

Major indices movements

Major indices	Clsq	1d (%)	3m (%)	6m (%)
BSE Sensex	14,544	(0.7)	(15.6)	(17.4)
Nifty	4,368	(0.6)	(14.4)	(15.3)
Dow	11,349	(1.1)	(11.5)	(8.7)
Nikkei	12,829	(0.3)	(9.4)	(3.6)
Hang Seng	20,841	1.7	(17.2)	(11.7)
Brasil Bovespa	53,639	0.6	(27.0)	(15.9)
Mexico Bolsa	26,732	(0.2)	(15.2)	(8.5)

Turnover

Value Traded (Rs bn)	19 Aug 2008	% Chg	52 Wk Hi	52 Wk Lo
Cash BSE	38.5	(21.2)	118.7	36.3
Cash NSE	93.6	(15.1)	284.8	81.3
Total	132.0			
Del.(%)	28.4			
F&O	396.8	(16.7)	1105.6	14.1
Total Trade	528.8			

Fund Activity

Net Inflows (Rs bn)	Purch	Sales	Net	YTD
18 Aug08				
FII's	18.3	(22.3)	(4.0)	233.3
Domestic Funds	2.5	(6.7)	(4.2)	102.3
19 Aug08				
Cash Provisional			(2.7)	
F&O - Index	20.3	(15.7)	4.6	(27.6)
F&O - Stock	4.9	(5.2)	(0.3)	(11.6)

Advances/declines BSECash

19 Aug 2008	A	B1	B2	Total
Advance	83	702	166	951
Decline	119	977	256	1352

Commodity Prices

Commodity	20 Aug 2008	1d (%)	3m (%)	6m (%)
Crude (USD/Bbl)	111.6	0.4	(11.2)	13.3
Copper(usd/t)	7,576	3.0	(8.9)	(7.5)
Aluminum H.G.(usd/t)	2,780	0.9	(7.2)	(3.2)
Zinc(usd/t)	1,745	5.1	(23.7)	(28.6)

Debt/Forex Mkt

Re/USD	43.58	0.0	(2.3)	(8.4)
10 yr Gsec Yield	9.10	(0.9)	14.9	19.6
Crude (USD/Bbl)	111.6	0.4	(11.2)	13.3

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News clippings

- Unichem Laboratories** has received the approval from US Food & Drug Administration (USFDA) for Hydrochlorothiazide tablets in the strengths of 25 mg and 50 mg.
- McNally Bharat Engineering Company** has bagged orders worth Rs 532.5 million from Siemens VAI and Brahmani River Pallets. The first order is from Siemens VAI, Kolkata for structural fabrication at SAIL plant at Burnpur valued at Rs 377.8 million while the second order is from Brahmani River Pallets, Bhubaneswar valued at Rs 154.7 million.
- Lupin** has entered into a multi-year promotion and marketing agreement with Forest Laboratories for the Aero Chamber Plus line of products. Under the terms of the agreement, Lupin Pharmaceuticals Inc, USA will use a 50 person sales force to promote the product to paediatricians.
- GAIL India** may take over natural gas marketing from Oil and Natural Gas Corporation (ONGC). The state-run ONGC currently supplies gas directly to isolated pockets in Gujarat and Assam and thereby earns around Rs 100 crore in marketing revenues.
- Sobha Developers Ltd** is planning to dilute minority stake to private equity investors for projects in Bangalore, Pune and Gurgaon to raise funds.
- Bharati Shipyard**, which is building the rig for Great Offshore, will make the delivery in March 2009 and not November 2008 as was scheduled earlier. The delay is due to design changes and additional equipment that Great Offshore has asked for.

Vishal Chandak

vishal.chandak@emkayshare.com

+91 22 6612 1251

Chirag Khasgiwala

Chirag.khasgiwala@emkayshare.com

+91 22 66121254

Research Views

HEG announces shares buyback

The board of HEG has announced buyback of shares through market operations upto a maximum price of Rs350. The company has earmarked a fund of Rs485mn (USD11.2mn). Total shares outstanding in the public domain is 21.52mn shares which is almost 49% of the current outstanding equity. At the CMP of Rs265, the total buyback stands at 4.1% of the outstanding equity and at the maximum buyback price of Rs350, the buyback stands at 3.1% of the current outstanding equity. Given the fact that 49% of the stock is held by non-promoters, the buyback could be to the tune of 8.5% of the total floating stock at CMP of Rs265 and 6.4% at maximum price of Rs350. **The buy back will lead to an EPS accretion of 2.3% to 3.1% depending upon the actual price at which the buyback happens.**

Emkay's view:

Given the fact that the management has subscribed to 4.73mn warrants at Rs365/warrant each convertible into one share and has announced a buyback upto Rs350/sh, we reiterate our BUY recommendation on the stock with a target price of Rs434 which is an aggregate of (a) 8x FY10 FDEPS of Rs48.8 and (b) Rs44 as value of stake of HEG in group company Bhilwara Energy (on a conservative basis).

	At Rs 265	At Rs 350
Total amount (Rs mn)	485	485
Total amount (USD mn)	11.2	11.2
Max shares bought back (mn)	1.83	1.39
Total shares o/s currently (mn)	44.32	44.32
buyback as % to total shares outstanding	4.1%	3.1%
Total shares held in public (mn)	21.52	21.52
Buyback as % to public holding	8.5%	6.4%
Total shares held by non-promoters	49%	49%
FD no. of shares	59.1	59.1
Buyback as % to FD shares	3.1%	2.3%

Dealer Comments

Company	No. Of Shares (In lacs)	% Change In price
Sail	35.93	0.1
Mercator Line	22.34	0.9
Balaji Tele	15.03	-1.9
Rcom	49.26	-3.1
HLL	10.63	0.7

Nifty movers

Top Gainers	Price	Index Points
NPTC	182.80	3.3
RPL	160.50	3.0
ICICI Bank	678.70	2.5
Suzlon	240.00	1.6
DLF	504.90	1.3

Losers

Bharti Airtel	792.20	-5.3
Rcom	400.70	-4.0
HDFC	2288.00	-3.5
ITC	184.30	-2.0
ONGC	1070.00	-1.6

Index- volatility

Indices	Sensex	Nifty
High	14604	4393
Low	14368	4316
Close	14543	4368
Volatility (in %)	236	77
	1.62	1.75

Market Summary: The markets continues its trend to open the session on a negative note with 130 odd points downward gap on the back of negative cues from the global markets mirroring renewed fears of further losses from the US mortgage crisis leading to slump and ignoring further cooling of crude oil prices around \$113 plus levels. The markets continued to trade in the red showing no respite whatsoever from early morning trades and embarked on a south bound journey as selling pressure intensified as the markets progressed. Even dull volumes since past two days seems to be haunting the bourses in the absence of any major triggers and flows in the markets. The day's fall was mainly led by heavy selling in telecom, IT, auto, capital goods and metal stocks while buying in banking, power and select realty stocks kept the indices from falling badly. The day's limelight was hogged by good buying interest in Sugar stocks with Balrampur Chini, Bajaj Hind, Renuka Sugar, Sakthi Sugar, Rajshree Sugar and Triveni Engg soaring higher. The markets staged a smart recovery in last hour of trade as buying at lower levels mainly in the midcap and smallcap stocks helped pare some of the losses. Despite buying in broader markets the overall market breadth remained fairly negative and was at - 1.4x. On the F&O front aggressive short covering was witnessed at fag end and the premium rose to almost 35 odd points. Mix of short covering and long built up was seen in Sugar, Infra and Fertilizer stocks. Finally the sensex closed 102 points or 0.70% lower to settle at 14544 levels while Nifty lost 25 points or 0.56% lower to settle at 4368 levels. Among the sectoral indices it was a mixed trend with Bankex, Power, Oil & Gas and Healthcare out performing the most while IT, Auto, Metal, PSU, Consumer Durables and FMCG under performing the most. Among the index heavy weights, which gained the most were NTPC, Rel Petro, ICICI Bank, Suzlon and DLF while Bharti Airtel, Rel Comm, HDFC, ITC and ONGC were weak and ended as losers. Some of the midcap stocks, which saw extremely good buying action were despite weak markets were Megasoft, Balrampur Chini, Emami Ltd, Subex Azure, Core Projects, Triveni Engg, Bajaj Hind, Bajaj Finserv, Renuka Sugar, RIIL, Glenmark Pharma and Punj Lloyd and were up in the range of 5 -15%.

The overall traded volumes were slightly higher compared to earlier day by almost 6% and were at Rs 563 bn. Delivery-based volumes were at 28.4% the total turnover.

Among the institutional activities FII's were net sellers to the tune of Rs 3.96 bn in the cash segment on 18th August 2008. While on 19th August 2008 FII's sold shares worth Rs. 7.16 bn in cash segment (provisional) and in the F&O segment sold Futures and Options worth Rs. 9.75 bn whereas Domestic Funds bought shares worth Rs. 0.15 bn (provisional).

Movement of indices

Indices	Previous close	Today's close	% chg
Sensex	14,645	14,543	-0.70
Nifty	4393	4368	-0.56
S&P CNX 500	3519	3500	-0.53
BSE 500	5,658	5,627	-0.55
BSE Mid-Cap	5,781	5,766	-0.27
BSE Small-Cap	7,036	7,012	-0.34
BSE Auto	3,882	3,849	-0.86
BSE Health	4,267	4,266	-0.01
BSE FMCG	2,178	2,162	-0.70
BSE IT	3,926	3,892	-0.87
BSE PSU	6,942	6,892	-0.71
BSE Bankex	6,885	6,892	0.10
BSE Oil & Gas	9996	9,987	-0.09
BSE Metals	12,364	12,272	-0.74
BSE Cons Dur	3,828	3,783	-1.17
BSE Cap Good	12,088	12,062	-0.22
BSE Realty	5,131	5,117	-0.27
BSE Power	2,608	2,615	0.26

Levels to watch

	Sensex	Nifty
Day's High	14604	4393
Day's Low	14368	4316
13 DMA	14899	4450
34 DMA	14808	4435

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



Market Perspective

Continuing its southbound journey, Nifty opened on a negative note and in the first half of the trading session it made a low of 4344. Thereafter Nifty took support and made a high of 4377, but again on higher levels it could not sustain and during the second half of the trading session Nifty fell sharply and tested our mentioned target of 4321 and made a low of 4316, but thereafter Nifty again took support and bounce back smartly and made a new intraday high of 4393. Finally Nifty closed at 4368 with a marginal loss of 0.56%. On the daily chart Nifty had formed "Hammer" pattern, thus now it can test 4443 and 4483 levels which are 38.20% and 50% retracement level of the recent fall from 4649 to 4316. Now yesterday low of 4316 will act as an immediate support for nifty.

Today's Strategy:

For intra-day Nifty has resistance at 4426 and it has support at 4344 and below that 4316.

Sectoral Speak:

As expected yesterday, **BSE Oil & Gas** index opened on a negative note and it tested our first mentioned target of 9928 and made a low of 9868. Finally index closed at 9987 with a marginal loss of 0.09%. This index is still looking weak on the chart and we maintain our second downside target of 9773.

Nifty

	18.08.08	19.08.08	Chg	% Chg
Spot	4389.6	4385.3	-4.25	-0.10
Aug Fut	4405.5	4410.0	4.5	0.10
Sep Fut	4401.9	4404.0	2.1	0.05

Nifty Cost of Carry

	18.08.08		19.08.08	
	Basis	COC %	Basis	COC %
Aug Fut	16.0	13.3	24.7	22.8

Nifty open interest

	No of Shares ('000)			
	18.08.08	19.08.08	Chg	%Chg
Aug Fut	32407	33069	662	2.04
Sep Fut	2225	2618	393	17.66
Total	34711	35773	1062	3.06

Nifty put call ratio

	No of Shares ('000)			
	18.08.08	19.08.08	Chg	%Chg
Call OI	33567	35456	1889	5.63
Put OI	38221	38472	251	0.66
PCR	1.14	1.09	-0.05	

Sameer Shetye

Associate Derivative Research

sameer.shetye@emkayshare.com

Tel: +91 22 6612 1276

Derivative Comments

Today Nifty opened negative, and thereafter it traded with a negative bias for a major part of the session. But then it took support at lower levels and bounced back to finally give a close at 4368.25 with a loss of 0.56 %. The major Gainers were Balrampur Chini, Triveni, Bajaj Hind, Renuka and MRPL. However, the major losers were ACC Piramal Health, Purvankara, Sesa Goa and Pantaloon.

- Nifty Aug futures cost of carry is at 22.84 % Positive against a 13.26 % Positive for the previous session.
- Nifty Aug futures traded at nearly 20 - 25 points Premium at the end of trading sessions.
- Total Turnover for NSE F&O Segment was Rs.43426. Crores.

Open Interest Analysis:

Long Open Interest was witnessed in stocks like Strides Acrolab(16%), Hindalco(13%), Bajaj Hind(9%) and Balrampur Chini(8%). Hence we expect these stocks to show further upside move.

Short OI Build up was witnessed in HDIL (11%). Hence we would advise client to avoid going long on these stocks.

The Implied Volatility of Nifty decreased from 33 - 34 % to 30 - 31 % .Yesterday Nifty Futures added 10.62 lac shares (3%) in Open interest.

Put Call Ratio Analysis:

PCR (OI) of Nifty further decreased from 1.14 to 1.09. Nifty Call options added 18.88 lac shares (5.63%) and Put options added 2.5 lac shares (%) in OI.

Yesterday incrementally 5000 strike added (4.8L), 4600 strike added (3.6L) also 4500 added (2.45L)

The Maximum Call open interest now is at 4500 strike (61L). Hence 4500 would act as an immediate resistance.

On the Puts Front significant action was seen at 3700 Strike which added (3.93L), 4000 Strike which added (2.33L). Highest open interest in Puts is at 4000 Strike stands at (56.56L) followed by 4300(52.52L). Now on the downside Nifty has strong support at 4300.

Cost of Carry (Aug):

Turned Positive: ITC, KTK Bank and LT.

Turned Negative: Ambuja Cement, Bilt, NTPC and Sail.

FII's Weekly Derivative Statistics 18.08.08

	Buy		Sell		Open Interest as on 18.08.08		Open Interest as on 14.08.08		Change in FIIs Open Interest	
	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	62240	1364.72	61022	1331.99	663190	14556.82	644678	14239.39	18512	317.43
Index Options	32298	663.39	11207	238.54	935142	20540.63	914703	20263.87	20439	276.76
Stock Futures	24859	489.90	27635	514.31	983618	17724.26	987550	17966.07	-3932	-241.81
Stock Options	79	1.08	146	4.08	46954	790.33	46932	797.12	22	-6.79
TOTAL	119476	2519.089	100010	2088.906	2628904	53612.04	2593863	53266.45	35041	345.59

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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