

### Major indices movements

Major indices	Clsg	1d (%)	3m (%)	6m (%)
BSE Sensex	12,526	(4.1)	(6.9)	(18.4)
Nifty	3,818	(3.4)	(4.9)	(17.8)
Dow	10,325	(1.5)	(8.5)	(18.1)
Nikkei	10,544	(3.6)	(20.3)	(20.7)
Hang Seng	17,172	(2.9)	(19.8)	(29.2)
Brasil Bovespa	44,517	(3.5)	(25.0)	(30.9)
Mexico Bolsa	22,990	(4.3)	(18.9)	(27.1)

### Turnover

Value Traded (Rs bn)	3 Oct 2008	% Chg	52 Wk Hi	52 Wk Lo
Cash BSE	48.0	10.2	118.7	32.6
Cash NSE	118.9	10.2	284.8	74.9
<b>Total</b>	<b>166.9</b>			
Del.(%)	42			
F&O	449.8	(5.8)	1105.6	143.8
<b>Total Trade</b>	<b>616.8</b>			

### Fund Activity

Net Inflows (Rs bn)	Purch	Sales	Net	YTD
<b>1 Oct 08</b>				
FII's	19.7	(22.5)	(2.8)	233.3
Domestic Funds	6.3	(4.8)	1.5	102.3
<b>3 Oct 08</b>				
Cash Provisional			(2.7)	
F&O - Index	17.8	(18.1)	(0.3)	(27.6)
F&O - Stock	6.6	(7.2)	(0.6)	(11.6)

### Advances/declines BSECash

3 Oct 2008	A	B1	B2	Total
Advance	26	448	117	591
Decline	178	1231	304	1713

### Commodity Prices

Commodity	6 Oct 2008	1d (%)	3m (%)	6m (%)
Crude (USD/Bbl)	92.0	(2.0)	(36.7)	(13.4)
Copper(usd/t)	6,010	2.7	(30.5)	(29.7)
Aluminum H.G.(usd/t)	2,339	1.7	(26.5)	(19.6)
Zinc(usd/t)	1,595	0.9	(10.5)	(31.3)

### Debt/Forex Mkt

Debt/Forex Mkt	Clsg	1d (%)	3m (%)	6m (%)
Re/USD	47.07	0.0	(8.8)	(17.9)
10 yr Gsec Yield	8.30	(1.9)	(6.1)	3.8

## Contents

### ■ Research Update included

Banking Sector Update - Who moved my 'money'?

Aban Offshore Stock Update - DD3 bags USD241 mn contract

Southwest Monsoon - Comes to a normal end

### ■ Dealer Comments

### ■ Technical Comments

### ■ Derivative Comments

## News clippings

- **Oil and Natural Gas Corporation (ONGC)** is exploring the options to pick up blocks in Angola and Brazil. ONGC has set a target of crossing 10 million tonnes of equity oil production abroad, in the next couple of years against the equity oil production of an estimated 8 million tonne approximately currently.
- The Department of Telecommunications, Ministry of Communications & Information Technology, Government of India ("DOT") has issued the letter to the Telecom Subsidiary of **Unitech Limited** for allotment of 4.4 MHz of Spectrum in 1800 MHz GSM band in respect of Bihar Service Area. With this, the Company have been allotted initial spectrum in 13 service areas out of total 22 service areas.
- Borelli Tea Holdings Ltd, the 100% Subsidiary of **Mcleod Russel** has signed a Term Sheet with SA SIPEF NV of Belgium for acquisition of 100% equity stake in Phu Ben Tea Company of Vietnam at a cost of \$ 2 million.
- **Consolidated Construction Consortium (CCCL)** has bagged the Rs 12.12 billion Chennai Airport Project from Airport Authority of India (AAI), in tie up with Herve Pomerleau International, Canada.
- Xchanging Plc, the UK provider of back-office services has agreed to buy 75 per cent of Bangalore-based **Cambridge Solutions Ltd** for £83 million (Rs 688 crore) in stock and cash. The UK firm will pay Rs 371 crore in cash and 15.2 million of its shares, equivalent to 7 per cent of Xchanging's current capital
- London's Baltic Dry Index is falling sharply in the last three months. The index, which measures freight rates for bulk commodities — mostly irons ore, coal, and grains — has fallen by a whopping 67 per cent to 2,990 points till October 2 from its average peak of 8,936 points in July.

October 3, 2008

Kashyap Jhaveri

[kashyap.jhaveri@emkayshare.com](mailto:kashyap.jhaveri@emkayshare.com)

+91 22 6612 1249

Pradeep Agrawal

[pradeep.agrawal@emkayshare.com](mailto:pradeep.agrawal@emkayshare.com)

+91 22 6612 1340

**Allahabad bank**

(%)	1M	3M	6M	12M
Absolute	1	16	(20)	(43)
Rel. to Sensex	12	16	(3)	(24)

**Andhra Bank**

(%)	1M	3M	6M	12M
Absolute	(2)	8	(24)	(46)
Rel. to Sensex	9	7	(8)	(28)

**Axis Bank**

(%)	1M	3M	6M	12M
Absolute	2	24	(1)	(2)
Rel. to Sensex	13	23	19	30

**Bank of Baroda**

(%)	1M	3M	6M	12M
Absolute	7	59	6	(6)
Rel. to Sensex	19	58	28	24

**Bank of India**

(%)	1M	3M	6M	12M
Absolute	7	47	3	4
Rel. to Sensex	18	46	24	39

**Canara Bank**

(%)	1M	3M	6M	12M
Absolute	(15)	7	(19)	(34)
Rel. to Sensex	(6)	6	(2)	(12)

**Corporation Bank**

(%)	1M	3M	6M	12M
Absolute	(6)	8	(3)	(30)
Rel. to Sensex	4	7	16	(7)

**Development Credit Bank**

(%)	1M	3M	6M	12M
Absolute	(29)	(18)	(58)	(70)
Rel. to Sensex	(21)	(18)	(49)	(60)

**HDFC Bank**

(%)	1M	3M	6M	12M
Absolute	1	(32)	(33)	(11)
Rel. to Sensex	1	(16)	(12)	(2)

**ICICI Bank**

(%)	1M	3M	6M	12M
Absolute	(17)	(6)	(30)	(48)
Rel. to Sensex	(8)	(7)	(15)	(31)

**Punjab National Bank**

(%)	1M	3M	6M	12M
Absolute	2	41	(2)	(8)
Rel. to Sensex	13	40	19	22

**State Bank of India**

(%)	1M	3M	6M	12M
Absolute	6	47	(9)	(16)
Rel. to Sensex	18	45	10	12

**Union Bank of India**

(%)	1M	3M	6M	12M
Absolute	2	47	4	(15)
Rel. to Sensex	13	46	26	13

**Yes Bank**

(%)	1M	3M	6M	12M
Absolute	(9)	11	(23)	(42)
Rel. to Sensex	1	11	(7)	(23)

**Who moved my 'money'?****India witnesses unforeseen liquidity tightening**

Indian money markets have seen unprecedented tightening of liquidity over last one month. The average daily repo injection over last three weeks has been in excess Rs600bn (Rs822bn for week ended October 3,2008), highest ever in last eight years. The yields and spreads on corporate bonds have touched their high over similar period. Even companies with strong parentage like National Housing Board (100% sub of RBI) has recently raised money at rates in excess of 12%+.

**Banks borrowing money through FMPs like NBFCs!!!**

The banks have been borrowing money through even Fixed Maturity Plans of mutual funds!!! Ideally this should have been last resort or no resort for the banks to raise money. The indicative yields on these FMPs are also staggeringly high in the range of 11-12%. In a normal situation, this would be rate and route through which an NBFC would raise money.

**Reasons are seasonal, non-seasonal as well as rare**

The reasons for such an event are seasonal as well as non-seasonal and rare too. Seasonal factors are very much known:

- September advance tax payments and
- a quarter end for banks.

This time there was even a rare confluence of two day bank strike, a reporting Friday just before the day of quarter end.

Besides this rare combination, several non-seasonal factors were also at work. Deteriorating current account balance and selling of securities by the FIIs have put tremendous pressure on INR. Over June-July 2008, the RBI resorted to a massive Fx selling, USD11.5bn, to stem the free fall of INR, Looking at continued slide of INR, there are reasons to believe that the selling would have continued even in August and September 2008. Such massive selling of USD and buying of INR would have also accentuated the tighter liquidity situation.

**Its likely to worsen further – no recourse to foreign money either**

We believe that the liquidity situation in the system is likely to worsen over coming months as 1) the government borrowings are likely overshoot their target of Rs390bn driven by subsidies on fertilizers, food and petroleum items and 2) as credit offtake enters busy season.

And quite unlike last few years, Indian corporates are not likely to have recourse to foreign money either for LIBOR up by 90-120bps and spreads up by 300-400bps

**But may not warrant a rate cut**

While we agree that current monetary situation warrant for loosening of monetary policy in India (either through a CRR cut or repo rate cut), the same might not happen for two reasons a) the credit growth at 26% yoy and M3 growth at 21.5% is much higher than RBI targets for FY09 and b) the banks are likely to receive Rs250bn worth of bonds for agri loan waiver in November 2008 which may be preponed

However, nonetheless, we are of a firm view that we have already peaked out in terms of tightening interest rate cycle and its just matter of time before RBI cuts rates. Falling prices of commodities (crude and base metals) would bring much needed legroom for the RBI to maneuver and we expect a rate cut in the January 2009 review of monetary policy.

### Banks may have to take *mild hit* on corporate bond portfolio

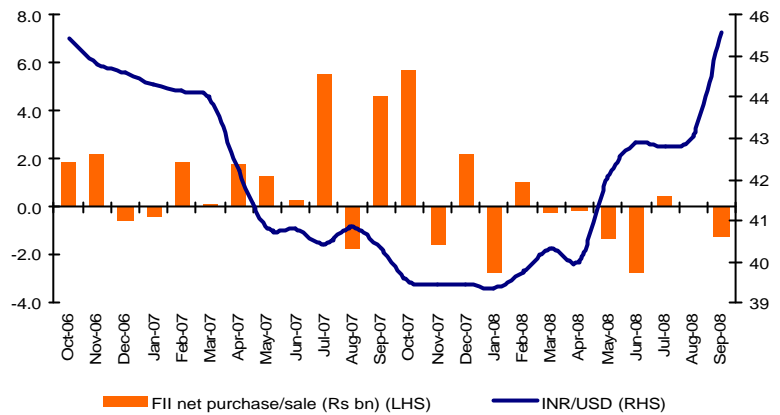
Indian banks are likely to be saved from mark to market losses on their government bond portfolio as the yields have remained flat between September, 2008 and June 2008 for 10-year bond and declined by 20-30bps for lower tenures. However, during the same period corporate bond yields have hardened by 60-70bps over the same period for various tenures and categories. The banks may have to provide for mark to market losses on the corporate bond portfolio. However, most of the banks hold corporate bonds in held for trading category which does not need to be marked to market.

#### Corporate bond portfolio position (FY2008)

Bank	Total investment portfolio (Rs bn) (a)	Debentures & Bonds (Rs bn) (b)	Corp bonds as % of total (b)/(a)
Axis Bank	337.1	108.2	32.1
Karnataka Bank	59.6	11.3	18.9
Yes Bank	50.9	6.8	13.3
Allahabad Bank	234.0	29.7	12.7
HDFC Bank	493.9	62.5	12.7
Union Bank of India	338.2	40.5	12.0
J & K Bank	87.6	9.5	10.8
Central Bank of India	314.6	31.3	10.0
Oriental Bank of Commerce	239.5	22.8	9.5
IDBI Bank	328.0	30.5	9.3
State Bank of India	1,895.0	176.3	9.3
Vijaya Bank	166.2	15.2	9.2
Dena Bank	102.8	9.2	8.9
Indian Bank	219.2	18.6	8.5
Punjab National Bank	539.9	40.1	7.4
Bank of Maharashtra.	122.8	8.0	6.5
Karur Vysya Bank	35.3	2.2	6.2
Syndicate Bank	280.8	17.2	6.1
UCO Bank	242.5	14.8	6.1
Andhra Bank	149.0	8.9	6.0
Bank of India	418.0	24.8	5.9
Bank of Baroda	438.7	26.0	5.9
South Indian Bank	45.7	2.7	5.8
Canara Bank	498.1	27.1	5.4
Indian Overseas	284.7	14.8	5.2
Bank of Rajasthan	47.3	2.0	4.3
City Union Bank	17.2	0.6	3.2
Corporation Bank	165.1	5.2	3.2
Federal Bank	100.3	3.1	3.1
DCB	21.3	0.4	2.1
ING Vysya Bank	62.9	1.2	1.9
ICICI Bank	1,114.5	18.9	1.7
Kotak Mahindra Bank	91.4	1.5	1.6

Source: Company, Emkay Research

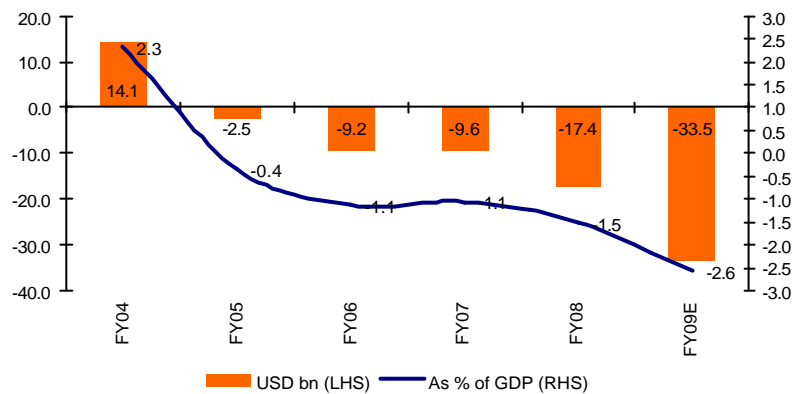
FII net purchases of securities (Rs bn) and INR /USD



FII selling in debt and equity markets putting pressure on INR...  
 FII have sold USD6.9bn worth of stocks and debt YTD CY08

Source: SEBI, Bloomberg, Emkay Research

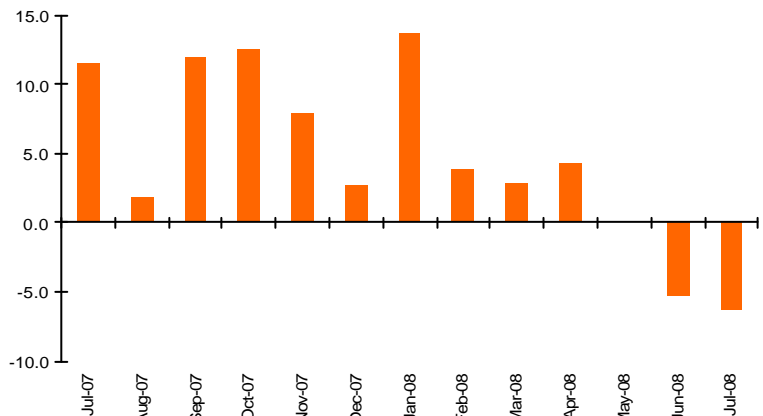
India current account balance



India's deteriorating current account balance and shortage of USD globally has put accentuated pressure further

Source: RBI, Emkay Research

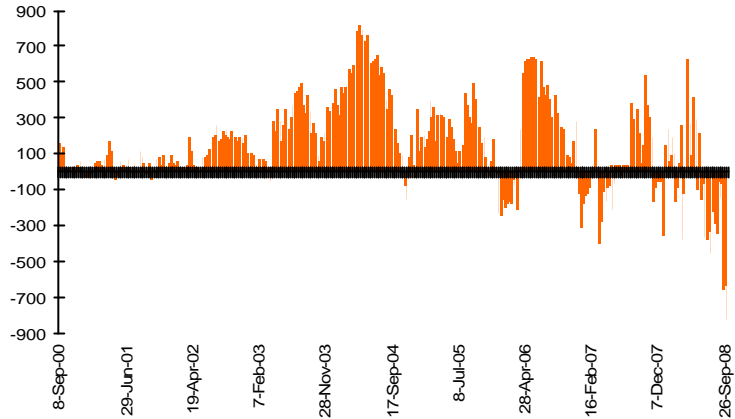
RBI net purchases of USD (USD bn)



RBI has undertaken massive Fx selling – USD11.5bn over June-July 2008, may have continued even in August and September 2008  
 However, it has not been able to stem the INR fall

Source: RBI, Emkay Research

**Net repo amount (Rs bn)**



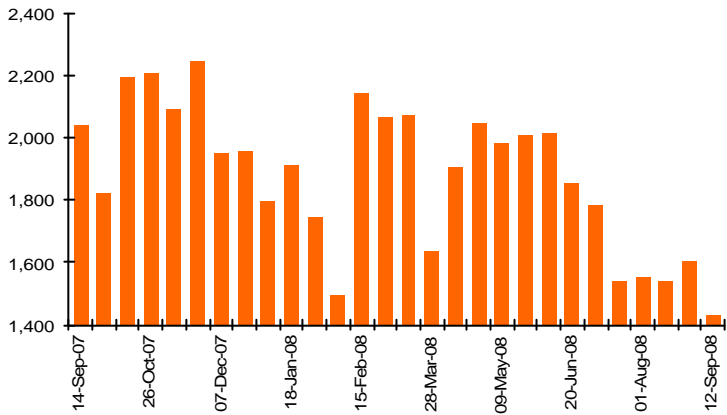
Source: RBI, Emkay Research

**Fx selling by RBI puts pressure on liquidity**

**Liquidity injection by the RBI at all time high, never seen in last eight years ...**

**Rs700bn of average daily repo for last three weeks**

**Excess SLR # (Rs bn)**



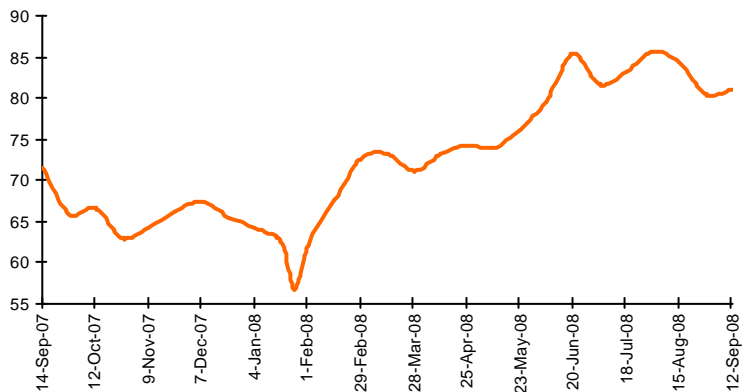
Source: RBI, Emkay Research

\* including additional 1%

**Banks not having much excess SLR securities for LAF**

**Excluding additional 1% SLR securities allowed by the RBI, the banks have already utilised excess SLR by now**

**Incremental Credit/deposit ratio running excessively higher (%)**

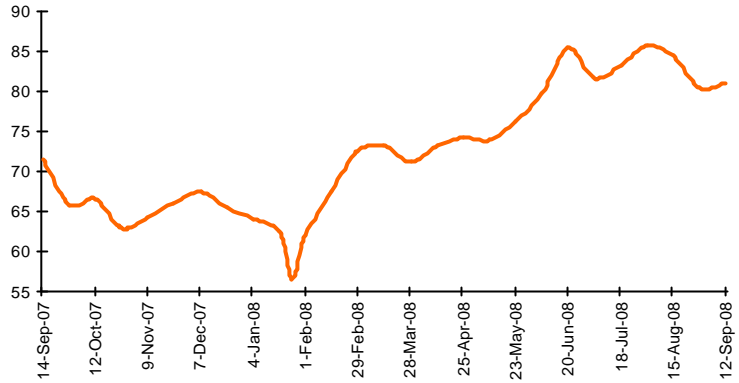


Source: RBI, Emkay Research

**Credit growth remains high but nearly 4.0-4.5% of the incremental growth contributed by oil companies...**

**However, the same is putting pressure on the CD ratio**

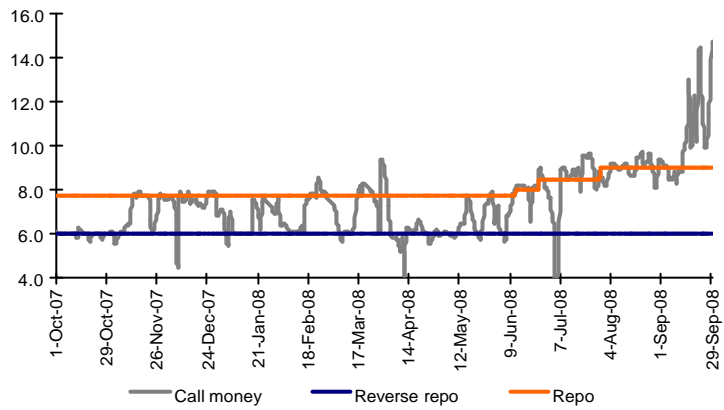
**Incremental Credit/deposit ratio running excessively higher (%)**



Incremental CD ratio running at nearly 85%...  
 Despite nearly 34% of the resources tied up in SLR (25%) and CRR (9%)

Source: RBI, Emkay Research

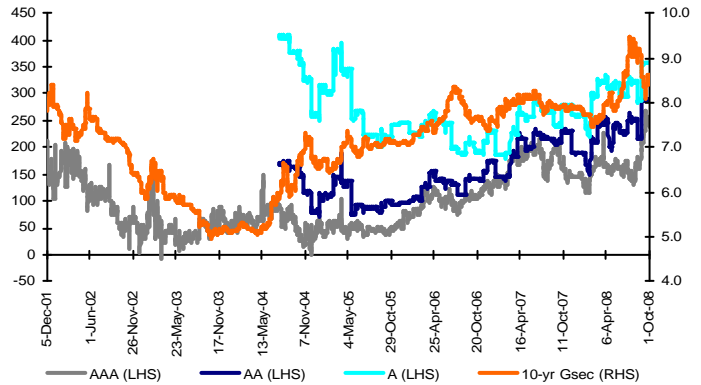
**Call money rates (%)**



Call money rates have moved out of the LAF range...  
 Call money rates currently hovering at 14.0%

Source: RBI, Bloomberg, Emkay Research

**G-Sec yields (%) and spreads (bps)**

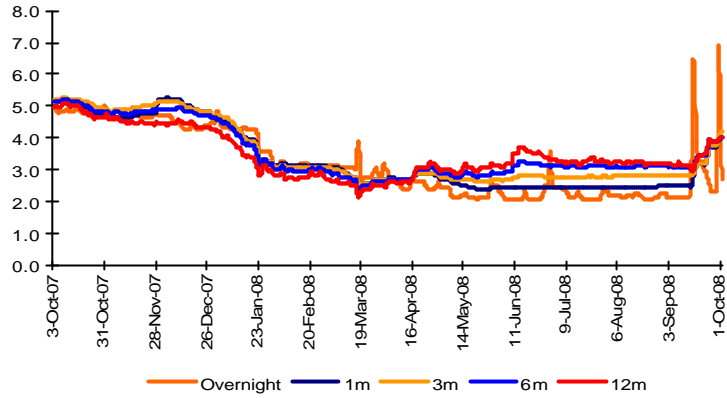


The spreads as well as yields on A, AA and AAA rated paper are near their 7 year high  
 AAA rated bonds are quoting at 11%+

Source: FIMMDA, Bloomberg, Emkay Research

Foreign money isn't coming cheap either...  
 USD LIBOR has jumped up by 90-120bps over last one month

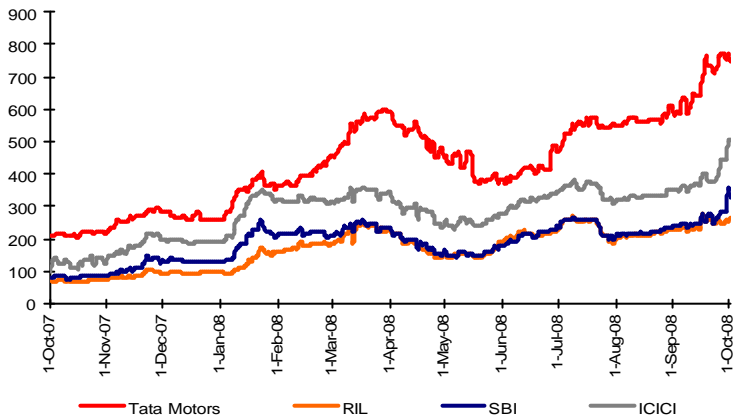
USD LIBOR (%)



Source: BBA, Emkay Research

And so have the spreads...  
 Spreads for Indian corporates have seen a sharp increase of 300-400bps in the CDS spreads

CDS spreads (bps)



Source: Bloomberg, Emkay Research

## DD3 bags USD241 mn contract

 3<sup>rd</sup> October 2008

### BUY

Price	Target Price
<b>Rs2,040</b>	<b>Rs3,868</b>

**Sensex – 13,056**

#### Price Performance

(%)	1M	3M	6M	12M
Absolute	(3)	(21)	(31)	(42)
Rel. to Sensex	8	(22)	(16)	(23)

Source: Bloomberg

#### Stock Details

Sector	Offshore Oil Field Services		
Reuters	ABAN.BO		
Bloomberg	ABAN@IN		
Equity Capital (Rs mn)	75		
Face Value (Rs)	2		
No of shares o/s (mn)	38		
52 Week H/L (Rs)	5,555/1,850		
Market Cap (Rs bn/USD mn)	77/1,647		
Daily Avg Vol (No of shares)	340127		
Daily Avg Turnover (US\$ mn)	17.6		

#### Shareholding Pattern (%)

	30/06/08	31/03/08	31/12/07
Promoters	60.9	60.9	60.9
FII/NRI	17.3	17.8	18.3
Institutions	4.9	4.7	3.7
Private Corp	2.6	2.4	3.0
Public	14.2	14.1	14.1

Source: Capitaline

#### Ajit Motwani

[ajit.motwani@emkayshare.com](mailto:ajit.motwani@emkayshare.com)

+91 22 6612 1255

#### Chirag Dhaifule

[chirag.dhaifule@emkayshare.com](mailto:chirag.dhaifule@emkayshare.com)

+91 22 6612 1238

### Aban Offshore bags USD241 million contracts for its rig DD3 - Day rate lower than expected

Aban Offshore has got bagged USD 241 million contract for extended deployment of its Jack up rig DD3 in direct continuation of its current contract. The term of the contract is 4 years from the end date of current contract. The rig is currently working with Shell and the current contract ends in the month of October 2008. The day rate for the contract is USD167000 which is below our expectations of USD180000. However keeping in mind the long term nature of the contract we believe it's a fair day rate. DD3 is a 2006 built 350ft Independent Leg cantilever type Jack up rig.

#### Impact on earnings 1.5% for FY2009

With lower than expected rate for DD3 our earnings estimates for FY2009 gets impacted by 1.5% for FY2009. The impact on FY2010 is very marginal i.e. 0.5%.

#### Revenue visibility extends to 90% for FY2009 and 73% for FY2008

With this 4 year contract Aban now boasts of FY2009 revenue visibility of 90% as compared 85% earlier. Similarly for FY2010 the revenue visibility increases to 73% as compared to 68% earlier. Also with the last two contracts for DD5 and DD3 Aban's committed revenue backlog has now crossed USD 3 bn and currently stands at USD 3119 and with options it stands at USD 3205 mn. This committed revenue backlog now stands at 5.08 x Aban's FY2008 revenue.

#### Maintain Buy

Although the day rate for DD3 at USD 167000 is lower than our expectation of USD180000, keeping in mind the long term nature of the contract we believe it's a fair day rate. At current levels, Aban is discounting its FY2010E earnings by 4.2X, which is a significant discount to the valuations commanded by global drilling majors. However, we believe that Aban's valuation does not adequately capture Aban's steeper earnings growth of 123% CAGR as compared to 17% CAGR for its global peers and its superlative RoE of 48% as compared to 24% for global peers. At 4.2X FY2010E earnings, Aban's valuations are extremely compelling and it more than adequately factors possible softening in Jack up day rates. We continue to believe that the global offshore drilling industry fundamentals are still robust and believe that Aban is the best pick among domestic players. We maintain our BUY recommendation on the stock with a price target of Rs3868.

#### Key Financials

Y/E, Mar (Rs. m)	Net sales	EBIDTA	PAT	EPS (Rs.)	EPS growth (%)	ROCE (%)	PE (x)
FY06	4901.6	2803.7	918.2	24.9		12.6	76.6
FY07	7186.8	3474.1	-298.8	-8.1	-132.5	4.8	NM
FY08	20210.6	10535.8	3459.7	91.6	-1231.5	6.7	20.8
FY09E	38255.9	26796.5	10635.9	281.5	207.4	16.7	6.8
FY10E	51129.3	35617.4	17317.1	458.3	62.8	21.7	4.2



## Comes to a normal end

October 3, 2008

Kashyap Jhaveri

[kashyap.jhaveri@emkayshare.com](mailto:kashyap.jhaveri@emkayshare.com)

+91 22 6612 1249

Pradeep Agrawal

[pradeep.agrawal@emkayshare.com](mailto:pradeep.agrawal@emkayshare.com)

+91 22 6612 1340

The Southwest monsoon ended positively as the rainfall for the full season was at 0.4% above normal. The number of divisions with deficient/scanty rainfall remained steady at 3 at the end of the season. The key takeaways of our analysis upto 30<sup>th</sup> September are as under:

- The weighted average rainfall across the country was at 0.4% above normal for week ended September 30, 2008
- In the rain dependent areas the weighted average rainfall was at 1.0% below normal at the end of the season
- **Number of divisions with deficient or scanty rainfall remained stable at 3 for the week ended September 30, 2008.**
- 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	13-Aug-08	20-Aug-08	27-Aug-08	03-Sept-08	10-Sept-08	17-Sept-08	24-Sept-08	30-Sept-08
Well Irrigated areas	31.5	35.5	28.9	20.9	17.5	11.6	18.2	15.2
Adequately Rain-fed areas	-12.9	-12.3	-13.6	-21.4	-8.8	-8.9	-8.5	-9.7
Rain Dependent Areas	4.9	2.7	-1.4	-3.7	-3.1	-0.1	1.1	-1.0
India	5.9	5.5	1.7	-3.0	-0.5	0.5	2.5	0.4

TABLE – II: Distribution of rainfall

No of divisions	13-Aug-08	20-Aug-08	27-Aug-08	03-Sept-08	10-Sept-08	17-Sept-08	24-Sept-08	30-Sept-08
Excess	8	9	6	3	4	2	2	1
Normal	24	23	26	26	27	32	32	32
Deficient/Scanty	4	4	4	7	5	2	2	3

Source: Indian Meteorological Department, Emkay Research

TABLE – III: Distribution of rainfall during southwest monsoon till September 30, 2008

Division	From June 1 to					
	September 30, 2008			September 30, 2007		
	Actual (MM)	Normal (MM)	Deviation (%)	Actual (MM)	Normal (MM)	Deviation (%)
<b>Well Irrigated areas</b>	<b>833</b>	<b>723</b>	<b>15.2</b>	<b>525</b>	<b>723</b>	<b>-27.4</b>
East Uttar Pradesh	1,063	914	16.3	748	914	-18.2
West Uttar Pradesh	864	773	11.8	473	773	-38.8
Haryana, Chandigarh and Delhi	538	470	14.5	313	470	-33.4
Punjab	600	502	19.5	355	502	-29.3
<b>Adequately Rain-fed areas</b>	<b>1,769</b>	<b>1,959</b>	<b>-9.7</b>	<b>2,146</b>	<b>1,959</b>	<b>9.5</b>
Konkan and Goa region	2,983	2,802	6.5	3,317	2,802	18.4
coastal Karnataka	2,663	3,174	-16.1	3,588	3,174	13.0
Kerala	1,679	2,143	-21.7	2,784	2,143	29.9
sub-Himalayan West Bengal and Sikkim	2,098	1,955	7.3	2,063	1,955	5.5
Assam & Meghalaya	1,601	1,885	-15.1	1,703	1,885	-9.7
Nagaland, Manipur, Mizoram and Tripura	984	1,241	-20.7	1,286	1,241	3.6
Arunachal Pradesh	1,658	1,835	-9.6	1,462	1,835	-20.3
Uttaranchal	1,199	1,223	-2.0	1,519	1,223	24.2
Andaman & Nicobar Islands	1,752	1,755	-0.2	1,702	1,755	-3.0
Lakshadweep	934	985	-5.2	1,467	985	48.9
<b>Rain Dependent Areas</b>	<b>761</b>	<b>768</b>	<b>-1.0</b>	<b>872</b>	<b>768</b>	<b>13.5</b>
Gangetic West Bengal	1,289	1,136	13.5	1,649	1,136	45.2
Orissa	1,419	1,165	21.8	1,442	1,165	23.8
Jharkhand	1,075	1,093	-1.6	1,218	1,093	11.4
Bihar	1,104	1,039	6.3	1,359	1,039	30.8
Himachal Pradesh	739	774	-4.5	498	774	-35.7
Jammu & Kashmir	525	514	2.1	498	514	-3.1
west Rajasthan	288	263	9.5	231	263	-12.2
east Rajasthan	607	624	-2.7	527	624	-15.5
West Madhya Pradesh	710	904	-21.5	861	904	-4.8
East Madhya Pradesh	949	1,097	-13.5	765	1,097	-30.3
Gujarat region	918	934	-1.7	1,164	934	24.6
Saurashtra and Kutch	559	486	15.0	889	486	82.9
madhya Maharashtra	755	700	7.9	905	700	29.3
Marathwada	587	704	-16.6	655	704	-7.0
Vidarbha	783	976	-19.8	1,075	976	10.1
Chattisgarh	1,061	1,206	-12.0	1,099	1,206	-8.9
coastal Andhra Pradesh	599	575	4.2	747	575	29.9
Telangana region	797	767	3.9	798	767	4.0
Rayalaseema	388	381	1.8	742	381	94.8
north interior Karnataka	431	491	-12.2	686	491	39.7
south interior Karnataka	721	659	9.4	917	659	39.2
Tamil Nadu and Pondicherry	324	316	2.5	339	316	7.3
<b>India</b>	<b>849</b>	<b>846</b>	<b>0.4</b>	<b>894</b>	<b>846</b>	<b>5.7</b>
<b>Excess/Normal/Deficient/Scanty</b>	<b>No of divisions</b>			<b>No of divisions</b>		
Excess	1			13		
Normal	32			17		
Deficient/Scanty	3			6		

Source: Indian Meteorological Department, Emkay Research

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

Division	From June 1 to					
	September 30, 2008			September 30, 2007		
	This season	Full season	% of FS	This season	Full season	% of FS
<b>Well Irrigated areas</b>	<b>833</b>	<b>723</b>	<b>115.2</b>	<b>525</b>	<b>723</b>	<b>72.6</b>
East Uttar Pradesh	1,063	914	116.3	748	914	81.8
West Uttar Pradesh	864	773	111.8	473	773	61.2
Haryana, Chandigarh and Delhi	538	470	114.5	313	470	66.6
Punjab	600	502	119.5	355	502	70.7
<b>Adequately Rain-fed areas</b>	<b>1,769</b>	<b>1,959</b>	<b>90.3</b>	<b>2,146</b>	<b>1,959</b>	<b>109.5</b>
Konkan and Goa region	2,983	2,802	106.5	3,317	2,802	118.4
coastal Karnataka	2,663	3,174	83.9	3,588	3,174	113.0
Kerala	1,679	2,143	78.3	2,784	2,143	129.9
sub-Himalayan West Bengal and Sikkim	2,098	1,955	107.3	2,063	1,955	105.5
Assam & Meghalaya	1,601	1,885	84.9	1,703	1,885	90.3
Nagaland, Manipur, Mizoram and Tripura	984	1,241	79.3	1,286	1,241	103.6
Arunachal Pradesh	1,658	1,835	90.4	1,462	1,835	79.7
Uttaranchal	1,199	1,223	98.0	1,519	1,223	124.2
Andaman & Nicobar Islands	1,752	1,755	99.8	1,702	1,755	97.0
Lakshadweep	934	985	94.8	1,467	985	148.9
<b>Rain Dependent Areas</b>	<b>761</b>	<b>768</b>	<b>99.0</b>	<b>872</b>	<b>768</b>	<b>113.5</b>
Gangetic West Bengal	1,289	1,136	113.5	1,649	1,136	145.2
Orissa	1,419	1,165	121.8	1,442	1,165	123.8
Jharkhand	1,075	1,093	98.4	1,218	1,093	111.4
Bihar	1,104	1,039	106.3	1,359	1,039	130.8
Himachal Pradesh	739	774	95.5	498	774	64.3
Jammu & Kashmir	525	514	102.1	498	514	96.9
west Rajasthan	288	263	109.5	231	263	87.8
east Rajasthan	607	624	97.3	527	624	84.5
West Madhya Pradesh	710	904	78.5	861	904	95.2
East Madhya Pradesh	949	1,097	86.5	765	1,097	69.7
Gujarat region	918	934	98.3	1,164	934	124.6
Saurashtra and Kutch	559	486	115.0	889	486	182.9
madhya Maharashtra	755	700	107.9	905	700	129.3
Marathwada	587	704	83.4	655	704	93.0
Vidarbha	783	976	80.2	1,075	976	110.1
Chattisgarh	1,061	1,206	88.0	1,099	1,206	91.1
coastal Andhra Pradesh	599	575	104.2	747	575	129.9
Telangana region	797	767	103.9	798	767	104.0
Rayalaseema	388	381	101.8	742	381	194.8
north interior Karnataka	431	491	87.8	686	491	139.7
south interior Karnataka	721	659	109.4	917	659	139.2
Tamil Nadu and Pondicherry	324	316	102.5	339	316	107.3
<b>India</b>	<b>849</b>	<b>846</b>	<b>100.4</b>	<b>894</b>	<b>846</b>	<b>105.7</b>

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

Updated upto September 17, 2008

Company	No. Of Shares (In lacs)	% Change In price
I Bull Real	43.0	-6.6
Axis Bank	43.8	-2.2
ICICI Bank	48.4	-5.8
Aban	1.9	-9.6
Indus Ind Bank	31.1	1.2

**Nifty movers**

Top Gainers	Price	Index Points
Sun Pharma	1489.90	1.3
Power Grid	89.90	0.9
HindUnilever	256.70	0.8
Ranbaxy	264.20	0.8
BPCL	372.65	0.6

**Losers**

Reliance Ind	1761.45	-34.4
Bharti Airtel	756.30	-10.6
ICICI Bank	504.35	-8.4
ONGC	1020.05	-7.2
SAIL	114.60	-6.0

**Index- volatility**

Indices	Sensex	Nifty
High	13001	3969
Low	12472	3804
Close	12526	3818
Volatility (in %)	529 4.07	165 4.16

**Dealer Comments**

**Market Summary:** The markets opened the session on a negative note with 160 odd points downward gap on the back of negative cues from the global markets and ignored softening crude oil prices. After opening on weaker note markets continued to trade lower with intermittent efforts to pullback but failed and kept moving southwards. Bearish sentiments prevailed in the markets on concerns that even if the \$700 billion US bailout package is cleared it will not be able to avert further global recession and economic slowdown pushing investors to prefer cash over stocks and hence selling. The day's fall was mainly led aggressive and persistent selling in index heavy weights mainly in Reliance Ind, Tata Steel, ICICI Bank, Infosys, ONGC, SAIL and Bharti Airtel. Metal stocks took a very heavy beating on the back of steep fall in overnight commodity prices at LME and fears of a big slowdown in demand going ahead with the index falling almost 7% with Tata Steel, Sterlite, SAIL, Nalco, Hindalco, JSW Steel and Hind Zinc edging lower by 7-11% each. Besides relentless selling in Banking, Oil & Gas, IT, Realty, Capital Goods and Power also led the day's fall. The overall market breadth remained fairly negative and was at - 2.9x. Finally the indices snapped its two day winning streak and sensex closed 529 points or 4.05% lower to settle at 12526 levels while Nifty lost 132 points or 3.35% lower to settle at 3818 levels. Among the sectoral indices all of them ended in the red with Metal, Bankex, Oil & Gas, IT, Power, Capital Goods and Realty under performing the most. On a weekly basis Senses lost 4.7% and Nifty lost 4.4% while Midcap index lost 4.5% and Smallcap index lost 6.8% respectively. On sectoral front Metal index lost 11.5% while Oil & Gas index lost 7.5%. Among the index heavy weights, which gained the most were Sun Pharma, Power Grid, Hind Unilever, Ranbaxy and BPCL while Reliance Ind, Bharti Airtel, ICICI Bank, ONGC and SAIL were weak and ended as losers. Some of the Midcap stocks, which saw good buying action despite extremely volatile and weak markets were Venus Remedies, Vishal Inform, Zandu Pharma, Titagarh Wagons, ILFS Investsmart, Gokul Refoils, Pfizer, Indotech Transformers, Lupin and Akruiti City and were up in the range of 2 – 5%.

The overall traded volumes were almost flattish compared to earlier day and were at Rs 617 bn. Delivery-based volumes were at 42% the total turnover.

Among the institutional activities FII's were net sellers to the tune of Rs 2.84 bn while Domestic Funds were net buyers to the tune of Rs 1.48 bn respectively in the cash segment on 1<sup>st</sup> October 2008. While on 3<sup>rd</sup> October 2008 FII's sold shares worth Rs. 16.62 bn in cash segment (provisional) and in the F&O segment sold Futures and Options worth Rs. 0.90 bn whereas Domestic Funds bought shares worth Rs. 0.57 bn (provisional).

**Movement of indices**

Indices	Previous close	This week	% chg
Sensex	13,102	12,526	-4.04
Nifty	3985	3818	-4.19
S&P CNX 500	3123	2984	-4.45
BSE 500	5,010	4,771	-4.77
BSE Mid-Cap	4,940	4,677	-5.32
BSE Small-Cap	5,861	5,465	-6.76
BSE Auto	3,734	3,654	-2.14
BSE Health	3,766	3,663	-2.73
BSE FMCG	2,189	2,180	-0.41
BSE IT	3,234	3,110	-3.83
BSE PSU	6,329	6,171	-2.50
BSE Bankex	6,570	6,428	-2.16
BSE Oil & Gas	9,081	8,426	-7.21
BSE Metals	9,502	8,417	-11.42
BSE Cons Dur	3,045	2,887	-5.19
BSE Cap Good	10,795	10,238	-5.16
BSE Realty	3,596	3,329	-7.42
BSE Power	2,347	2,227	-5.11

**Levels to watch**

	Sensex	Nifty
Week High	13203	4000
Week Low	12153	3715
34 DMA	13905	4174
55 DMA	14165	4248
Swing High	13203	4000
Swing Low	12153	3715

**Manas Jaiswal**

Technical Analyst  
[manas.jaiswal@emkayshare.com](mailto:manas.jaiswal@emkayshare.com)  
 +91 22 66121274

**Suruchi Kapoor**

Junior Technical Analyst  
[suruchi.kapoor@emkayshare.com](mailto:suruchi.kapoor@emkayshare.com)  
 +91 22 66121275

**Technical Comments**



**Outlook for next week**

Last week, Nifty opened on a negative note and continued its southbound journey. On Tuesday it tested our mentioned target of 3790 and made a low of 3715. Thereafter it took support and on Tuesday it retraced almost 50% of the recent fall from 4303 to 3715 and made a high of 4000. Thereafter broad base selling pressure was witnessed and nifty could not sustain on higher levels and on Friday it fell sharply and made a low of 3804. Finally Nifty closed below 61.80% retracement level of the recent rally from 3715 to 4000 at 3818 with a loss of 4.19% on w-o-w. In sectoral indices, BSE Metals index (-11.42%) followed by BSE Realty index (-7.42%) and BSE Oil & Gas index (-7.21%) were the top-losers on w-o-w basis, while other indices also closed negative on w-o-w basis. As Nifty closed below 61.80% retracement level, thus now in the immediate term it can test 3715. On higher levels in the immediate term nifty is having resistance at 4009 levels, however downside the main trend is still bearish and we maintain our short-term target of 3547.

**Monday's Strategy:**

For Today Nifty has resistance at 3862 and above that 3909 and it has support 3790.

**Sectoral Speak**

Last week the **BSE Metal** index opened on a negative note and continued its southbound journey. On Friday it tested our mentioned target of 8626 and made a low of 8375. Finally this index closed at 8417 with a loss of 11.42% on w-o-w basis. This index is still looking weak and now it can test 8064 levels.

Last week continuing its southbound journey, **BSE Oil & Gas** index fell sharply and on Tuesday it made a low of 8655, but thereafter it took support and retraced 50% of the recent fall from 9651 to 8655 and made a high of 9145, but again on higher levels selling pressure and on Friday this index broke its recent support of 8655 and made a low of 8381. Finally this index closed at 8417 with a loss of 7.21% on w-o-w basis. This index is looking weak and now if it starts trading below 8307, then it can test 7636 levels.

As expected last week the **BSE Power** index continued its downside journey and on Friday it made a low of 2219. Finally this index closed at 2227 with a loss of 5.11% on w-o-w basis. This index is still looking weak and we maintain our downside target of 2075.

Last week on Monday the **BSE Realty** index tested our first mentioned target of 3290 and made a low of 3202, but there after it took support and recovered some of its losses and made a high of 3616, but again on higher levels it was unable to sustain and again started its southbound journey. Finally this index closed at 3329 with a loss of 7.42% on w-o-w basis. This index is still looking weak and we maintain our second target of 2981.

As expected last week the, **BSE Cap Good** index on continued its southbound journey and it tested our first mention target 10528 and made a low of 9936 on Tuesday. Thereafter it took support and retraced 38.20% of the recent fall from 11889 to 9936 and made a high of 10707. But again on higher levels it could not sustain and started its southbound journey and finally this index closed at 10238 with a loss of 5.16% on w-o-w. This index is still not showing any strength and in the coming days we can see further downside and we maintain our second downside target of 9481 levels.

[Home](#)

**Nifty**

	26.09.08	03.10.08	Chg	% Chg
Spot	3973.45	3824.55	-148.9	-3.75
Oct Fut	3995	3853	-142	-3.55
Nov Fut	3995.85	3861	-134.85	-3.37

**Nifty Cost of Carry**

	26.09.08		03.10.08	
	Basis	COC %	Basis	COC %
Oct Fut	21.6	6.0	28.5	10.4

**Nifty open interest**

	No of Shares ('000)			
	26.09.08	03.10.08	Chg	%Chg
Oct Fut	26713	29889	3176	11.89
Nov Fut	1165	802	-363	-31.16
Total	27912	30975	3063	10.97

**Nifty put call ratio**

	No of Shares ('000)			
	26.09.08	03.10.08	Chg	%Chg
Call OI	27627	37498	9871	35.73
Put OI	27910	33893	5983	21.44
PCR	1.01	0.9	-0.11	

**Sameer Shetye**

Associate Derivative Research

[sameer.shetye@emkayshare.com](mailto:sameer.shetye@emkayshare.com)

Tel: +91 22 6612 1276

**Derivative Comments****Market Activity**

This week Nifty opened negative; and thereafter it traded with a continued negative bias throughout the week to give a weekly close at 3818.30 with a loss of 166.95 points (4.19%) from its previous weeks close. Major Gainers for the week were TVS Motors, BPCL, IRB, KSK and MRPL. Losers were JSW Steel, SKumars, Apteck, Rajesh Exports and SREI Int.

FILs remained net Sellers in Index futures to the tune of 1772 contracts and have added 64702 contracts in OI. They remained net Buyers in Index options to the tune of 28467 contracts and the OI has increased by 156387 contracts. In stock futures too they were net Buyers to the tune of 36778 contracts and have added 43242 contracts in OI.

**Market Outlook:**

The Oct futures cost of carry for the Nifty stood at a Positive 10.44 % against a Positive 6 % for the last week. Nifty Sep Futures traded at a Premium of 25 - 30 Points. The IV of Nifty this week has increased from 37 - 38 % to 39 - 40% and on a week on week basis Nifty added 30.63 lac shares (11%) in Open Interest. This is short OI Build up.

**Open Interest (OI) Analysis:**

Short OI was seen in Reliance (39%), Sail (29%) and Infosys (20%). Hence we would advise clients to avoid going long on these stocks.

Long OI Build up was witnessed in Hindu Unilever (39%) and Hero Honda (26%). Hence we expect these stocks to show further upside move.

**Put Call Ratio Analysis:**

The Put Call Ratio of Nifty WoW decreased from 1.01 to 0.90. On w-o-w basis Nifty Call options added 98.7 Lakh shares (36%) and Put options added 59.83 Lakh shares (21.44%) in OI.

On Friday on the calls side incrementally maximum OI was added at strike 4100 (7.58L) and also at strike 4000 (5.26L). On the Puts Front significant action was seen at 3700 Strike which added (8.26L) shares and also at 3650 Strike which added (5.43L). Maximum Put OI now stands at (49.6L). Hence on the downside now Nifty has strong support at 3800 levels.

**Cost of Carry (CoC):**

**Turned Positive:** Cipla, Dr Reddy, IDEA, RPower, Tech M and Unitech.

**Turned Negative:** Bank of India, Kotak Bank, Satyam and Sail.

**FII's Weekly Derivative Statistics 01.10.08**

	Buy		Sell		Open Interest as on 01.10.08		Open Interest as on 25.09.08		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	282465	5500.61	284237	5534.00	503871	9968.52	439169	9103.7	64702	864.82
Index Options	150529	2946.80	122062	2442.84	946176	18639.66	789789	16200.73	156387	2438.93
Stock Futures	184441	2732.13	147663	2233.86	959309	14692.25	916067	14736.66	43242	-44.41
Stock Options	8769	176.32	2838	46.49	52214	912.14	42117	751.83	10097	160.31
<b>TOTAL</b>	<b>626204</b>	<b>11355.85</b>	<b>556800</b>	<b>10257.19</b>	<b>2461570</b>	<b>44212.57</b>	<b>2187142</b>	<b>40792.92</b>	<b>274428</b>	<b>3419.65</b>

[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