500mn from the global depository receipt (GDR) market. This will further deleverage Tata Steel's balance sheet and is likely to lead to a re-rating of its valuation multiples.

Orchid promoters creep up stake to 26% (short-term positive)

The promoters of Orchid Chemicals and Pharmaceuticals have hiked their stake in the company to 26% through open market purchases in Q4. The stake has been hiked in Q4 from 21.17% at the end of December quarter to ~26%.

Ranbaxy de-listing expected (risky buy)

As per newspaper reports, Daiichi Sankyo which owns 64% stake in Ranbaxy plans to de-list the firm from the stock exchanges. The move could be directed to gain larger control over the company. Though the US FDA concerns overhang on Ranbaxy, any move towards de-listing and open offer to buy back shares could act as positive catalyst. Traders/investors with a risk appetite can Buy Ranbaxy.

Kalanithi ups SpiceJet bid with ADAG, Religare (positive in short-term)

Media baron Kalanithi Maran has hiked his bid for 51% stake in SpiceJet by around 14% to Rs 8bn from Rs 7bn earlier, which is ~63/share. SpiceJet has been looking to raise funds for its expansion plans as it would begin flying overseas by the middle of this year. ADAG and Religare too are speculated to be in the fray.

L&T bags order (positive in short- to medium-term)

Larsen & Toubro's (L&T) Buildings and Factories operating company, part of its construction division, has bagged two new orders including add on orders aggregating to Rs 10.17bn for the construction of IT campus, residential towers and factory buildings.

Source: Economic Times, Business Line, Business Standard, Times of India, DNA Money, Mint, Financial Express, Bloomberg.

International News

Europe inflation jumps more than economists forecast

European inflation accelerated more than economists forecast on higher oil prices, while the unemployment rate reached double-digits for the first time since 1998. Consumer prices in the 16-nation euro region increased 1.5% in March (market expectation 1.1%) from a year earlier, after a 0.9% gain in February.

US home loan demand up as purchase activity gains

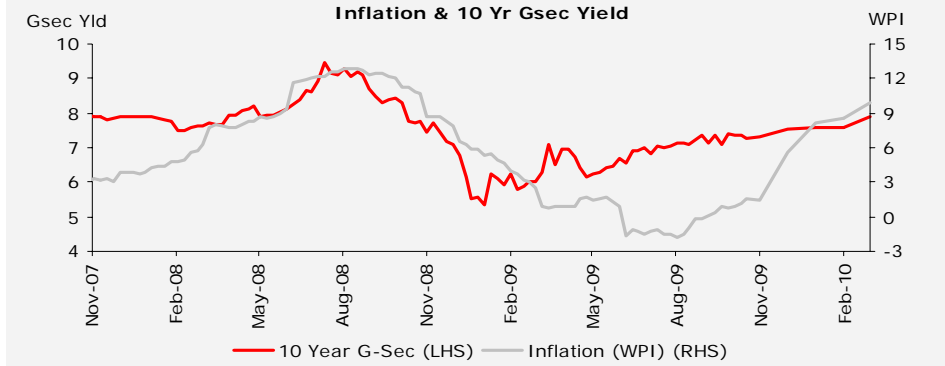
US mortgage applications rose in the latest week for the first time in three weeks as demand for home purchase loans reached the highest level since October.

Ericsson wins contracts from China worth \$ 1.8bn

Ericsson, the world's biggest mobile network gear maker, secured two contracts from Chinese operators totaling USD 1.8bn from China Mobile. Under the deal Ericsson will provide a radio access network this year, to provide a faster 3G network with HSPA Evolution technology while also expanding its cooperation with the carrier in the area of IP and broadband.

Macro Watch

Inflation & 10 Yr Gsec Yield



Current inflation rate 9.89% and current 10Yr G-Sec yields 7.89%

Source: Bloomberg

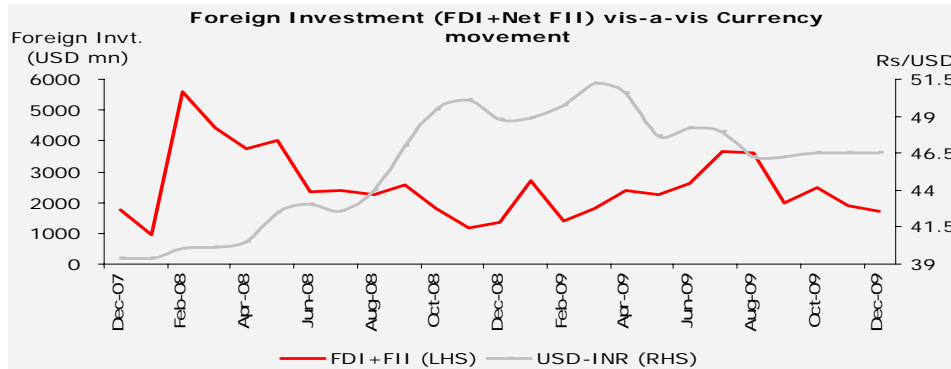
IIP growth rate and GDP growth rate



IIP in January YoY grew by 16.7% and GDP grew by 6.0% YoY in Q3 FY10

Source: Bloomberg

Foreign Investment (FDI + Net FII) vis-à-vis Currency Movement



INR/USD current rate Rs44.92\$

Source: Bloomberg

Market Outlook:

The market mood remained buoyant in the initial half of the week as both the key benchmarks recorded fresh rally. The new rally highs though did sustain as the later half of the week witnessed some small profit booking by long holders. Going forward the key support for short-term traders in the Nifty is likely at 5175 while a more firm support is seen at 5085, a break of which would signal a medium-term corrective dip. On the higher side, the immediate resistance/target for the Nifty is seen at 5345 and above that a strong confluence of Fibonacci resistance points to 5436-5460. The forecast for the Southwest monsoon for 2010 and the fourth quarter earning season are the next major triggers for the market.

Events to Watch

| Monday | Tuesday | Wednesday | Thursday | Friday |
|--|--|--|---|--|
| 5-Apr China Hong Kong | 6-Apr UK Hong Kong | 7-Apr US ABC Consumer Confidence for Apr 5 UK Nationwide consumer confidence for March Japan BoJ target rate announcement | 8-Apr US Initial Jobless Claims for Apr 4 UK Industrial production for February UK BoE rate announcement | 9-Apr |
| 12-Apr India Industrial production for February | 13-Apr US Trade balance for February | 14-Apr India Monthly wholesale prices for March US ABC Consumer Confidence for Apr 12 US Consumer price index for March India | 15-Apr US Initial Jobless Claims for Apr 11 US Industrial production for March China Real GDP for Q1 China Industrial production for March | 16-Apr |
| 19-Apr Japan Consumer confidence for March | 20-Apr India Monetary Policy UK Consumer price index for March Hong Kong Unemployment rate for March | 21-Apr US ABC Consumer Confidence for Apr 19 UK Jobless claims change for March | 22-Apr US Initial Jobless Claims for Apr 18 | 23-Apr US New home sales for March Japan All industry activity index for February Singapore Consumer price index for March |
| 26-Apr Singapore Industrial production for March | 27-Apr Hong Kong Exports and Import data for March US Consumer confidence for April | 28-Apr US ABC Consumer Confidence for Apr 26 US FOMC rate decision | 29-Apr US Initial Jobless Claims for Apr 25 | 30-Apr Japan Jobless rate for March Japan National consumer price index for March Japan BoJ target rate announcement Singapore Unemployment rate for Q1 |

Source: Bloomberg.
 Red Font: Stock Exchange Holiday

Our Current Recommendations

| Date | Stock | Product | Reco | Reco Price | Target Price | Closing Price (1 Apr 10) |
|-----------|-------------------------------|---------------|------------|------------|--------------|--------------------------|
| 13-Jan-09 | Rain Commodities | Smart Idea | Buy | 77.1 | 243.0 * | 207.3 |
| 13-Feb-09 | Hind.Dorr-Oliver | Smart Idea | Buy | 13.5 | 106.5 * | 108.0 |
| 12-Mar-09 | Noida Tollbridge | Smart Idea | Hold | 20.7 | 44.6 | 33.7 |
| 23-Mar-09 | Mercator lines | Smart Idea | Accumulate | 25.6 | 44.6 * | 58.6 |
| 11-May-09 | Piramal Healthcare | Smart Idea | Accumulate | 252 | 418* | 426.0 |
| 15-May-09 | PVR | Smart Idea | Hold | 83 | 168 | 173.1 |
| 19-May-09 | INOX | Smart Idea | Buy | 38 | 69 | 65.9 |
| 21-May-09 | Bharat Electronics | Smart Idea | Buy | 1,233.00 | 1765.0 * | 2185.7 |
| 26-May-09 | Crompton Greaves | Smart Idea | Accumulate | 257 | 434.0 * | 272.5 |
| 26-May-09 | Siemens India | Smart Idea | Sell | 455.00 | -271 | 736.8 |
| 02-Jun-09 | Lupin | Smart Idea | Buy | 810 | 1726 * | 1617.4 |
| 19-Jun-09 | Sadbhav Engg. | Smart Idea | Hold | 625 | 747 | 1292.0 |
| 10-Jul-09 | Blue Star Ltd | Smart Idea | Accumulate | 333 | 368.0 * | 368.7 |
| 23-Jul-09 | Sesa Goa | Smart Idea | Buy | 227.2 | 537 * | 470.4 |
| 24-Jul-09 | Panacea Biotec | Smart Idea | Buy | 124.7 | 252 * | 228.5 |
| 28-Jul-09 | S A I L | Smart Idea | Accumulate | 175.5 | 182.3 * | 252.1 |
| 04-Aug-09 | Mercator lines | Update | Accumulate | 44.6 | 68 * | 58.6 |
| 18-Aug-09 | Rico Auto Industries | Smart Idea | Buy | 26 | 37 | 27.5 |
| 19-Aug-09 | Godawari Power & Ispat | Smart Idea | Buy | 109.2 | 328 * | 260.8 |
| 19-Aug-09 | Areva T&D | Smart Idea | Hold | 295 | 336 | 308.9 |
| 20-Aug-09 | Cosmo Films | Smart Idea | Buy | 96.5 | 187 | 121.8 |
| 21-Aug-09 | Sanghvi Movers | Smart Idea | Accumulate | 145.8 | 243 * | 210.5 |
| 02-Sep-09 | Patel Engg. | Smart Idea | Buy | 437.8 | 558 | 466.0 |
| 18-Sep-09 | Swaraj Engines | Smart Idea | Buy | 302 | 450 | 290.0 |
| 04-Sep-09 | JK Tyre & Industries | Smart Idea | Buy | 92 | 222 * | 198.4 |
| 06-Oct-09 | BEML Ltd | Smart Idea | Buy | 1,071.00 | 1,372.00 | 1059.0 |
| 16-Oct-09 | Sarda Energy and Mineral | Smart Idea | Buy | 195.4 | 292.2 * | 212.5 |
| 12-Nov-09 | Dishman Pharmaceuticals | Sector Report | Accumulate | 219 | 252 * | 215.8 |
| 12-Nov-09 | Divi's Laboratories Ltd | Sector Report | Accumulate | 581 | 654 * | 685.1 |
| 12-Nov-09 | Jubilant Organosys Ltd | Sector Report | Buy | 273.6 | 398 * | 340.3 |
| 16-Nov-09 | McLeod Russel India Ltd. | Smart Idea | Hold | 235 | 243 * | 259.6 |
| 25-Nov-09 | Jagran Prakashan Limited | Smart Idea | Accumulate | 119.1 | 143 | 117.9 |
| 21-Dec-09 | DCHI | Smart Idea | Buy | 158 | 202 | 153.9 |
| 23-Dec-09 | Usha Martin | Smart Idea | Buy | 73 | 120 * | 102.5 |
| 04-Jan-10 | Zylog Systems | Smart Idea | Buy | 354 | 475 | 430.5 |
| 08-Jan-10 | Nectar Lifesciences | Smart Idea | Buy | 34 | 55.1 * | 37.5 |
| 25-Jan-10 | HeidelbergCement India Ltd | Smart Idea | Buy | 45.9 | 58 | 62.9 |
| 10-Feb-10 | Subros Limited | Smart Idea | Buy | 46.6 | 61.6 | 44.0 |
| 15-Feb-10 | C&C Constructions Limited | Smart Idea | Buy | 228.7 | 340 | 247.9 |
| 15-Mar-10 | Adhunik Metalik Limited | Smart Idea | Buy | 117.4 | 164.3 | 122.1 |
| 26-Mar-10 | Firstsource Solutions Limited | Smart Idea | Buy | 28.85 | 40 | 29.45 |

Source: HISL Advisory, NSE, BSE.

* Revised Target Price.

HSBC Recommendations

| Sr. No. | Name of Company | Recommendation | Target Price (Rs) | Closing Price (1 Apr 10) |
|---------|---------------------------|----------------|-------------------|--------------------------|
| 1 | Indiabulls Real Estate | Overweight (V) | 252 | 152 |
| 2 | Kalpataru Power Transmiss | Overweight (V) | 1,150 | 1031 |
| 3 | Jsw Steel Ltd | Overweight (V) | 1,265 | 1251 |
| 4 | HCL Technologies | Overweight (V) | 455 | 357 |
| 5 | MindTree Ltd | Overweight (V) | 750 | 594 |
| 6 | Jindal Saw Ltd | Overweight (V) | 260 | 220 |
| 7 | Shree Renuka Sugars | Overweight (V) | 335 | 68 |
| 8 | Cesc Ltd | Overweight (V) | 518 | 388 |
| 9 | Housing Development & Inf | Overweight (V) | 419 | 290 |
| 10 | Shree Cements | Overweight (V) | 1,748 | 2369 |
| 11 | Hero Honda | Overweight (V) | 1,980 | 1945 |
| 12 | DLF Ltd | Overweight (V) | 386 | 312 |
| 13 | Gitanjali Gems Ltd | Overweight (V) | 121 | 120 |
| 14 | Infosys Technologies | Overweight (V) | 3,100 | 2670 |
| 15 | Maruti Suzuki India Ltd | Overweight (V) | 1,880 | 1393 |
| 16 | Jyoti Structures Ltd | Overweight (V) | 170 | 170 |
| 17 | Balrampur Chini Mills Ltd | Overweight (V) | 185 | 88 |
| 18 | TCS | Overweight (V) | 890 | 808 |
| 19 | HDFC Bank | Overweight (V) | 2,068 | 1939 |
| 20 | Simplex Infrastructure | Overweight (V) | 606 | 448 |
| 21 | Bajaj Auto | Overweight (V) | 1,900 | 1997 |
| 22 | Tata Power | Overweight (V) | 1,585 | 1355 |
| 23 | Union Bank Of India | Overweight (V) | 335 | 303 |
| 24 | Mphasis | Overweight (V) | 770 | 641 |
| 25 | Nagarjuna Construction | Overweight (V) | 186 | 167 |
| 26 | Oil & Natural Gas Corp. | Overweight (V) | 1,425 | 1084 |
| 27 | IRB | Overweight (V) | 297 | 260 |
| 28 | Welspun Gujarat Stahl Roh | Overweight (V) | 335 | 278 |
| 29 | ICICI Bank | Overweight (V) | 1,025 | 953 |
| 30 | Bajaj Hindusthan | Overweight (V) | 310 | 133 |
| 31 | Axis Bank Ltd | Overweight (V) | 1,389 | 1174 |
| 32 | Triveni Engineering & Ind | Overweight (V) | 160 | 135 |
| 33 | Canara Bank | Overweight (V) | 445 | 413 |
| 34 | Nestle India | Overweight (V) | 2,950 | 2720 |
| 35 | ITC | Overweight (V) | 295 | 264 |
| 36 | BHEL | Overweight (V) | 2,850 | 2416 |
| 37 | Dabur India | Overweight (V) | 190 | 159 |
| 38 | Asian Paints | Overweight (V) | 2,125 | 2025 |

Source: HSBC Securities and Capital Markets (India) Private Limited

Disclaimer:

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