



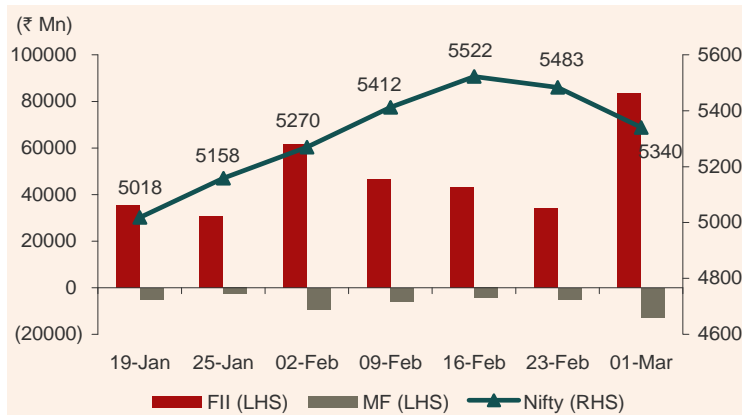
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Major Event of the Week

India's GDP grew at 6.1% in Q3, slowest since 2009.

Nifty & Institutional Flow



Source: NSE
Note: As per Thursday closing

Top Nifty Movers Shakers

Acc 5.6% ↑	Reliance Infrastructure 5.2% ↑	Ambuja Cements 5% ↑	Sterlite Industries 4.8% ↑
Maruti Suzuki 3.5% ↑	Sun Pharma 3.4% ↑	Reliance Power 3.3% ↑	Dr. Reddy'S Lab. 2.9% ↑
DLF Ltd (10.1%) ↓	Mahindra & Mahindra (6.8%) ↓	Sesa Goa (6.5%) ↓	Hero Motocorp (6.3%) ↓
TCS (4.2%) ↓	Jindal Steel & Power (3.8%) ↓	SAIL (3.7%) ↓	Larsen & Toubro (3.6%) ↓

Source: NSE

Developed Equity Markets	Last Close	% Change	
		WTD	YTD
U.S. (S&P)*	1,374	0.6	9.3
UK (FTSE)*	5,920	(0.3)	6.2
Japan (Nikkei 225)	9,777	1.3	15.6
Germany (DAX)*	6,933	1.0	17.5
France (CAC)*	3,504	1.1	10.9
Italy (FTSEMIB)*	16,919	2.6	12.1
Spain (IBEX)*	8,573	0.5	0.1

BRIC Equity Markets

India (Sensex)	17,637	(1.6)	14.1
India (Nifty)	5,359	(1.3)	15.9
China (Shanghai)	2,461	0.9	11.9
Russia (Micex)*	1,596	0.1	13.8
Brazil (Ibov)*	66,810	1.3	17.7

Asian Equity Markets

Hong Kong(HSI)	21,562	0.7	17.0
Korea (Kospi)	2,035	0.7	11.4

BSE Sector

	Last Close	% Change	
		WTD	YTD
BSE Mid Cap	6,345	0.7	23.6
BSE Small Cap	6,828	(0.4)	23.0
Auto	9,876	(1.6)	21.3
Bankex	11,997	(0.6)	31.1
Capital Goods	10,317	(2.3)	27.9
Power	2,266	(1.0)	26.2
Realty	1,846	(4.3)	34.2
Technology	3,605	(2.1)	6.6
FMCG	4,130	(1.4)	2.4
Metal	11,970	(0.9)	28.8

Institutional Activity

	Spot market		
	WTD	MTD	YTD
FII (Rs bn)*	83.7	(1.3)	361.1
MF (Rs bn)*	(12.7)	(0.1)	(50.3)

Commodities Update

	Unit	Close	% Change	
			WTD	YTD
Crude Oil(Brent)**	\$/Bbl	125	(0.4)	16.4
Gold(OTC)**	\$/Oz	1,717	(3.1)	9.7
Silver(OTC)**	\$/Oz	35	(0.5)	26.5
Copper(LME)**	\$/MT	8,625	0.8	13.6
Aluminum(LME)**	\$/MT	2,312	1.1	15.9
Sugar(LIFFE)**	\$/MT	654	(1.2)	8.6
ZINC(LME)**	\$/MT	2,105	1.2	14.1

Currency

	Close	% Change	
		WTD	YTD
INR/USD**	49.5	(1.1)	7.2
USD/EURO**	1.3	1.5	(2.2)
USD/JPY**	81.5	(0.4)	(5.6)

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



Top Corporate News during the week

Sterlite Industries to be merged with Sesa Goa to create Sesa Sterlite (Positive for Sterlite Industries shareholders in the short term and Sesa Goa shareholders in the long term)

In a major corporate restructuring, Sterlite Industries and other unlisted entities Vedanta Aluminium and MALCO would be merged into Sesa Goa and renamed Sesa Sterlite, which will be the holding company for all the business operations – zinc, aluminium, copper, power, oil & gas, and iron ore-- of Vedanta in India and will remove cross-holdings from the Vedanta group. Under the proposed merger, Sterlite Industries shareholders will receive 3 Sesa Goa shares for every 5 existing Sterlite shares; Vedanta will receive 72.3 million Sesa Goa shares for its 70.5% equity stake in Vedanta Aluminium Ltd. (VAL); Malco shareholders would get 78.7mn shares of Sesa Goa and its 3.6% shareholding of Sterlite would get cancelled; Vedanta would transfer its 38.8% stake in Cairn India to a wholly-owned subsidiary of Sesa Goa at a nominal consideration of \$1, together with the associated acquisition debt of \$5.9bn.

The proposed corporate restructuring is positive for Sterlite shareholders as the merger ratio is in favour of Sterlite. While pre-restructuring the current market cap of Sterlite Industries is 2.02 times that of Sesa Goa, the restructuring would enable Sterlite Industries' shareholders to have 2.32x the number of shares than the Sesa Goa shareholders in the new entity Sesa Sterlite. The balance sheet of Sterlite would also benefit from the relatively unlevered balance sheet of Sesa Goa, enabling it to have easier and lower cost access to capital. The negative for Sterlite in this deal is that its equity interest in the loss making and high debt VAL increases from 29.5% to 68%.

For Sesa Goa shareholders, the restructuring seems to be negative in the short term as the merger ratio seems a tad in favour of Sterlite shareholders and it gets an equity interest of 29.3% in VAL. The positives, though, are that it diversifies the business risk through exposure to zinc, copper, aluminium, and power and also enhances prospects for growth given the negative regulatory environment in the domestic iron ore sector.

The proposed restructuring seems to be most in favour of Vedanta as its economic interest in VAL reduces from 87.6% to 58.3%.

The combined entity Sesa Sterlite is expected to be seventh largest global diversified natural resources major by EBITDA. Thus, the size (revenues and market caps to be above \$13bn) and diversification of the combined entity Sesa Sterlite could lead to higher valuation multiples. Sesa Sterlite is likely to attract greater investor interest in the long term as it would be an important stock to own in the natural resource space. Thus, in the longer term, it is likely to be positive for both Sesa Goa and Sterlite Industries.

Mphasis Q1FY12 slightly below estimates results –impressive direct channel growth again, seasonality affected HP business; YTD appreciation of ~45% is likely to limit the upside potential for the stock in the short term.

During Q1FY12, Mphasis's topline increased by 4.1% to Rs. 13.67 bn from Rs. 13.13 bn on QoQ basis and increased by 10.8% on YoY basis, thanks to 7.3% rupee depreciation. Ironically, revenues have declined by ~3.1% in dollar terms. The company has witnessed a strong traction in Insurance (7.4% QoQ growth) and ICE by 8.3%. Interestingly, Direct Channel (DC) witnessed another impressive set of growth of ~15% on QoQ and HP degrew by ~2.6% because of seasonality. Revenue mix has considerably changed from 62:38 to 58:42 now. It has added 28 clients in this quarter, in that 17 of them being in direct channel. EBITDA improved by 7.4% to Rs. 2.52 bn from Rs.2.35 bn on sequential basis. Notably, the Operating Margin has bunked the declining trend, with an improvement of 57 bps to 18.5% from 17.9%. PAT increased by 1.1% to Rs. 1.84 bn from Rs. 1.82 bn on QoQ basis.

The management's strategy of transforming the company into more direct business-oriented started to show strong signs of results, which is good sign in medium to long-term perspective for the Mphasis. Even though, the results are slightly below estimates, but the operational improvement has been encouraging. The stock has rallied by ~45% in YTD, to factor in the improving sentiments in direct channel business, rich cash generation capabilities & relatively cheap valuations. The slightly below estimates would keep a tap on the upside of the stock and may put pressure in the short term.

Macro Economy & Other News

Domestic

India GDP grew at slowest pace since 2009 in Q3

GDP grew 6.1% in Q3FY12, its weakest annual pace in almost 3-yrs as high interest rates and rising input costs constrained investment and manufacturing. GDP growth was 6.9% in Sep qtr.

HSBC manufacturing PMI growth slows in February

The seasonally adjusted HSBC PMI came in at reading of 56.6 in Feb'12 fractionally lower from January's 57.5, but held near 8-months high.

Core infra sector grew 0.5% in January 2012

India's eight core infrastructure sectors grew mere 0.5% in January, confirming fears of a crippling industrial slowdown as companies, squeezed by costly borrowing and input costs, deferred planned investments.

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

International

ECB allots €530 bn to 800 banks under LTRO

European banks grabbed a larger than expected €529.5 bn in cheap loans as the ECB conducted its second and possibly last 3-yr long-term refinancing operation.

U.S. grew at revised 3% in fourth quarter

U.S. economy grew 3% in the fourth quarter of 2011, faster than initial estimate of 2.8% mainly because of increased commercial construction, higher consumer spending and lower imports.

U.S. consumer confidence index reaches 1-yr high

Confidence among U.S. consumers increased to 75.3 in Feb'12, reaching a 1-yr high as three straight months of faster job growth along with a stock market rally are helping keep Americans optimistic.

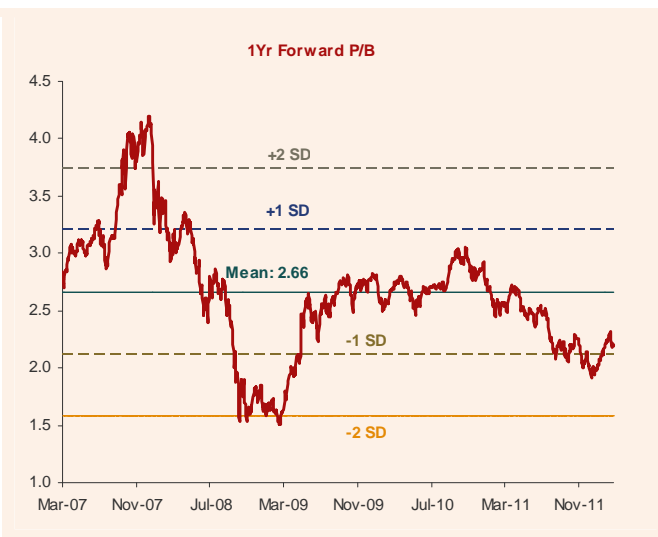


Global Equity Indices & Sectoral Performance

Developed		Index value	Index Return	Technology	Basic Materials	Financials	Telecom	Industrials	Utilities	Oil & Gas	Health Care	Consumer Goods
				%	%	%	%	%	%	%	%	%
US	DOW	12980	-0.02	0.46	-0.5	2.93	0.64	-0.85	---	0.31	0.49	0.41
UK	FTSE	5927	-0.13	-1.06	-0.62	-0.41	-0.66	1.68	1.66	-0.77	-1.01	0.71
GERMANY	DAX	6940	1.10	2.64	2.09	3.16	0.02	1.88	5.63	---	-1.08	0.3
FRANCE	CAC	3505	1.09	-1.01	0.59	3.28	-1.03	2.42	2.6	2.09	1.38	1.16
JAPAN	NIKKEI	9777	1.34	1.99	-0.92	0.58	1.34	0.46	-0.95	-1.25	1.28	0.75
BRIC												
BRAZIL	BOVESPA	66810	1.31	---	0.96	3.38	1.74	0.72	2.33	2.66	3.29	5.09
RUSSIA	MICEX	1599	0.27	---	2.68	4.59	2.03	---	5.95	3.75	---	---
INDIA	NIFTY	5359	-1.29	-3.1	1.22	-4.31	1.81	-2.92	-1.77	-1.79	0.4	-1.37
CHINA	SANGHAI	2461	0.86	-0.79	0.61	0.55	-2.22	0.83	0.88	0.49	-0.42	1.27
Asian												
HONK KONG	H S I	21562	0.73	-0.3	-1.14	-0.55	-0.26	0.43	3.59	0.64	---	2.36
KOREA	KOSPI	2035	0.73	1.19	-1.21	0.78	1.65	2.48	-0.34	-3.34	-2.76	-0.9
SINGAPORE	STRAITS	2993	0.52	---	---	-0.03	0.88	2.47	---	2.47	---	-2.83
TAIWAN	TWSE	8144	2.32	2.59	0.37	2.1	1.12	2.85	1.36	3.5	0.59	2.24

Source: Bloomberg, ABML Research
 Note: As per Friday 16:30 hrs IST

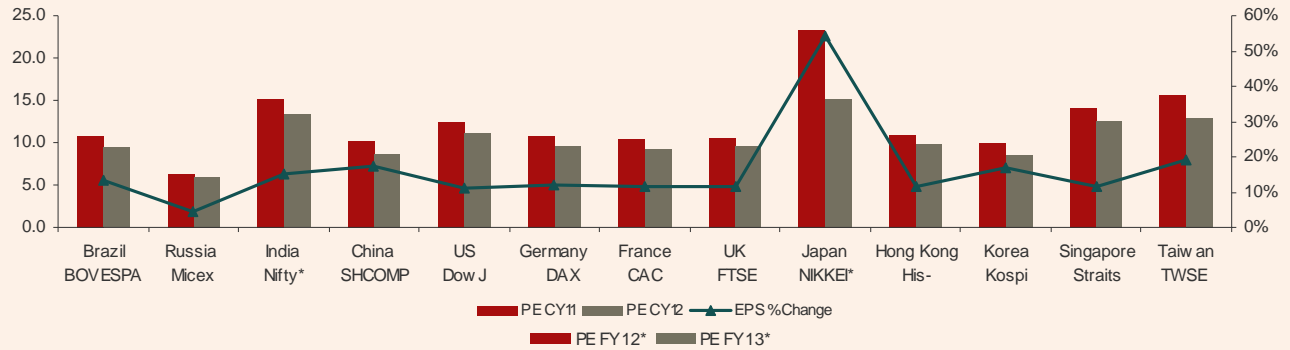
Nifty Relative Valuation Metrics (1 Year Forward)



Source: NSE, ABML Research

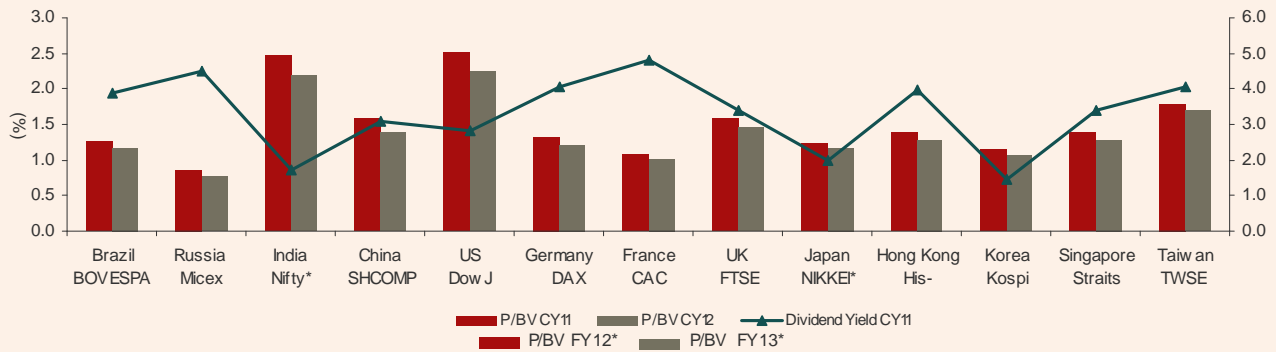


Global Indices Forward P/E



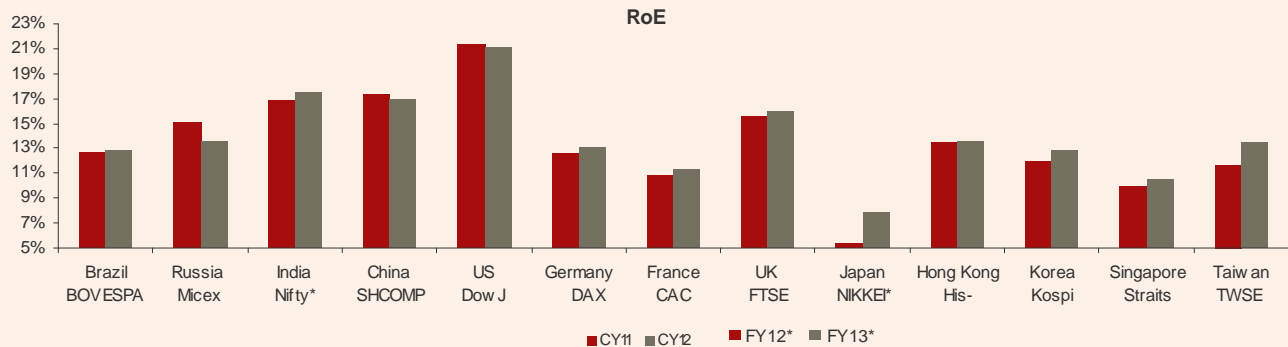
Source: Bloomberg, ABML Research
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Global Indices Forward P/BV



Source: Bloomberg, ABML Research
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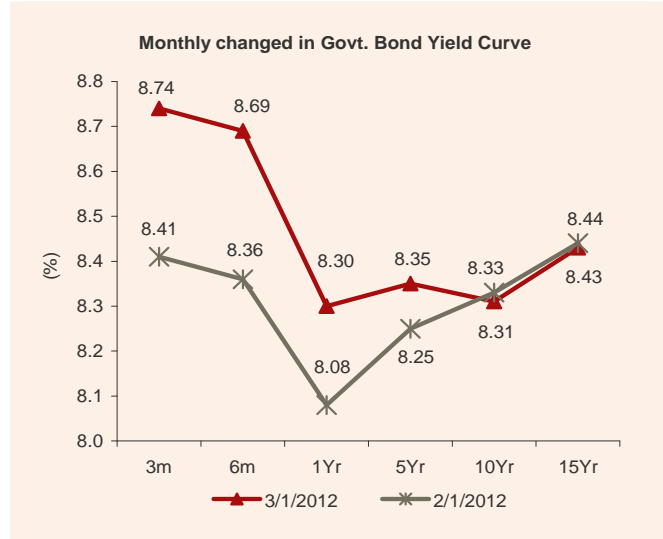
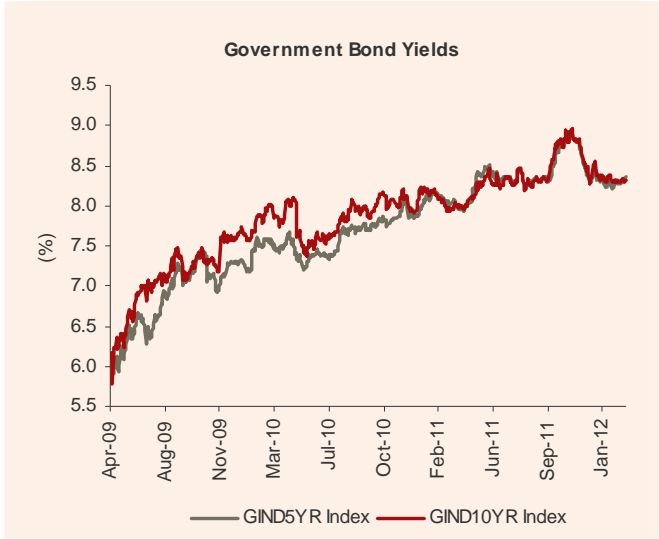
Global Indices RoE



Source: Bloomberg, ABML Research
Note: As per Friday 16:30 hrs IST

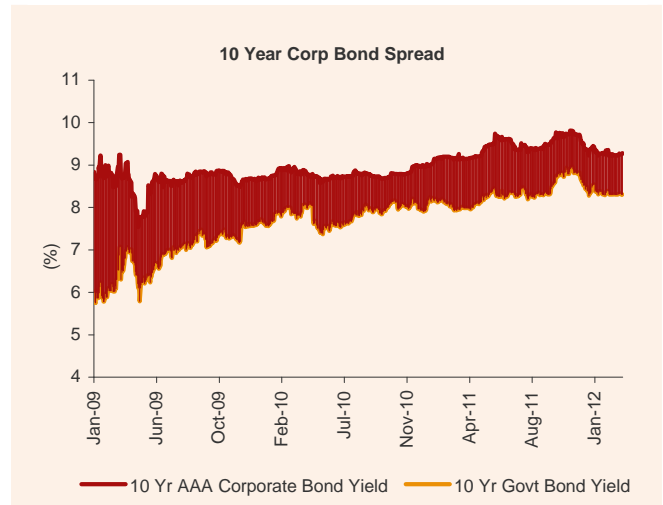
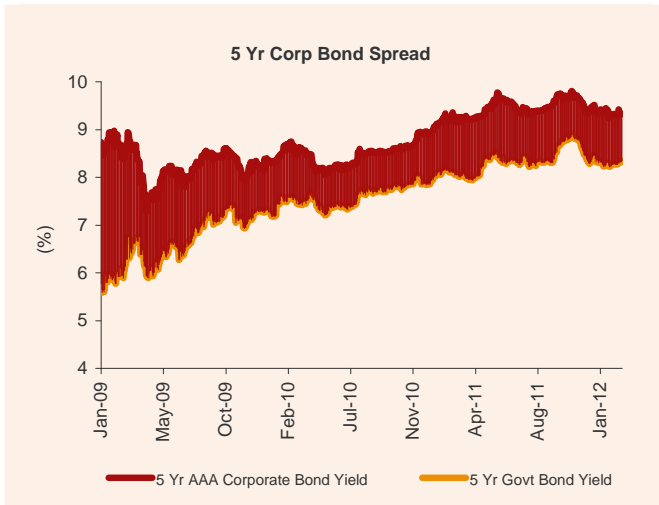


Government Bond Yield (India)



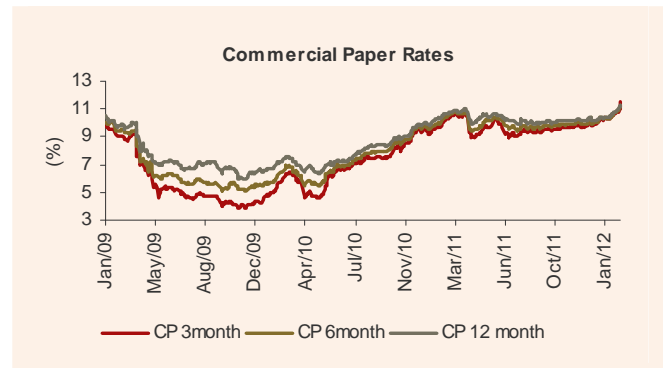
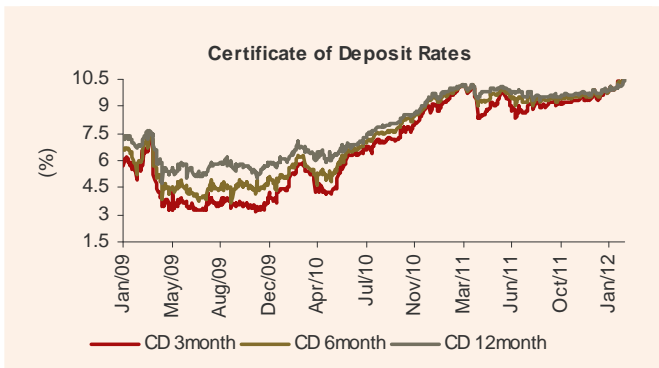
Source: Bloomberg, ABML Research

G-sec – AAA Corporate Bond — Spread (India)



Source: Bloomberg, ABML Research

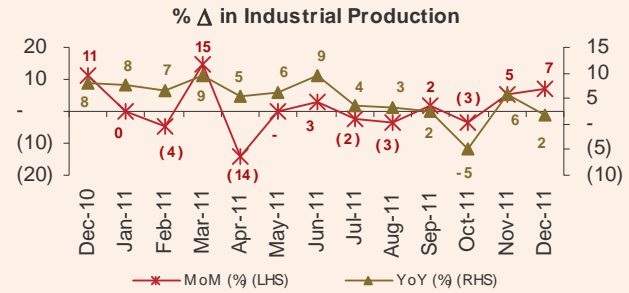
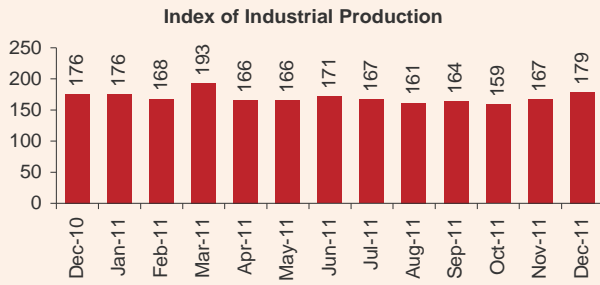
CD & CP Rates Movement



Source: Bloomberg, ABML Research

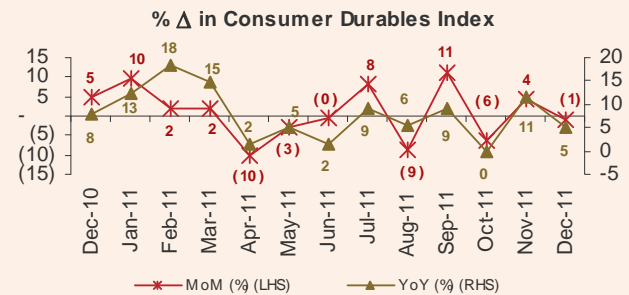
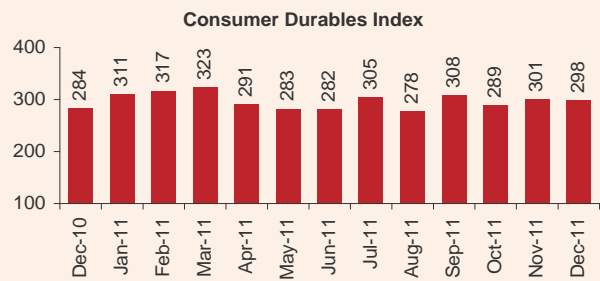


Index of Industrial Production



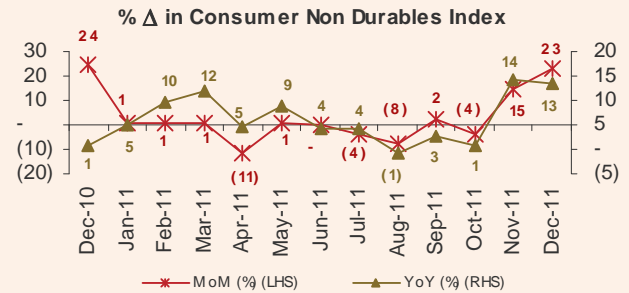
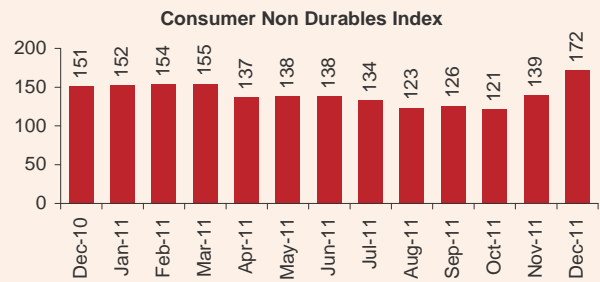
Source: Bloomberg, ABML Research

Consumer Durables



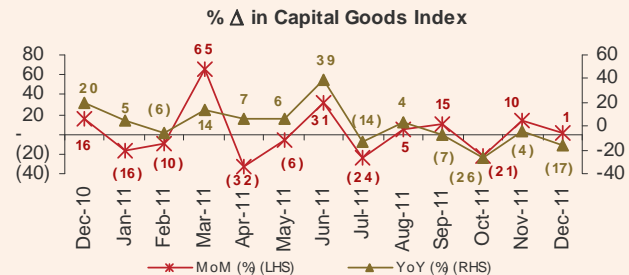
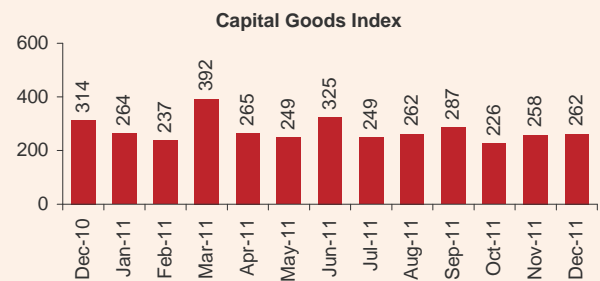
Source: Bloomberg, ABML Research

Consumer Non Durables



Source: Bloomberg, ABML Research

Capital Goods

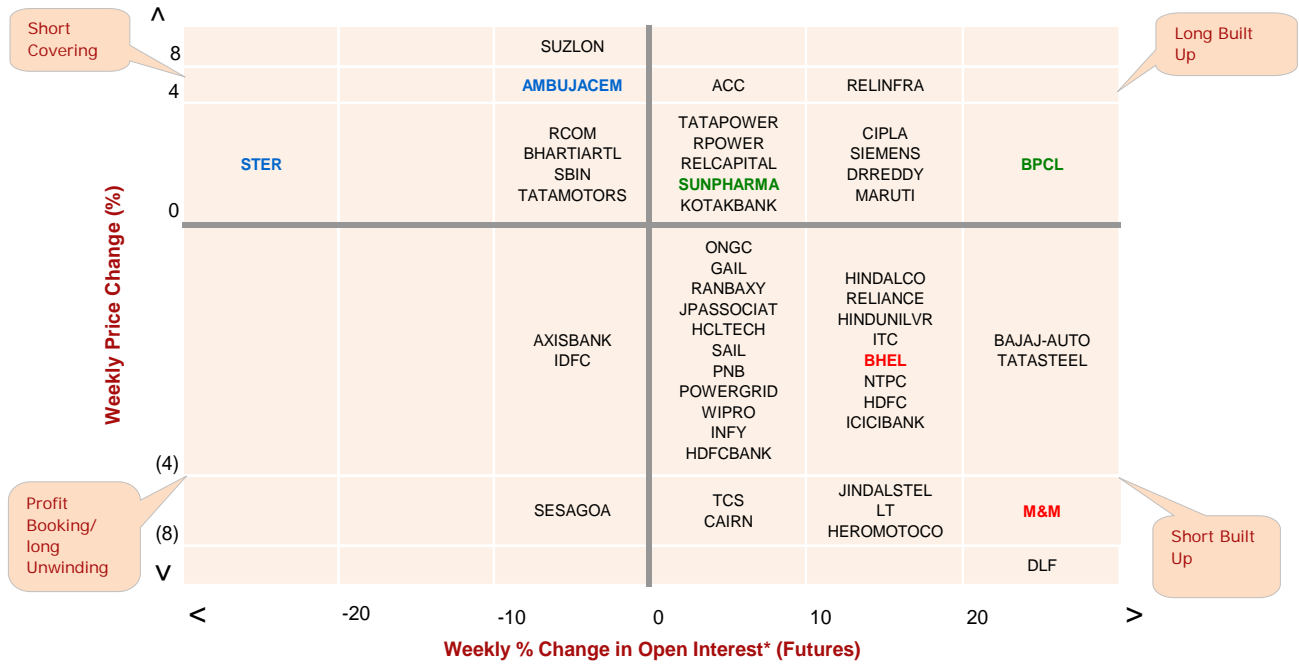


Source: Bloomberg, ABML Research



Derivatives Corner

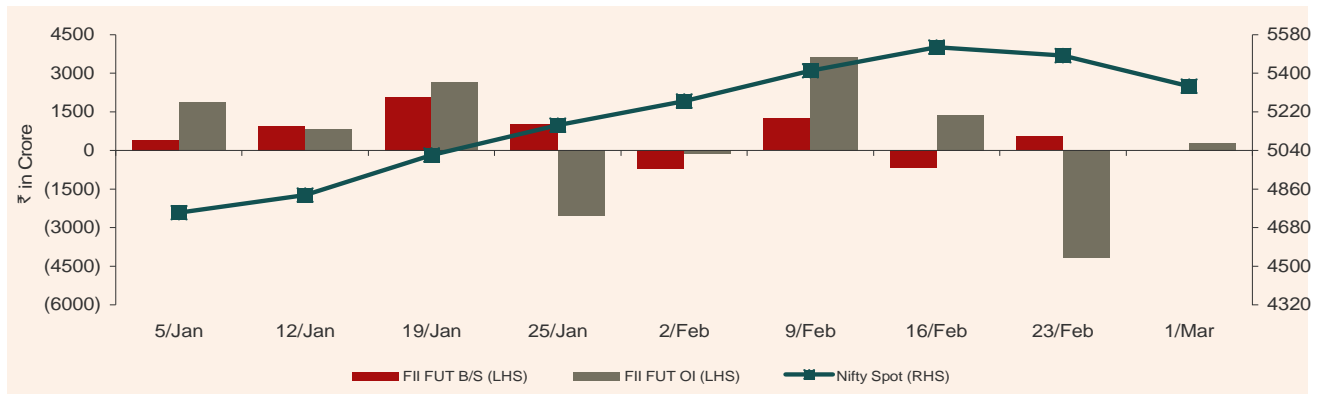
Nifty Grid — % Change in Price



■ Possible Long Candidates on dips
 ■ Possible Short Candidates
 ■ Probable Long Candidates

Note 1: Summation of three series of future.
 Note 2: Take positions with proper stop losses.

FII Deri Watch



Source: NSE



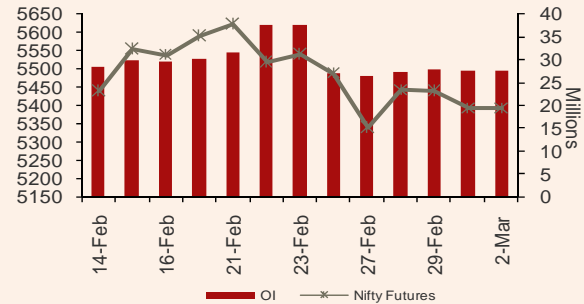
Nifty Synopsis

Particulars	Spot	Future	Prem. / Disc.	Futures OI	PCR OI	PCR VOL	VIX (%)
Current	5359.35	5391.5	32.15	27764700	1.23	1.00	27.84
Previous	5429.3	5487.45	58.15	26945300	1.33	1.17	24.82
Change (%)	-1.29	-1.75	-	3.04	-	-	12.17

Outlook

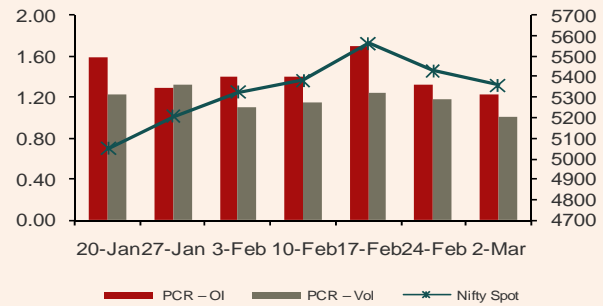
- In Index Futures FII's were net buyers to the tune of ₹ 7 Cr with an open interest increase of around ₹ 291.90 Cr as compared to net buying to the tune of ₹ 535 Cr with an open interest decrease of around ₹ 4182.06 Cr as of the previous trading week:** Indicating Long build up in Index Futures by FII's.
- Nifty Futures open interest saw a increase of around 3.04% and Nifty Futures saw a decrease of around 1.75%:** Indicating Short build up in Nifty.
- India VIX saw a increase of around 12.17%:** Indicating negativenes for the market.
- The PCR for Nifty based on open interest is down at 1.23 as compared to 1.33:** Indicating negativenes for the market.
- High put option open interest build up of around 6.5 mn and 7.3 mn is seen at 5300 and 5200 strikes respectively:** Indicating that they will act as strong supports.
- High call option open interest build up of around 4.2 mn and 4.4 mn is seen at 5500 and 5600 strikes respectively:** Indicating that they will act as strong resistances.
- Nifty is trading at a premium of 32-33 points as compared to a premium of 58-59 points:** Indicating negativenes for the market.

Nifty open interest vs Nifty Futures



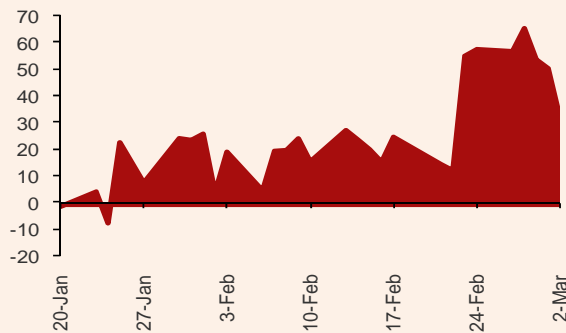
Source: NSE

Nifty Spot vs PCR



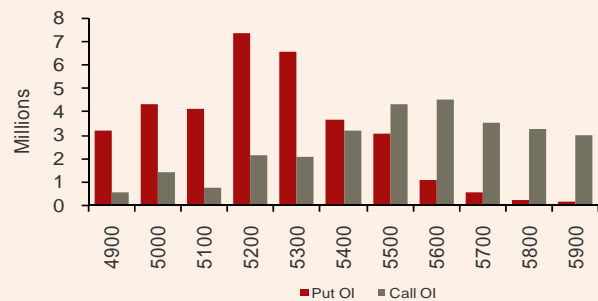
Source: NSE

Nifty Premium / Discount



Source: NSE

Nifty Options OI built up (Current expiry)

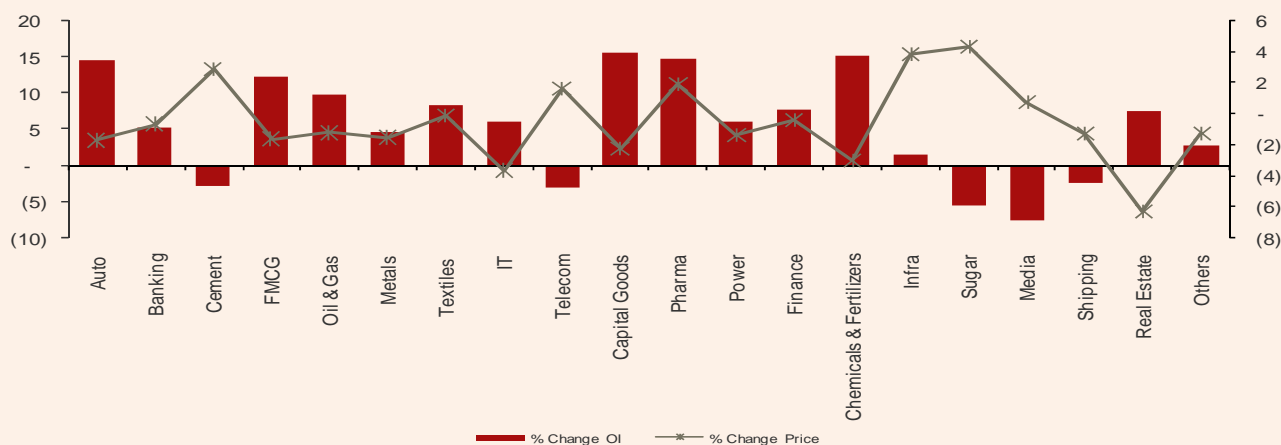


Source: NSE



OI Weekly Play

Sectoral Movement



Source: NSE

- **Long build up was seen in:** Pharma and Infra.
- **Short build up was seen in:** IT and Real Estate.
- **In Pharma sector Long build up was lead by:** LUPIN followed by DRREDDY and SUNPHARMA.
- **In Infra sector Long build up was lead by:** RELINFRA followed by GMRINFRA.
- **In IT sector Short build up was lead by:** INFY followed by TCS.
- **In Real Estate sector Short build up was lead by:** DLF followed by HDIL.

Open Interest Gainers

Long Buildup

Scrip	Price	% Price Change	% OI Change
LUPIN	493.45	3.69	58.73
GMDCLTD	196.75	1.94	54.85
TATAGLOBAL	121.95	1.12	41.47
BEL	1595.60	7.46	33.97
BEML	665.80	1.74	32.19

Source: NSE

Short Buildup

Scrip	Price	% Price Change	% OI Change
BOSCHLTD	7866.00	-1.52	45.83
UNIPHOS	137.35	-7.82	38.14
M&M	685.40	-7.18	33.76
INDIANB	234.60	-2.09	33.09
UNIONBANK	234.20	-4.04	30.10

Source: NSE

Open Interest Losers

Short Covering

Scrip	Price	% Price Change	% OI Change
ARVIND	88.80	10.45	-30.06
PETRONET	166.00	1.72	-28.95
STER	124.90	3.69	-28.23
HINDZINC	142.35	3.94	-26.23
INDIACEM	100.65	4.73	-24.34

Source: NSE

Long Unwinding

Scrip	Price	% Price Change	% OI Change
JETAIRWAYS	296.35	-2.08	-15.60
GODREJIND	250.10	-1.42	-14.38
BFUTILITIE	386.75	-4.12	-14.30
SESAGOA	214.15	-6.65	-7.51
LITL	21.00	-3.23	-6.96

Source: NSE



Outlook

Markets remained lackluster all through the week with some long positions getting pruned ahead of the event on March 6th 2012. Nifty lost 1.3% with Realty and Capital Goods coming under pressure. Mid-caps outperformed with FII buying intensity reducing in the secondary market. INR-USD was steady all through the week with some weakness on Friday. Government finally concluded ONGC auction with the help of LIC. Auto numbers for Feb 2012 largely did not disappoint. Markets will look forward to the state election results on Tuesday - the outcome is unlikely to be a game changer for financial markets in isolation, but a favorable verdict is a pre-requisite for a return to a reformist economic agenda. A re-alignment in UPA-2 towards the centre is very much on the cards. We advise Investors to take advantage of the volatility to add on to the quality companies in the portfolio.

Event Calendar

Economy	Monday 05 Mar	Tuesday 06 Mar	Wednesday 07 Mar	Thursday 08 Mar	Friday 09 Mar
Domestic	India February Market Services PMI				
Global	<p>China: China HSBC Services PMI Feb (Prior 52.5)</p> <p>Euro Zone: PMI Composite Feb F (Exp 49.7, Prior 49.7)</p> <p>Euro Zone: PMI Services Feb F (Exp 49.4, Prior 49.4)</p> <p>Euro Zone: Retail Sales (MoM) Jan (Exp -0.10%, Prior -0.30%)</p> <p>Euro Zone: Retail Sales (YoY) Jan (Exp -1.60%, Prior -1.30%)</p> <p>US: ISM Non-Manf. Composite Feb (Exp 56.1, Prior 56.8)</p> <p>US: Factory Orders Jan (Exp -0.90%, Prior 1.10%)</p>	<p>Australia: RBA Cash Target (Exp 4.25%, Prior 4.25%)</p> <p>Euro Zone: GDP s.a. (QoQ) 4Q P (Exp -0.30%, Prior -0.30%)</p> <p>Euro Zone: GDP s.a. (YoY) 4Q P (Exp 0.70%, Prior 0.70%)</p>	<p>Australia: GDP (QoQ) 4Q (Exp 0.70%, Prior 1.00%)</p> <p>Australia: GDP (YoY) 4Q (Exp 2.30%, Prior 2.50%)</p> <p>US: MBA Mortgage App. (Prior -0.30%)</p> <p>US: ADP Employment Change Feb (Exp 200K, Prior 170K)</p> <p>US: Nonfarm Productivity 4Q F (Exp 0.80%, Prior 0.70%)</p>	<p>Japan: GDP (QoQ) 4Q F (Exp -0.20%, Prior -0.60%)</p> <p>Australia: Unemployment Rate Feb (Exp 5.20%, Prior 5.10%)</p> <p>South Korea: 7-Day Repo Rate (Exp 3.25%, Prior 3.25%)</p> <p>UK: BOE Asset Purchase Target (Exp 325B, Prior 325B)</p> <p>UK: BOE Interest Rates (Exp 0.50%, Prior 0.50%)</p> <p>Euro Zone: ECB Interest Rates (Exp 1.00%, Prior 1.00%)</p> <p>US: Initial Jobless Claims (Prior 351K)</p> <p>US: Continuing Claims (Prior)</p> <p>Canada: Bank of Canada Rate (Exp 1.00%, Prior 1.00%)</p>	<p>China: PPI (YoY) Feb (Exp 0.00%, Prior 0.70%)</p> <p>China: CPI (YoY) Feb (Exp 3.40%, Prior 4.50%)</p> <p>China: Industrial Production (YoY) Feb (Exp 12.40%, Prior 12.80%)</p> <p>China: Retail Sales (YoY) Feb (Exp 17.30%, Prior 18.10%)</p> <p>US: Trade Balance Jan (Exp -\$49.0B, Prior -\$48.8B)</p> <p>US: Change in Nonfarm Payrolls Feb (Exp 206K, Prior 243K)</p> <p>US: Unemployment Rate Feb (Exp 8.30%, Prior 8.30%)</p>

Source: Bloomberg



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