

February 13, 2007

FOR PRIVATE CIRCULATION

Equity

	12 Feb 07	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
Sensex	14,191	(2.4)	1.0	5.9
Nifty	4,058	(3.1)	0.1	5.2
Banking	7,363	(2.6)	(0.3)	8.4
IT	3,788	(2.9)	2.6	12.1
Healthcare	3,744	(2.6)	(3.3)	(1.1)
FMCG	1,883	(0.9)	(2.3)	(9.2)
PSU	6,107	(3.1)	(1.7)	0.2
CNX Midcap	5,090	(3.8)	(2.6)	1.2
World indices				
Nasdaq	2,450.4	(0.4)	(2.1)	1.8
Nikkei	17,504	1.2	3.3	9.3
Hangseng	20,593	(0.4)	3.4	7.5

Value traded (Rs cr)

	12 Feb 07	% Chg - 1 Day	
Cash BSE	4,056	(3.3)	
Cash NSE	8,908	(2.9)	
Derivatives	39,996	24.1	

Net inflows (Rs cr)

	9 Feb 07	% Chg	MTD	YTD
FII	274.6	(60.7)	(599.2)	(599.2)
Mutual Fund	(190.8)	1.2	(70.2)	194.7

FII open interest (Rs cr)

	9 Feb 07	% chg	
FII Index Futures	13,247.4	1.4	
FII Index Options	7,317.3	(1.2)	
FII Stock Futures	17,434.2	(4.7)	
FII Stock Options	30.3	(2.0)	

Advances/Declines (BSE)

	12 Feb 07	A	B1	B2	Total	% Total
Advances	14	35	100	149	10	
Declines	199	598	589	1,386	89	
Unchanged	1	3	10	14	1	

Commodity

	12 Feb 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	57.9	0.1	9.2	(1.2)
Gold (US\$/OZ)	661.1	(0.9)	5.5	5.7
Silver (US\$/OZ)	13.7	(1.4)	6.4	6.2

Debt/forex market

	12 Feb 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield	7.82	7.82	7.72	7.58
Re/US\$	44.16	44.18	44.43	44.98

Sensex



Source: Bloomberg

ECONOMY NEWS

- A parliamentary committee is likely to meet shortly to take up the issue of imposing uniform stamp duty on the issue of bond paper, a suggestion that was made by the expert committee under RH Patil. (ET)
- Airline companies may no longer be forced to fly on uneconomic routes as the Government plans to progressively do away with the route dispersal guidelines that stipulate a minimum number of flights to be deployed on such routes. (ET)
- Public sector banks will increase interest rates on fresh home loans by at least 50 basis points to partly offset the rising cost of funds, but rates on loans already disbursed will remain unchanged. (BS)
- A World Bank-appointed neutral expert Richard Lafitte today cleared the Baglihar Power Project over river Chenab in Jammu and Kashmir but asked India to reduce the height of the dam by one and half meter, one of the objections raised by Pakistan. (BS)
- The Government plans to review the FDI equity cap in various sectors in March. (BL)
- With fresh proposals and notifications of SEZ on hold, the Commerce Ministry is concerned that foreign partners of some of these zones may pull out. (BS)

CORPORATE NEWS

- State-owned carrier **Indian** has signed a contract with Germany-based KfW IPEX-Bank for a loan of \$500 mn (about Rs.22.5 bn) to finance the acquisition of 43 Airbus aircraft. The airline has commissioned the bank to finance the first batch of 10 aircraft. (ET)
- **Essar Steel** has entered into a JV with Vietnam Steel Corporation to set up a 2 MT steel plant in Vietnam. Essar Steel Vietnam Holdings Private, Singapore, a subsidiary of Essar Steel has picked up majority stake in the new venture, Essar Vietnam Steel Corporation. (ET)
- The assets of Daewoo Motors' Surajpur facility would be purchased by Crosslinks, a company jointly promoted by former Hyundai Motor India President BVR Subbu and Ajay Singh, one of the promoters of **SpiceJet Airlines**. (BL)
- AV Metals, the AV Birla group's Canada-based special purpose vehicle, will infuse \$3.5 bn to finance **Hindalco Industries'** proposed acquisition of the Atlanta-based aluminum downstream major Novelis Inc. (BS)
- **GHCL** has acquired US-based home textile player Best Manufacturing Group for \$35 mn through its international subsidiary GHCL Inc. Best Manufacturing has an annual turnover of around \$160 million. (BL)
- **ONGC** has entered into talks with Brazil's Petrobras for offering each other stake in their oil and gas blocks. (BS)
- Watches and jewelry maker **Titan Industries** is planning an aggressive roll out of brands in the less than Rs.10,000 price segment in the coming financial year. The Rs.15-bn Tata Group company is also expanding capacities by opening its fifth assembly unit in Roorkee. (BS)
- Bangalore-based **Dynamatic Technologies** is setting up a new aerospace manufacturing plant near the upcoming Bangalore International airport in Devanahalli. The engineering company is planning to hire 3,100 engineers and workers in three years for the new plant. (ET)
- Norwegian food company Orkla is acquiring **MTR Foods** for Rs.4.5 bn (around \$100 mn) ending almost a yearlong speculation on the buyer of the famed food company. An announcement is likely this week. (ET)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange

FROM OUR RESEARCH TEAM

ECONOMY UPDATE

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BETTER THAN EXPECTED IIP PERFORMANCE: DESPITE HIGH BASE

The CSO has released quick estimates of index of industrial production (IIP) for December 2006, which rose 11.1%, as compared to December 2005. The cumulative growth for April-December 2006-07 stands at 10.8% over the corresponding period of the previous year. This has come from strong growth in manufacturing, capital goods and intermediate goods.

Key Highlights

- The manufacturing sector recorded 11.9% growth during this month. This has allowed the cumulative growth during April-December 2006-07 to touch 11.8% over the corresponding period of last year.
- The mining sector grew 3.8% (YoY) and cumulative growth during April-December 2006-07 stands at 3.9% over the corresponding period of last year.
- The electricity sector grew 9.3% (YoY) and the cumulative growth during April-December, 2006-07 stands at 7.5% over the corresponding period of last year.
- In terms of industries, all 17 industry groups in the manufacturing sector have shown positive growth during this month as compared to the corresponding month of the last year.
- The industry groups that have shown the highest growth in this month are...
 - Wood and wood products, furniture and fixtures: 29.3%
 - Basic metal and alloy industries: 28.9%
 - Metal products and parts, except machinery and equipment: 24.0%
- Sectoral growth (use-based classification):
 - Basic goods: 11.7%
 - Capital goods: 20.2%
 - Intermediate goods: 11.2%
 - Consumer goods: 7.4%
- Consumer durables and consumer non-durables in December have recorded growth of 3.3% and 8.7%, respectively, with the overall growth in consumer goods being 7.4%.
- Apart from this, IIP for November 2006 has been revised upwards to 15.4% from the previously reported 14.4% due to upward revision of 1.0% each in mining as well as manufacturing sector.

Index of industrial production

	Mining (10.47%)	Growth (%)	Manufacturing (79.36%)	Growth (%)	Electricity (10.17%)	Growth (%)	General (100%)	Growth (%)
Apr-06	157.1	3.4	237.7	11.0	198.0	5.9	225.2	9.9
May-06	162.0	2.9	252.0	13.3	206.3	5.0	237.9	11.7
Jun-06	156.2	4.7	249.4	10.7	198.3	4.9	234.4	9.7
Jul-06	152.1	5.1	250.9	14.3	201.1	8.9	235.5	13.2
Aug-06	136.0	-1.7	252.1	11.9	201.4	4.1	234.8	10.3
Sep-06	146.8	4.3	260.0	12.0	201.4	11.5	242.2	11.4
Oct-06	160.2	5.2	246.1	3.8	212.5	9.7	233.7	4.4
Nov-06	162.6	8.0	265.3	16.7	199.3	8.7	247.8	15.4
Dec-06	171.4	3.8	275.7	11.9	211.8	9.3	258.3	11.1

Source: Ministry of Statistics and Programme Implementation

The growth is all the more encouraging as the base in December 2005 was high. The general index for industrial production had risen from 214.8 in November 2005 to 232.5 in December 2005, an increase of 8.2% month on month.

Index of industrial production				
	Mining	Manufacturing	Electricity	General
Oct-05	152.3	237.2	193.7	223.9
Nov-05	150.5	227.3	183.3	214.8
Dec-05	165.2	246.3	193.8	232.5
Jan-06	168.6	252.0	199.4	237.9
Feb-06	158.3	241.6	186.3	227.3
Mar-06	181.6	267.4	203.0	251.9
Oct-06	160.2	246.1	212.5	233.7
Nov-06	162.6	265.3	199.3	247.8
Dec-06	171.4	275.7	211.8	258.3

Source: Ministry of Statistics and Programme Implementation

Strong growth in capital goods, basic goods and intermediate goods shows the growth drivers of our economy are still intact. Going forward, we can expect a surge in infrastructure spending, capex plans by corporates along with the service driven consumption growth. In our view, the whole economy would benefit from this through both forward and backward linkages.

Real GDP Growth (%)		
	2005-06	2006-07E
Agriculture	6.0	2.7
Industry	8.0	10.0
Mining	3.6	4.5
Manufacturing	9.1	11.3
Electricity	5.3	7.7
Services	10.3	10.9
Construction	14.2	9.4
Trade, Hotels, Transport, Communication	10.4	13.0
Finance, Real Estate, Other Businesses	10.9	11.1
Community & Social Services	7.7	7.8
Total	9.0	9.2

Source: CSO

We know that the industrial sector contributes slightly less than a quarter to the GDP. So, a better performance of the industrial sector in these nine months will provide a cushion against the drop in the contribution from agriculture to the GDP. We believe industrial production is likely to increase at greater than 10% levels in the coming months of FY07 despite the broader base, as the fundamentals of our economy is still intact.

Bulk deals

Trade details of bulk deals					
Date	Scrp name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
12-Feb	Commit Cap S	Commitment Securities	S	35,000	17.24
12-Feb	Conart Engin	B K Shah and Co	B	50,000	42.98
12-Feb	Elpro Intern	Lotus Global Investments	B	30,000	264.78
12-Feb	Garnet Const	Vora Mukesh Jitendra	B	40,442	71.19
12-Feb	Global Broad	Reliance Capital Limited	B	673,000	450.45
12-Feb	Global Broad	Sonata Investments Limited	S	510,000	448.00
12-Feb	Gravity Ind	Alliance Intermediateries	B	49,420	12.11
12-Feb	Jupiter Bios	Riteline Merchantile Comp	B	125,000	192.26
12-Feb	Jupiter Bios	UBS Securities Asia Ltd.	B	400,000	188.47
12-Feb	Jupiter Bios	Shri Rangji Investments	S	50,000	182.00
12-Feb	Madhyade Pap	Free India Assurance Ser.	S	40,000	17.29
12-Feb	MSK Projects	Mavi Investment Fund Ltd.	B	150,000	81.00
12-Feb	Pioner Embro	Ashok Gajera	B	150,059	301.21
12-Feb	Pochiraju In	UBS Securities Asia Ltd.	B	150,000	44.58
12-Feb	Rain Commodi	BSMA Limited	B	127,286	175.26
12-Feb	Ram Informai	Pilot Consultants Ltd	B	100,000	26.05
12-Feb	Sh Hari Ch E	Hemantkumar Mahabir Gupta	B	46,762	26.10
12-Feb	Simplex Trad	Exdon Trading Company Lim	B	8,000	153.45
12-Feb	Spectra Indu	Chandrabhan Samarbahdur S	B	38,000	34.10
12-Feb	Spectra Indu	Mukeshkumar K Varna	S	50,236	33.22
12-Feb	Spentex Indu	UBS Securities Asia Ltd A	B	444,088	68.92
12-Feb	Spentex Indu	Goldman Sachs Inv Mau 1 L	S	411,374	69.01
12-Feb	Sumeet Indus	Avisha Credit Capital Ltd.	B	200,000	25.90
12-Feb	Suryala Spin	Ravinder Reddy Nandi	B	152,000	56.59
12-Feb	Suryala Spin	Vinod Kumar Kandoi	S	52,020	55.50
12-Feb	Technocraft	Lotus Global Investments	S	258,236	100.72
12-Feb	Vinay Ceme L	Ramalinegswara Raju K S	S	53,080	32.09
12-Feb	Vivimed Labs	Search Finvest Limited	S	37,377	205.82

Source: BSE

Gainers & Losers

Nifty Gainers & Losers				
	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
Hindustan Lever	203	0.3	0.3	4.1
Hero Honda	733	1.0	0.3	0.2
Oriental Bank	235	1.2	0.1	0.5
Losers				
Bharti Airtel	726	(3.4)	(9.8)	2.4
Suzlon Energy	1,080	(13.3)	(9.5)	2.0
Reliance Ind	1,359	(2.4)	(9.2)	1.3

Source: Bloomberg

Forthcoming events

COMPANY/MARKET	
Date	Event
14-23 Feb	Initial Public Offer of Raj Television Network opens
14-22 Feb	Initial Public Offer of Astral Poly Technik opens
15-23 Feb	Initial Public Offer of Jagjanani Textiles, AMD Metplast opens
14-Feb	Zenotech Laboratories holds press conference
15-Feb	Hexaware Tech to announce earnings and dividend; Abhishek Mills holds press conference to announce IPO
16-Feb	ABB, Glaxo SmithKline Pharma to announce earnings and dividend
20-Feb	HLL to announce earnings and dividend
22-Feb	Wockhardt to announce 4th quarter earnings and dividend

Source: Bloomberg

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