



Take time to gather up the past so that you will be able to draw from your experience and invest them in the future.

		Sensex Close	
This Week: 50	▲	35	▼ 14
Today: 228	▲	123	▼ 104

Market Snapshot

Indices	05-Mar	WTD %	CYTD %
BSE Sensex	16,994	▲ 3.4	▼ -2.7
S&P Nifty	5,089	▲ 3.4	▼ -2.2
Dow Jones	10,566	▲ 2.3	▲ 1.3
FTSE 100	5,600	▲ 4.6	▲ 3.5
Nikkei 225	10,369	▲ 2.4	▼ -1.7
Bovespa	68,847	▲ 3.5	▲ 0.4
Hang Seng	20,788	▲ 0.9	▼ -5.0
Seoul	1,635	▲ 2.5	▼ -2.9
Shanghai	3,031	▼ -0.7	▼ -7.5
Straits Times	2,790	▲ 1.4	▼ -3.7

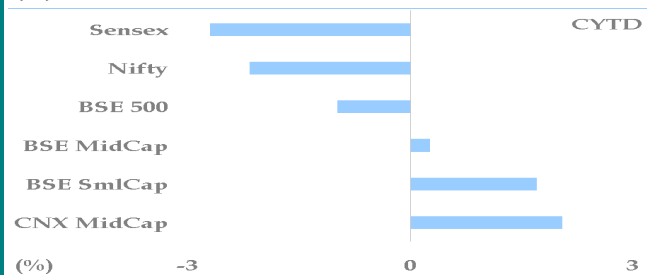
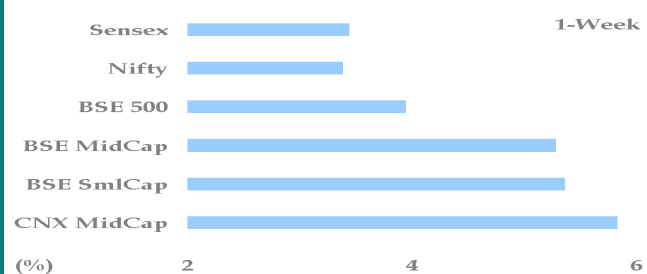
Market Capitalization

INR Bn	26-Feb	05-Mar	Chg Abs	% Chg
BSE	59,049	61,085	2,036	3.45
NSE	57,553	59,550	1,997	3.47

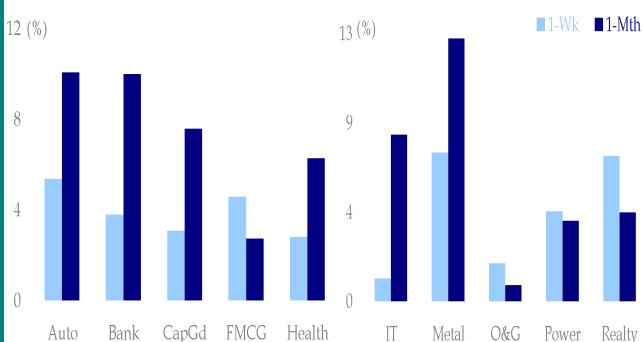
Institutional Activity

INR Bn	For the Week		Cash	
	Cash	F&O	MTD	FYTD
FII's	43.35	76.10	43.35	950.01
MF's	-11.17	-	-4.48	-54.19

Market Moods



BSE Sectoral Indices



WATCH LIST

- JP; 4Q GDP, Mar 11
- IND: January Industrial Production, Mar 12

Dancing to Budget Tunes

Major equity market gauges are likely maintain upward bias early week as post-budget week euphoria leads fresh capital flows by the FII and four week old pull back gets leg up by the Dow rally.

Co-related technical studies, however, suggest waning momentum might puncture the pull back towards weekend on profit booking by traders ahead of financial year end. Early week strength in INR accompanies positive bias in equities which face resistance on falling trendline and upper end of rising channel. DXY, on other hand, seems flattening on Fibonacci causing turbulence in key commodities markets.

Budget has left higher disposable income in the hands of tax payers by decreasing the impact of direct taxes, which will lead to higher consumption and higher savings.

The indication given by FM is very clear that there should be no hurdle in the way to return to high growth trajectory of ~9%. Indirect taxes were partially rolled back to balance out the relief given under direct taxes. The only major concern left unaddressed was inflation, which is spiraling and will start pinching further, after the hike in excise and custom duty and increase in retail fuel prices.

Gradual reduction in fiscal deficit over next three years comforted bond market, however with borrowings being frontloaded early in the new fiscal, worries over high supply has pushed ten year yield above 8%.

Global scenario has started improving. US Fed says economy improved in most regions at modest rate soothing jobs concerns and bolstering hopes of consumption revival. We believe global economy is still accident prone; however the nature of accident is not discernible.

Events during the week

Date	Events
08-Mar	GER: Industrial Production; JP: Trade Balance
11-Mar	US: Trade Balance, Initial Jobless Claims

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FM oils Economy, PSUs slip

The FY11 Budget offers some stupendous measures for the economy but none for the oil PSUs. The fiscal deficit target has been set at 5.5% of GDP for FY11. The net borrowing is estimated to be reduced to INR 3.45 tln from INR 3.98 tln. However, Oil PSU's have again been made the scapegoat of government actions. Companies producing crude oil and different value added petroleum products are expected to contribute a lot in the reducing fiscal deficit and thereby lower market borrowing.

Some of the noticeable announcements concerning oil PSUs which are as follows;

Oil marketing companies (OMCs) would continue to be compensated by cash. However no amount was affirmed upon except for ~ Rs 31 bn for LPG and kerosene. No fresh subsidy has been announced for OMCs.

✓ Economic Impact

Government hasn't provided any amount to subsidize OMCs ~ Rs 200 bn in FY10 and ~Rs 350 bn in FY11. This may reduce FY11 budgeted fiscal deficit (Rs 3.8 tln) by 8.4%.

* Impact on Companies

OMCs have been issued mere Rs 151 bn of cash subsidy as against expected under recovery of ~Rs 330-350 bn on cooking fuels. If crude oil price stabilizes at current levels, underrecoveries on cooking fuel will continue to be in same range keeping OMCs in red in FY11 as well.

Custom Duty restored to 5% on Crude oil, 7.5% on Petrol and Diesel and 10% on non petro refined products. Central Excise duty on petrol and diesel enhanced by Re 1 per liter each and by Rs 2 per liter on other products.

✓ Economic Impact

Total receipts would enhance by ~ Rs 450 bn into government's kitty.

* Impact on Companies

The companies got an opportunity to hike the administered petrol and diesel prices only to recover the cost arising out of hike in duties. The refining margins of the export based and domestic refiners would shrink since they won't be able to recover the hike in input duty fully and avail benefit of effective protection.

Sec 80IB not restored for gas producers operating and developing blocks allotted in NELP I and NELP VII

✓ Economic Impact

Apart from profit petroleum government will also be entitled to receive corporate tax on the profits earned from these gas blocks.

* Impact on Companies

The payback period for the gas producers would increase since the capital cost incurred will take more time to recover on account of lower net earnings. The IRR of the projects could reduce and the cash earnings may shrink.

Increase in MAT by 300 bps to 18%

✓ Economic Impact

This move could strengthen government's direct tax receipts in the medium term since major oil and gas and other PSUs availing infrastructure status will be required to pay higher tax.

* Impact on Companies

Major companies in the PSUs avail tax holiday under section 80IA/80IB making them liable for MAT. Their cash outlay could increase on account of higher tax rate.

Government mulls to raise Rs 400 bn via disinvestment route

✓ Economic Impact

Could reduce fiscal deficit burden by ~9.5%.

* Impact on Companies

No benefit would be availed by PSUs since whole proceeds will go in government's kitty by sale of stake.

Contribution to Exchequer by Oil Companies

(INR Bn)	FY05	FY06	FY07	FY08	FY09
Custom Duty	117.0	91.6	100.4	126.3	63.0
Profit Petroleum	24.5	40.5	34.6	41.5	47.1
Dividend	76.4	72.3	79.6	76.5	45.0
Sales Tax	389.2	468.8	539.5	564.5	633.5
Excise Duty	430.4	520.6	588.2	616.9	608.8
Corporate Tax	111.8	109.0	121.5	163.2	120.3
Others (Centre)	41.3	39.7	48.2	58.6	50.9
Others (State)	43.2	55.9	60.1	70.0	49.4
Total	1,233.8	1,398.3	1,572.2	1,717.3	1,618.0



INDIA

Name	Designation	Sectors	E-mail
EQUITY RESEARCH		TEL. NO. +91 22 4076 7373	FAX +91 22 4076 7378
Ashok Jainani	VP, Head Research	Market Strategy	ashokjainani@kslindia.com
Dipesh Mehta	Sr. Research Analyst	IT, Telecom	dipesh@kslindia.com
Hatim K Broachwala	Research Analyst	BFSI	hatim@kslindia.com
Vinay Nair	Research Analyst	Energy	vinay.nair@kslindia.com
Giriraj Daga	Research Analyst	Metals & Mining, Cement	giriraj@kslindia.com
Kruti Shah	Research Associate	Economics	kruti.shah@kslindia.com
Aditya Shekhawat	Research Associate	Autos	aditya.shekhawat@kslindia.com
Dinesh Bhatia	Research Associate	Technical Analysis	dinesh.bhatia@kslindia.com
Sandeep Bhatkhande	Research Associate	Publishing	sandeep@kslindia.com
Lydia Rodrigues	Research Executive	Data Mining	lydia@kslindia.com
INSTITUTIONAL DEALING		TEL NO. +91 22 4076 7342-47/56	FAX NO. +91 22 4076 73 77-78
Biranchi Sahu	Head	Institutional Equity	bsahu@kslindia.com
Gopi Doshi	Senior Dealer	Institutional Equity	gopi.doshi@kslindia.com
Mayank Patwardhan	Dealer	Institutional Equity	mayank.patwardhan@kslindia.com
Bhadresh Shah	Dealer	Institutional Equity	bhadresh.shah@kslindia.com
PRIVATE CLIENT GROUP		TEL NO. +91 22 4200 7300	FAX NO. +91 22 4200 7399
Sanjay K Thakur	President	Sales & Marketing	thakursk@kslindia.com
Subroto Duttaroy	General Manager	Equity & Portfolio Mgmt.	subroto@kslindia.com
BRANCH OFFICE (PUNE)		TEL NO. +91 20 2567 1404/06	FAX NO. +91 20 2567 1405
Ajay G Laddha	Vice President		ajay@kslindia.com

Corporate Office**Khandwala Securities Limited**

Vikas Building, Ground Floor,
Green Street, Fort,
MUMBAI 400 023.

Tel. No. (91) (22) 4076 7373

Fax No. (91) (22) 4076 7377/78

E-mail: research@kslindia.com

www.kslindia.com

Corporate Office**TruMonee Financial Limited**

1st Floor, White House Annexe,
White House, 91, Walkeshwar Road,
Walkeshwar, MUMBAI – 400 006

Tel No.: +91 22 4200 7300

Fax No.: +91 22 4200 7399

Email: advice@trumonee.com

www.trumonee.com

Branch Office**Khandwala Securities Limited**

C8/9, Dr. Herekar Park,
Off. Bhandarkar Road,
PUNE 411 004

Tel. No. (91) (20) 2567 1404/06

Fax. No. (91) (20) 2567 1405

Email: pune@kslindia.com

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