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MARKETS FOR YOU

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इंडियन बैंक
Indian Bank

S. SURYANARAYANAN
GENERAL MANAGER (OSD)

January 2, 2008

Indian Banks of late, have been witnessing the shift of preferences of the customers from personalized services at the comfort of the Branch premises to Technological Banking at all points of the customers' choice. As the customers tend to become Techno Savvy, the Banks are working hard to usher in Customized Banking Services such as Core Banking Solution, Online Services - Internet Banking, Phone Banking, ATM, and Electronic Fund Transfers. While these can take care of the customers' day-to-day banking needs, the growing Indian economy throws up tremendous opportunity for wealth accumulation / growth. Globalisation and the consequent linking of the Indian Economy with that of the rest of the world bring in its wake hitherto unseen investment propositions and options. Indian Economy is poised to outbeat all other emerging market economies. India's young and talent rich population with its IT superiority is going all over the world to capture new business, to render superior IT enabled special services. Almost in all sectors, Indian presence is there all over the Globe. This is steadily increasing through Globle Mergers and Acquisition (M&A) by Indian Corporates. This stimulates flow of wealth from all corners to India. All this means greater investible surplus with the Indian customers. To fulfill their ever increasing demand for new avenues of investment, Indian Bank, as one stop shop, has broughtforth new additional products such as Distribution of Insurance and Mutual Fund products, D-Mat services, Wealth Management Services etc., either directly or through Subsidiaries.

Indian Capital Market is poised for a big leap forward. As more Indian Corporates graduate into Global Giants, many new industries crop up with mega IPOs, the investment opportunities are really mind boggling. It is certain that the coming decades will see Indian bourses scaling more and more heights. Everyone would like to participate in this rewarding journey. IBMBS, the Subsidiary of Indian Bank offers Investment Advisory Services, Investment Trading to the customers of Indian Bank. This news letter, a value added service, given to its clients, presents corporate facts, news about investment market etc. I am sure this will receive wide acclaim from its clientele.

I wish IBMBS all success.

(S. SURYANARAYANAN)

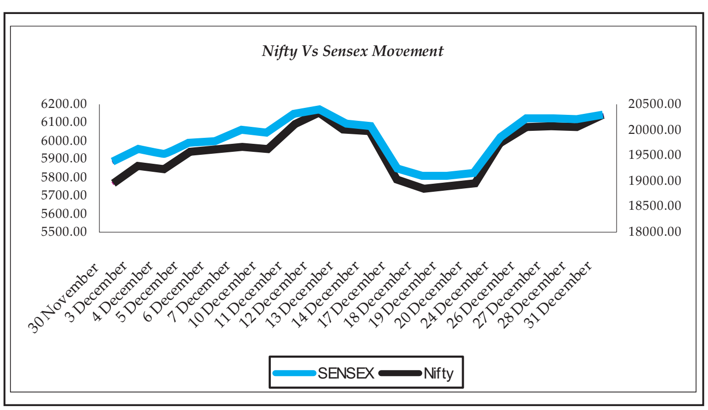
Markets Last Month

Indian Equity Market

The year 2007 was outstanding for Indian equity markets as both the benchmark indices Sensex and Nifty conquered new peak with hefty gains - 47% and 53% respectively for the period December 29, 2006-December 31, 2007. Market capitalization of the Indian stock market stood at Rs 72 lakh crore, up by 118 per cent in the calendar year. The Foreign Institutional Investors (FIIs) have also shown enormous interest in the Indian markets by making record investment of USD 17 billion in a single year. The Sensex and Nifty ended the year at 20286.99 and 6138.60 respectively.

The Sensex and Nifty were rangebound during the month of December and closed above the previous levels. Sensex and Nifty made gains of 3.1% and 3.7% to end the first week at 19,966 and 5,974 respectively. During the second week it reached their all-time highs as investors poured in funds on expectations of Fed rate cut. However, lower-than-expected rate cut of 25 bps turned market sentiments negative. Release of better-than-expected industrial production data, however, provided support to the market. Global markets witnessed huge losses owing to the negative sentiments spread by the modest Fed rate cut. As against expectation of 50 bps cut, a 25 bps cut seemed insufficient to pull the US economy out of its prevailing credit crisis. Markets declined sharply at the start of the third week as release of unexpectedly high US inflation figures thwarted chances of further interest rate cuts. Amid heavy selling by FIIs, Sensex declined by over 750 points in a single day. The Sensex and Nifty declined the third week by 4.33% and 4.64% respectively. Markets witnessed hefty gains during the last week of the month as release of strong US consumer spending data reduced expectations of US economic slowdown. Sustained buying by funds for short covering helped market shrug bearish sentiments sparked by assassination of political leader in Pakistan.

The Govt has reportedly allowed Postal Life Insurance Fund (POLIF) and Rural Postal Life Insurance Fund (RPOLIF) to enter the stock markets through investments in public sector mutual funds.



Institutional Investment- FII & MF

FIIs turned net buyers for the first two weeks due to strong economic data and increasing expectation of a rate cut in US. During the last two weeks of the month, FII turned net sellers as they booked year-end profits. MFs turned net sellers during the first two weeks, as they booked profits at higher levels, however turned as net buyers during the last two weeks, on the expectation to start building positions before the Q3FY08 profits of companies are released.

FII-Cash & Debt segment (Rs.Crores)

Month	Equity Gross Purchase	Equity Gross Sales	Equity Net Purchase	Debt Gross Purchase	Debt Gross Sales	Debt Net Purchase
Dec-07	80988.1	76091.4	4896.7	5404.6	2143.6	3261.0

FII-Derivatives segment (Rs.Crores)

Month	Index buy	Index sell	Stock buy	Stock sell
Dec -07	55740.8	51453.1	55668.1	65247.7

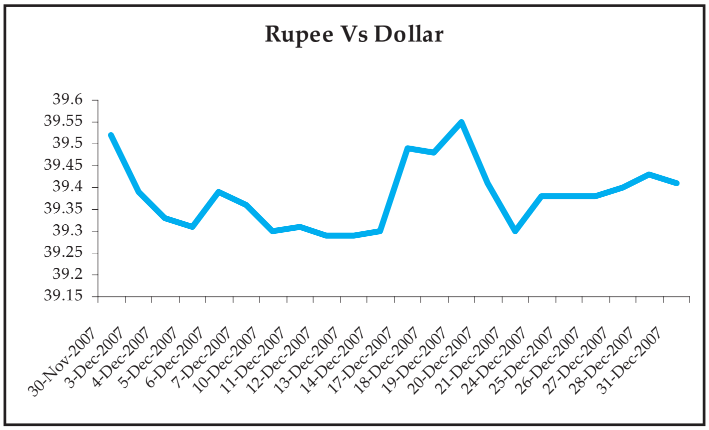
Mutual Fund - Cash & Debt Segment (Rs. Crores)

Month	Equity Gross Purchase	Equity Gross Sales	Equity Net Purchase	Debt Gross Purchase	Debt Gross Sales	Debt Net Purchase
Dec-07	19745	16486	3259	16319	15225	1094

The mid and small cap indices during the first week, outperformed large cap peers with BSE Mid-Cap and BSE Small Cap gaining 5.5% and 7.8% respectively. IT and banking sectoral indices outperformed benchmark indices and witnessed gains of 5.4% and 4.7% respectively during the first week of the month. Technology sector under performed during the second week. Profit booking pulled down banking, PSU and capital goods indices declining by over 5% during the third week however, during the end of the month, PSU and banking sectors emerged as the highest gainers.

Indian Fixed Income Markets

10-year benchmark G-Sec remained rangebound during the first week of the month, with a downward bias as liquidity eased due to govt spending and lack of fresh bond supply. Positive sentiment prevailed due to market expectation of a Fed rate cut on Dec 11 FOMC meeting. Yields rose during the second week, due to concerns over fresh supply and advance tax outflows. However, SLR demand from banks supported the bond prices. The 25bps Fed rate cut in the US was more or less factored by the market. G-Sec yields eased during the third week of the month, despite cash outgo of Rs. 420 bn (on account of advance tax payments and bond auctions) due to hopes of govt spending coming in and redemption of treasury bills amounting to Rs. 35-40 bn. During the last week of the month, yields eased to 2-months low on hopes of improved liquidity due to govt spending, redemption of bonds, interest payments on a government-sponsored deposit scheme early in January. RBI injected cash into banking system through Repo auctions for the 3rd consecutive week, helping liquidity scenario. No announcement of MSS and lower than expected inflation further boosted the sentiment causing a steep decline in yields before the month end.



Latest (Dec 31)	**Lowest** (Dec 12)	**Highest** (Dec 19)
39.42	39.29	39.55

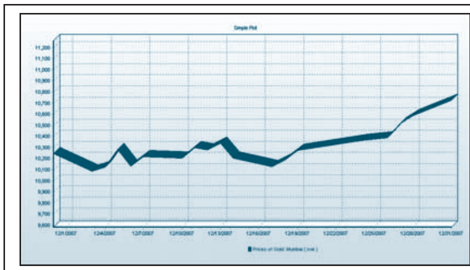
During the first week of the month rupee inched closer to its near-decade high levels as expectations of a Fed rate cut increased hopes of capital inflows into domestic equities. Dollar sales by a private equity firm lifted rupee further higher. However, central bank intervention at regular intervals capped rupee's gains. Rupee ended the week at 39.41/$ – appreciating by 22 paise over previous week's close of 39.63/$. US Federal Reserve's 25 bps cut in Fed funds rate increased buying interest in rupee during the second week, on expectations of higher capital inflows and took rupee closer to its near-decade high levels. Gains were capped by regular central bank intervention and dollar buying by oil firms. However, on the back of increased capital inflows, rupee ended the second week on a strong note of 39.35/$ – appreciating by 6 paise. Rupee opened the third week on a weaker note with domestic equities falling by the greatest extent in four months due to FII selling. Uncertain global cues kept rupee rangebound as market participants preferred to stay on the sidelines. Month-end dollar demand from oil importers was offset by steady capital inflows into domestic equities and rupee hovered in a tight range. Rupee ended the third week of the month at 39.55/$ – declining by 20 paise. Rupee strengthened, during the fourth week, against dollar following hefty gains in domestic equities. Amid low trading volumes in a holiday-thinned week and with many foreign banks having closed their books for the year, rupee movement mirrored the stock market movement. Concerns over regional political turmoil following the assassination of Pakistani opposition leader and dollar buying by oil importers threatened to erode gains, however buying interest on the last day of the week redeemed losses partially. Rupee ended the week at 39.42/$ – appreciating by 13 paise.

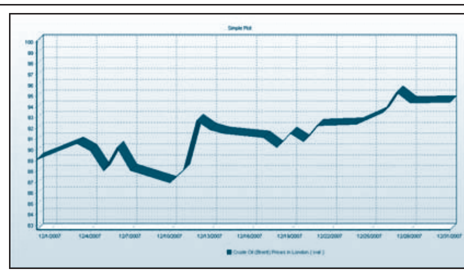
Inflation

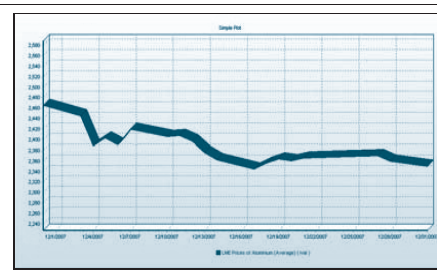
Inflation eased to 3.01% as on Nov 24 as increased farm production due to good monsoon helped reduce food prices. High oil and food prices continue to exert inflationary pressures. Inflation rose to 3.75% as on Dec 1 due to higher food and energy prices. Prices of key food items such as milk, mustard oil, sugar, and rice have risen in range of 6-17% over the past year. It came down to 3.65% YoY as on Dec 8 and 3.45% YoY as on Dec 15 on account of lower prices of food, vegetables and textile products.

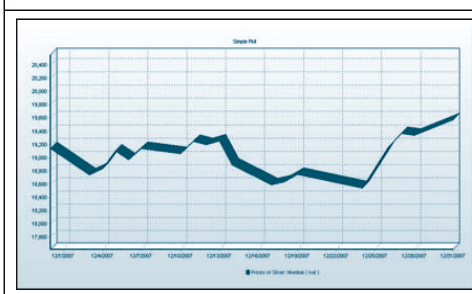
Commodity Market

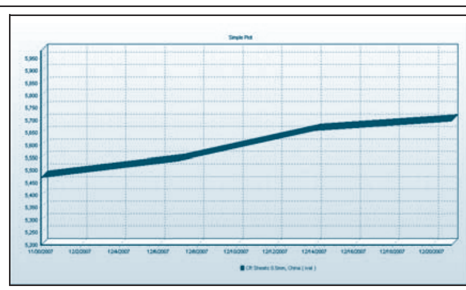
In Commodity markets, crude oil prices fell to their lowest levels during the first week of the month in more than five weeks on expectations of an increase in crude production following OPEC's meet and on increasing signs of US economic slowdown. Despite OPEC's decision to leave crude output unchanged, an increase in US crude inventories kept crude prices soft. Crude prices ended the week in the range of USD 88.00 – 88.50 a barrel, lower than previous week's range of USD 88.50 – 89.00 a barrel. During

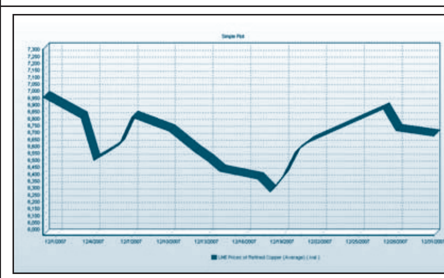

Gold


Oil


Aluminum


Silver


Steel


Copper

the second week, oil prices fell initially on concerns that US Federal Reserve's 25 bps interest rate cut may not help stem an economic slowdown in the country. Crude prices ended the second week in the range of USD 91.00 – 91.50 a barrel. Prices eased during the third week, on expectations that faster inflation and losses from subprime mortgages may reduce US economic growth and consequently oil demand. Prices rose later after US crude inventories declined more than expected. Increase in consumer spending by the most, in more than two years however reduced economic slowdown fears and crude prices firmed up. Crude prices ended the third week in the range of USD 93.00 – 93.50 a barrel. Prices during the last week of the month firmed up as concerns regarding decline in US crude inventories plagued the market. With oil inventories falling to their lowest in three years during the peak winter season heating oil demand, concerns regarding inventories failing to meet consumer demand sent crude prices over USD 95.00 a barrel. Crude prices ended the last week in the range of USD 95.75 – 96.25 a barrel.

Global Markets

10-year US treasury yields gained during the first week of the month, after data showed a resilient labor market despite the credit crisis as odds of a 50bps cut reduced. Govt introduced a plan to freeze some subprime mortgages to prevent a recession. During the second week, yields rose post the release of strong data on inflation and retail sales, as traders pared bets that Fed will cut rates next month. Yields fell to as low as 4.02% during the third week due to continued weakness in jobs, manufacturing, consumer confidence and index of leading indicators. However, yields recovered on rise in the PCE index and signs that central banks were adding enough funds to the banking system to boost liquidity. Yields again fell during the fourth week, after weak reports on new home sales, jobless gains and durable goods orders, fortifying fears of a potential recession.

During the second week Fed announced the launch of temporary term auction facility that banks can use to secure funds. The Fed said the new auction facility would accept the same collateral as it accepts at the discount window. The ECB, BoE and counterparts in Canada and Switzerland announced similar moves, along with some facilities for forex swaps.

BoE during its first week cut its benchmark interest rate by 25bps to 5.5% reflecting concerns that global credit slump poses downside risks to the outlook for both inflation and economic growth further ahead. BoJ refrained from raising interest rates as it lowered its assessment of the economy saying growth will slow for the time being. ECB, however, left its benchmark rate unchanged and warned on lingering inflation suggesting tough stance on monetary policy even amid the subprime crisis. PBoC during the month raised reserve requirement for banks. PBoC hiked its lending rate by 18bps to 7.47% and deposit rate by 27bps to 4.14% in its efforts to control inflation, which rose to a 10-year high level of 6.9% as against 3% govt target.

USD Libor rates have declined after Central Banks' combined efforts to revive the credit markets, indicating banks are less concerned about year-end funds and have started lending to each other.

The Yen rose and ended the year with a 7% advance, as strategists raised their forecasts after China's central bank signaled faster gains are needed to cool the economy. The currency advanced twice as fast as in 2006.

Global Indices

Indices	Country	Index as on 30th November	Index as on 31st December	Variation (%) (Inc/ Dec)
NASDAQ	United States	2668.13	2,652.28	-0.59
DJIA	United States	13,371.72	13,264.82	-0.80
S & P 500	United States	1,481.14	1,468.36	-0.86
Hang Seng	Hong Kong	28482.54	27,812.30	-2.35
Nikkei 225	Japan	15680.67	15307.78	-2.38
Straits Times	Singapore	3,521.27	3482.30	-1.11
FTSE 100	United Kingdom	6349.10	6456.90	1.70
CAC 40	France	5598.11	5614.08	0.29
DAX	Germany	7765.19	8067.32	3.89
SENSEX	India	19363.19	20286.99	4.77
NIFTY	India	5762.75	6138.60	6.52

IPO and NFO Review

The $8.3-billion raised on Indian bourses through 95 initial public offerings (IPOs) in 2007 was the fifth-largest in terms of number of issues and the seventh-largest in terms of the proceeds for the year globally. During the month of December 07, 9 IPOs were offered out of which 7 issues were subscribed less than 25 times. BGR Energy topped the IPO record for subscriptions, during the year, by getting subscribed by 120 times. Transformers and rectifiers got subscribed by 91.31 times.

Forthcoming Issues

Company Name	Issue Type	Face Value (Rs)	Premium (Rs)	Issue Open	Issue Close
Future Capital Holdings Ltd.	Pub Iss (B)	10	700-765	11/01/2008	16/01/2008
Reliance Power Ltd.	Pub Iss (B)	10	405-450	15/01/2008	18/01/2008
Manjushree Extrusions Ltd.	Pub Iss	10	35	31/01/2008	06/02/2008

New Listing

Company Name	Offer Price (Rs.)	Listing Date	List Price(Rs.)	Last Traded Date	Last Traded Price (Rs.)	% Change
Brigade Enterprises Ltd.	390	31/12/2007	430	01/01/2008	399.75	10.26
eClerx Services Ltd.	315	31/12/2007	370	01/01/2008	477.25	17.46
Transformers & Rectifiers (India) Ltd.	465	28/12/2007	790	01/01/2008	886.35	69.89
Jyothy Laboratories Ltd.	690	19/12/2007	895	01/01/2008	862.85	29.71
Kaushalya Infrastructure Development	60	14/12/2007	79	01/01/2008	97.6	31.67
Kolte-Patil Developers Ltd.	145	13/12/2007	230	01/01/2008	249	58.62
Edelweiss Capital Ltd.	825	12/12/2007	1443.75	01/01/2008	1688.05	75.00
Renaissance Jewellery Ltd.	150	12/12/2007	190	01/01/2008	156.8	26.67

Corporate Announcements

Symbol	Series	Record Date	Ex Date	Purpose
AEGISCHEM	EQ	09/01/2008	08/01/2008	INTERIM DIVIDEND-25%
ASTRAZEN	EQ	11/01/2008	04/01/2008	SCH OF AGMT- BONUS DEB 1:1
CEAT	EQ	02/01/2008	-	SCHEME OF ARRANGEMENT
CINEVISTA	EQ	29/01/2008	22/01/2008	FV SPLIT RS.10/- TO RS.2/
CLASSIC	EQ	18/01/2008	11/01/2008	FV SPLIT RS.10/- TO RS.2/
CUB	EQ	30/01/2008	23/01/2008	FV SPLIT RS.10/- TO RE.1/
GUJFLUORO	EQ	04/01/2008	03/01/2008	INT DIVIDEND- RS.3 PER SH
HEG	EQ	14/01/2008	11/01/2008	INTERIM DIVIDEND
INDIABULLS	EQ	08/01/2008	01/01/2008	SCHEME OF ARRANGEMENT
JAGRAN	EQ	16/01/2008	09/01/2008	FV SPLIT RS.10/- TO RS.2/

Symbol	Series	Record Date	Ex Date	Purpose
JINDALSTEL	EQ	28/01/2008	21/01/2008	FV SPLIT RS.5/- TO RE.1/-
KANORICHEM	EQ	07/01/2008	31/12/2007	FV SPL-RS10TORS5/BON-1:2
MAHABANK	EQ	04/01/2008	03/01/2008	EGM-ELECTION OF DIRECTORS
MASTEK	EQ	16/01/2008	15/01/2008	INTERIM DIVIDEND
MRO-TEK	EQ	28/01/2008	25/01/2008	INTERIM DIVIDEND
PRISMCEM	EQ	14/01/2008	11/01/2008	INTERIM DIVIDEND
RAINCALCIN	EQ	02/01/2008	-	SCHEME OF ARRANGEMENT
ROLTA	EQ	25/01/2008	24/01/2008	BONUS 1 : 1
SUZLON	EQ	28/01/2008	21/01/2008	FV SPLIT RS.10/- TO RS.2/

Mutual funds' assets under management (AUM) for December reported a marginal growth of 2.2 per cent, reversing their growth decline in November. Their asset base increased by Rs. 12,129 crores, from Rs. 5,37,812 crores to Rs 5,49,941 crores. A total of 51 schemes were launched during the month, of which 7 were equity schemes (1 open ended scheme and 6 long term close ended schemes) and 44 were Debt schemes (11 Open ended schemes, 23 long term close ended schemes and 10 short term close ended schemes)

NFO

Scheme	Type	Class	Open Date	Close Date	Offer Price (Rs.)	Min. Inv. Amount (Rs.)
Lotus India FMP 1MS4	Close	Debt - FMP	23/11/2007	03/01/2008	10	5000
ABN AMRO IQP K	Inter	Debt - Income	26/12/2007	08/01/2008	10	100000
Lotus India FMP 1MS5	Close	Debt - FMP	26/11/2007	08/01/2008	10	5000
Birla SpecialSituati	Open	Equity - Diversified	17/12/2007	15/01/2008	10	5000
Sahara Classic	Open	Debt - Income	18/12/2007	16/01/2008	10	5000
RelianceNaturalResou	Open	Equity - Diversified	01/01/2008	30/01/2008	10	5000
LotusIndia AGILE Tax	Close	Equity - ELSS	15/11/2007	15/02/2008	10	5000000
SBI Tax Advantage S1	Close	Equity - ELSS	03/12/2007	03/03/2008	10	500
RelianceEqLinkSav S1	Close	Equity - Diversified	18/12/2007	17/03/2008	10	500
UTI LongTermAdvnSII	Close	Equity - ELSS	19/12/2007	19/03/2008	10	500
JM Tax Gain	Open	Equity - ELSS	24/12/2007	25/03/2008	10	500
AIG Infrast & Reform	Open	Equity - Diversified	10/01/2008	31/01/2008	10	5000

Mutual Fund Corner

Scheme for the Month

JM Emerging Leaders Fund

- Sandeep Neema

The primary investment objective of the scheme is to seek long-term capital appreciation from investment in a portfolio of stocks across all market capitalization range. The portfolio may include those companies operating in emerging sectors of the economy or companies, which exhibit potential to become leaders of tomorrow.

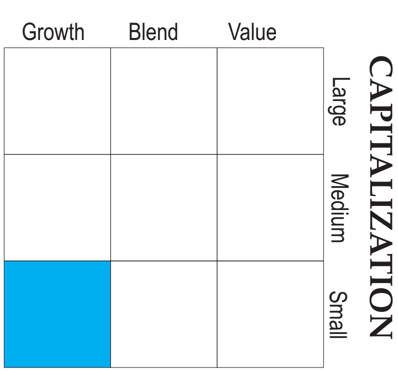
Current Stats & Profile	
Latest NAV	20.7063 (31/12/07)
52-Week High	20.7063 (31/12/07)
52-Week Low	9.04 (07/03/07)
Fund Category	Equity: Diversified
Type	Open End
Launch Date	July 2005
Net Assets (Cr)	472.18 (30/11/07)
Benchmark	S&P CNX Nifty & Sensex

Trailing Returns %

As on 31 Dec 2007	Fund Return	S&P CNX Nifty	Sensex
Year-to-Date	0.62	0.09	0.07
1-Week	5.82	2.66	2.25
1-Month	18.14	6.62	4.84
3-Month	40.69	21.22	17.15
1-Year	95.71	54.91	47.25
2-Year	40.43	47.18	46.97

Fund Style

Investment Style



Portfolio Characteristic

Equity -80% to 100% - Medium to High

Money market instruments / Debt- 0% to 20% - Low to Medium

Top Holdings as on 30.11.07

Name of Holding	Instrument	% Net Assets
Bombay Rayon Fashions	Equity	8.9
XLTelecom & Energy	Equity	7.88
Hanung Toys and Textiles	Equity	6.67
Others	Call Money	6.43
P S L	Equity	6.41
Sintex Industries	Equity	6.27
Gitanjali Gems	Equity	6.08
Tech Mahindra	Equity	5.64
Simplex Projects Ltd.	Equity	5.41
Action Construction Equipment	Equity	5.2
Emco	Equity	4.04
Century Textiles & Inds.	Equity	4.02
Bharati Shipyard	Equity	3.96
Maharashtra Seamless	Equity	3.8
Others	Cash	3.45
Spicejet	Equity	3.41
Nagarjuna Construction Co.	Equity	3.32
Jet Airways India	Equity	3.27
Mphasis	Equity	3.02
Ansal Prop & Infra	Equity	2.33
Crest Animation Studios	Equity	0.49

Sector Weightings

As on 30/11/07	Net Assets %
Communication & Technology	16.54
Construction	16.26
Services	11.13
Diversified	10.29
Metals & Metal Products	10.21
Textiles	8.90
Consumer Non-Durable	6.67
Consumer Durable	6.08
Basic/Engineering	4.04

Rashtriya Chemicals & Fertilizers Ltd

INDUSTRY : Fertilizers **HOUSE : Government of India**

Rashtriya Chemicals and Fertilisers (RCF) was incorporated in 1978 with the reorganization of the erstwhile Fertiliser Corporation of India. RCF manufactures and markets a wide range of chemical fertilizers and a series of industrial chemicals. It has plants at Trombay and Thal. Both the Units of RCF are accredited with ISO-14001 Certification for the environmental systems while Thal Industrial Products are accredited with ISO 9002 certification for quality control. Thal and Trombay Units have also received OSHAS-18001 Certification.

RCF has striven to maintain the environment in its vicinity through its several projects such as the Chembur Green project at Trombay and the afforestation of Thal, which have been highly successful. RCF has invested substantially in pollution abatement schemes at Trombay and Thal through technology upgradation. RCF has won several awards for pollution control and clean technology such as Indira Gandhi Memorial award for Pollution Control and the Rajiv Gandhi Award for Clean Technology awarded to Thal.

Share Holding Pattern

Category of shareholder	Total number of shares	% of shares (A+B+C)
Promoter and Promoter Group		
Central Government / State Government (s)	510314900	92.5
Public shareholding Mutual Funds / UTI	2331197	0.42
Financial Institutions / Banks	38068	0.01
Insurance Companies	7292563	1.32
Foreign Institutional Investors	872500	0.16
Bodies Corporate	6721610	1.22
Individuals	22064267	4
Any Other	2052995	0.37
GRAND TOTAL	**551688100**	**100**

The Company received MERIT CERTIFICATE for excellence in the Achievement of MOU targets for the year 1998-99, 1999-2000, 2000-01 and 2002-03. The Company becomes the first Fertilizer Company to enter the conclave of top 10 PSEs on the basis of excellent performance. The company received the award on March 07 from Hon'ble Prime Minister of India.

The Company had also commissioned the Naptha Feed Supplement Project at Thal, which enabled the plant to run at enhanced capacity by utilising alternate feed Naptha partly alongwith gas available from GAIL.

The Disinvestment Ministry has started the process of disinvestment of the company and the Government is proposing to sell 51% of its equity to a strategic partner, with transfer of Management Control.

Major plants of the company are being revamped to improve efficiency and productivity. During the year 2006-2007 Ammonia plant of Trombay has been revamped. The company is also revamping the Methanol and Ammonium Nitrite Phosphate (ANP) plant. Larsen & Toubro Ltd (L&T) has been awarded a Rs 77-crore order to provide methanol reformer package, as a part of the 'Trombay Methanol Revamp Project' for Rashtriya Chemicals and Fertilizers Ltd (RCF), Chembur.

The company has set up a 100% water-soluble plant and purification of chalk as well as Mono Ammonium Phosphate plant. These plants are set up on the basis of company's own R&D capabilities.

The company has incorporated a Joint Venture Company 'Rajastan Rashtriya Chemicals & Fertilizers Ltd (RRCF)' with M/s Rajastan State Mines & Minerals Limited to manufacture and market DAP (Di-Ammonium Phosphate), an important plant nutrient. The company will hold 51% stake in the JV. Rajastan State Mines & Minerals (RSMML) will provide the Rock Phosphate (raw material) required by the JV.

The company has signed an agreement with an Australian company to produce load bearing Rapidwall panels, wall plaster and wall putty by utilizing Gypsum, which is a waste product. Rapidwall panels are used as an alternative to conventional bricks in building houses. The Company is also starting a New Argon plant in Thal.

The company is planning to set up a coal based chemical complex with latest coal gassification technology that allow use of coal with high ash content upto 30-35%.

As per Government's decision, RCF is participating in revival of 2 closed fertilizer units, one of HFCL at Durgapur and another of FCI at Talchar. With the help of government grant/loan, RCF is contemplating to mobilize the necessary resources (Rs 6,500 Cr) for these 2 projects.

The government is seriously considering proposal for Thal expansion project costing about Rs 2700 crore. The brown field expansion envisages setting up of single stream ammonia plant of 2,200 MTPD capacities and 3,500 MTPD Urea plant. All these three plants will contribute 3 million tonnes of Urea and will go a long way in meeting the demand –supply gap of Urea in the country.

For this entire revamping and brown field expansion the company has earmarked a capital expenditure of Rs. 10,000 crore during the next 5 years. Such a capex is planned based on the assumption that the government will actively support the company in fund raising.

Published sources states that the company, which owns about 800 acres in and around Mumbai, is initially planning to develop a commercial complex over about 2 lakh square feet that will be used partially for in-house purposes while the rest will be sold commercially. Although the company owns about 800 acres of land, most of it houses RCF's factory and residential areas. The company's board has already approved the decision to build the commercial complex — to be tentatively called Priyadarshini II — and has called for a panel of architects for designing the project. RCF would develop the complex on its own and would not tie up with any developer for the complex that would come up adjacent to the company's existing office building at Chembur.

RCF is likely to offer 50 per cent stake to GAIL (India) for its proposed Rs. 2,400 crore venture to set up a coal-gas-fuelled urea-ammonium fertiliser plant at Talchar in Orissa. According to the in-principle agreement, it could be a joint venture project with 50:50 per cent stake. RCF's urea plant in Trombay is defunct since the last five years due to insufficient availability of gas. Though RCF had entered into fuel supply agreements with Reliance Industries and ONGC for gas supply from the Krishna Godawari basin, the prevailing uncertainty in the availability of gas was the prime reason for turning to the coal gassification project. The company plans to use the latest coal gassification technology at the Talchar project, would use coal with high ash content upto 30-35 per cent. As per NPS III (New pricing scheme-III), the government of India has directed the fertilizer company to convert to Gas as feedstock. The company expects the KG basin gas to be available by the middle of FY 2008.

Rashtriya Chemicals & Fertilisers (RCF) is in negotiations with two Kuwait-based petrochemical firms, namely Boubyan Petrochemical Company and Al Qurain Petrochemicals Industries, for setting up joint venture projects in West Asia. The company, would have equity participation in these projects and also arrangements to buy fertiliser from these companies. The Press reports states that the local companies in these countries will have the majority stake. The exact size of the proposed joint ventures has not been finalised. The fertilisers and chemicals ministry has given its green signal to the proposed joint ventures, as the move would significantly reduce the demand-supply mismatch of urea in the country.

Industry Highlights

Fertiliser production continued its downtrend for the second consecutive month in October 2007. Output declined by 7.8 per cent to 13.5 lakh tonnes in October 2007. Fertiliser production for the April–October 2007–08 period declined by 5.5 per cent to 86.4 lakh tonnes.

Government plans investment fertilizer policy

The Indian fertiliser sector is facing tough times due to stagnant domestic production on one side and growth in consumption on the other. According to the Fertiliser Association Of India, consumption of fertilizers increased by about 8–11 per cent between 2004–05 and 2006–07. With the production growth not keeping pace with the consumption growth, the country had to resort to high imports. Imports rose at a CAGR of 45.6 per cent during 2006-07. Imports continued to rise by 30.2 per cent in the first quarter of 2007-08.

As per reports, the Indian government plans to introduce a new investment policy to help revive the fertiliser industry. The policy proposes an import duty waiver on project imports along with an income tax holiday that should be applicable for the first ten years of Production. This proposal is currently pending at the centre.

Financials

The Company in 2006-2007 posted a jump in turnover by 14% as compared to the previous year. The Company's turnover for the first time crossed Rs 3500 crore mark. The net profit for the year stood at 148.74 crores.

During the quarter ended September 07, the Net profit fell by 10.2% to Rs 38.95 crore on 43.3% rise in sales to Rs 1414.18 crores. The company has a plan of increasing its revenue by another 700- 800 crore by selling around 1.5-1.6 million tonnes of fertilizers in the FY 2008.

Financial Snapshot (Rs. crores)

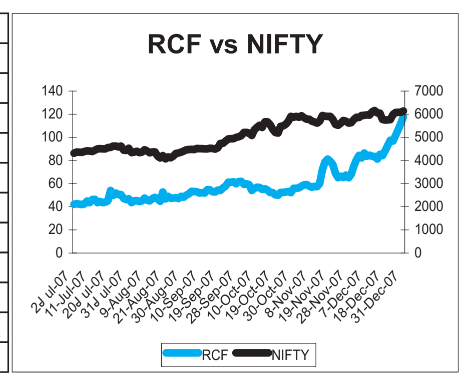
	FY 2006-07	FY 2005-06	FY 2004-05	Q 200709	Q 200609
Equity	551.69	551.69	551.69	551.69	551.69
Networth	1450.30	1366.10	1281.04	-	-
Capital Employed	2405.53	1803.34	1655.75	-	-
Net Sales	3559.62	3102.09	2829.78	1414.18	987.06
Rate of Growth(%)	14.75%	9.62%	-	43.27%	-
Other Income	88.92	103.08	78.61	21.41	15.88
PBIDT	365.65	301.48	289.41	91.33	87.08
Rate of Growth(%)	21.28%	4.17%	-	4.88%	-
PBT	241.46	215.67	211.67	59.26	57.47
PAT	148.74	147.96	140.96	38.95	43.37
Rate of Growth(%)	0.53%	4.97%	-	-10.19%	-
Book Value (Rs)	26.29	24.76	23.22	-	-
EPS (Unit Curr.)	2.70	2.68	2.56	2.82	3.14
PBIDTM(%)	10.27	9.72	10.23	9.08	7.95
PBDTM(%)	8.90	9.17	9.94	7.85	6.64
PATM(%)	4.18	4.77	4.98	6.01	4.13

The Company has made a payment of final dividend @10% to the shareholders of the Company for the year 2006-07.

Market Snapshot

Market Data (As on 01-Jan-2008)

Face Value	10
Price (Rs)	123.8
Lat. P/E	47.3
Mkt. Cap.(Rs Cr)	6829.92
Lat. BV(Rs)	26.29
52 W H/L(Rs)	124 / 34
Lat. EPS(Rs)	2.82
Lat.Eqty (Rs Cr)	551.69
Div. Yield (%)	0.81
BSE Code	524230
BSE Group	A
NSE Symbol	RCF



Sterlite Industries (India) Ltd

INDUSTRY: Mining/Minerals/Metals **HOUSE: Sterlite**

Sterlite Industries India Ltd (SIIL), a part of Anil Agarwal group is one of the major player in Copper industry. It is a part of Vedanta Resources, a London listed metals and mining major, with aluminum, copper and zinc operations in India and Australia. Twinstar Holdings Ltd, Mauritius is the parent company of SIIL by holding 51% Equity in the later. SIIL inturn controls Bharat Aluminium Company Ltd (Balco) and Hindustan Zinc Ltd (HZL). The Indian Promoters Madras Aluminium Company Ltd (Malco) currently holds 7.13 percent in SIIL. Originally incorporated as Rainbow Investments in 1975, the name of the company was changed to Sterlite Cables in 1976. It acquired its present name - Sterlite Industries (India), in 1986. The company manufactures copper cathodes and continuous Cast Copper Rods (CCR)(CCR plant with an installed capacity of 12,000 tpa was set up in 1990): Sulphuric Acid, Phosphoric Acids, Phospho gypsum, Hydro Fluo Silicic Acid and Granulated Slag.

Share Holding Pattern

Category of shareholder	Total number of shares	% of shares (A+B+C)
Shareholding of Promoter and Promoter Group		
Individuals/ Hindu Undivided Family	5579280	0.79
Indian Bodies Corporate	33307575	4.7
Foreign Bodies Corporate	403715750	56.98
Public Shareholding		
Mutual Funds/ UTI	10549880	1.49
Financial Institutions/ Banks/Insurance	14908504	2.11
Central Government/ State Government(s)	700	0
Foreign Institutional Investors	46370876	6.54
Foreign Bank	200000	0.03
Bodies Corporate	5386224	0.76
Individuals	21295988	3
Others	167179634	23.6
GRAND TOTAL	**708494411**	**100**

The company also manufactures aluminum cold-rolled products with technical know-how from J W Aluminium, US. During 1994, it entered into the manufacture of optical fibres, the basic raw material for optical fibre cables that was promoted through Sterlite Communications (SCL), a subsidiary, in technical collaboration with the Nokia group, Finland - leaders in the telecommunication sector. In 1998-99, the paper project was spun-off into a 100% subsidiary company - Sterlite Paper and the commissioning of new power projects and development of the national grid increased the need for developed power transmission network, increasing demand for aluminum conductors.

The company's telecom business was transferred to the new telecom company rechristened as Sterlite Optical Technologies Ltd (SOTL) in 1998. In the fiscal 2001, the company received ISO 14001 certification for environment management at copper smelter by Det Norske Veritas B V, Netherlands and national award for 'Excellence in Energy Conservation' from the Confederation of Indian industry and National Safety Award from the British Safey Council. During March 2002, the company took a 26% stake in Hindustan Zinc from Government of India at a price of Rs 445 crore acquired through Sterlite Opportunities and Ventures Ltd., a special purpose vehicle set up for the same. The company was also awarded 'Certificate of Commendation for Strong Commitment among the Large Business Organizations on Sustainable Development for the Year 2007.' And was also selected as winner of the Golden Peacock National Training Award-2007.

During 2001-02 the company embarked upon a capital restructuring exercise whereby the company envisaged purchase from its existing shareholders upto 50% of its existing equity share capital at a consideration of Rs. 150 per fully paid up equity share. The same was approved by the Board and Hon'ble High Court of Mumbai and accordingly the company has purchased 2,00,68,004 equity shares. In February 2004 the company issued bonus equity shares to its shareholders in the ratio of 1:1. During July 2004 the company came out with rights issue of equity shares in the ratio of 1:2 at a premium of Rs. 545 per share. With this Rights issue the Share capital of the company has increased by 3,58,60,049 equity shares of Rs. 5 each aggregating to Rs. 17.93 crores and the amount of Rs. 1954.37 crores was added to the share premium account of the company.

On 16th November 2007, Sterlite Industries (India) announced that its subsidiary Sterlite Energy has been allocated the captive coal blocks in Orissa by the Ministry of Coal, Government of India. Sterlite Energy will get 112 million tonnes of coal as its proportionate share from these coal blocks. The captive coal blocks have been jointly allocated to the company with five other companies.

The company is listed in NYSE during the financial year 2006-07. The company had an initial public offering of 130,440,000 of its equity shares in the form of American Depositary Shares (ADS) at a price of $13.44 per ADS. This was the First manufacturing company to raise $ 2.0 billion (Rs. 8,200 cr) on NYSE.

Financials:

Financial Snapshot (Rs. Crores)					
	FY 2006-07	FY 2005-06	FY 2004-05	Q 200709	Q 200609
Equity	111.7	55.87	54.89	141.7	111.7
Networth	4457.93	4100.53	3557.86	-	-
Capital Employed	7267.68	6157.2	6019.24	-	-
Net Sales	11716.35	7312.1	3845.29	3542.9	3309.11
Rate of Growth(%)	60.23%	90.16%	-	7.07%	-
Other Income	311.8	298.94	280.27	153.64	21.45
PBIDT	1228.49	927.94	305.96	321.78	263.21
Rate of Growth(%)	32.39%	203.29%	-	22.25%	-
PBT	912.3	678.63	86.27	243.31	187.51
PAT	784.03	511.12	106.42	212.87	136.56
Rate of Growth(%)	53.39%	380.29%	-	55.88%	-
Book Value (Rs)	79.82	366.97	324.09	-	-
EPS (Unit Curr.)	14.04	45.74	9.69	12.02	9.78
PBIDTM(%)	9.95	11.99	10.46	9.08	7.95
PBDTM(%)	8.46	10.42	7.9	7.85	6.64
PATM(%)	6.35	6.6	5.29	6.01	4.13

The quarterly performance (QY200709) of the company was affected by the substantial increase in raw material cost, appreciation in the value of rupee against US dollar and softening of TC/RC margins. The net sales of the company recorded a growth of 7% to Rs 3542.90 crores with significant dip in OPM by 660 bps to 4.7%. The PAT for Q2 FY08 surged by 56% to Rs 212.87 crore. For the year ended March 2007, Sterlite posted a net sales growth of 60% to Rs 11716.35 crore. Ensuing PAT was Rs 784.03 crore with a improvement of 53% on Y-o-Y basis.

The company achieved highest ever quarterly production volumes across copper, aluminum, and zinc operations primarily due to the full production from the new Korba smelter, the ramp up of the Tuticorin smelter and the stabilization of the Chanderiya smelter.

The Sterlite-Morgan Stanley consortium, were initially named as the financial institution's strategic partner, of IFCI, who made the highest bidding for the 26% stake at Rs. 107 per share, however the partnership dint materialize. Sterlite assumed that it was bidding not only for a percentage of future cash flows in IFCI but also for a certain number of seats on the board. Hence the deal was called off.

Sterlite in October has again expressed a desire to buy 49% stake in Balco. Last year, the government declined to sell its stake in Balco, (51% of which was sold to Sterlite Industries by the NDA government in 2001).

Sterlite Industries (SIL), plans to invest Rs 40,000 crore in the power sector through its subsidiary, Sterlite Energy (SEL), for building coal-based plants of 10,000-mega watt (MW) capacity. Vedanta Resources is also planning to enter the Indian cement market, through a joint venture.

Industry

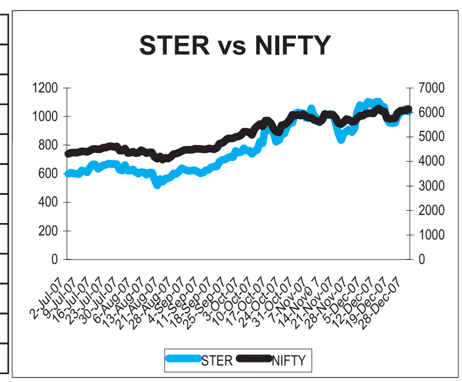
Copper production remained buoyant in the years ending 2006 and 2007, backed by rapid expansion in the smelting capacity. Production growth continued to remain strong since the beginning of 2007–08 barring September 2007. Cumulative output during April–September 2007 rose by a healthy 20 per cent to 3.47 lakh tonnes.

After hitting a low of Rs.319 per kg in July 2007, domestic copper cathode prices firmed up in the subsequent months. Average copper cathode price touched Rs.381 per kg in October 2007. Global copper prices displayed an erratic trend in 2007–08 so far. After hitting a 17-month high of USD 8,008 per tonne in the previous month, average copper prices at the LME took a breather in November. Global copper prices took a beating on concerns of rising inventories and economic slowdown in the US.

Market Snapshot

Market Data (As on 01-Jan-2008)

Face Value	2.00
Price (Rs)	1033.95
Lat. P/E	87
Mkt. Cap.(Rs Cr)	73276.04
Lat. BV(Rs)	176.44
52 W H/L(Rs)	1140 / 415
Lat. EPS(Rs)	12.02
Lat.Eqty (Rs Cr)	141.7
Div. Yield (%)	0.39
BSE Code	500900
BSE Group	A
NSE Symbol	STER



Stock Picks

Co_Name	R C F	Sterlite Inds.	UCO Bank	V S N L	Mundra Port
Industry	Fertilizers – Nitrogenous / Phosphatic	Metal – Copper / Copper Alloy Products	Banks - Public Sector	Tele-communications - Service Provider	Miscellaneous - Small / Medium
Networth (Rs.)	1594.87	12923.95	2454.64	6525.07	2515.71
Equity Paid up (Rs.)	551.69	141.74	799.36	285	400.68
Profit After Tax (Rs.) (Sep. 2007 - 3 months)	38.95	212.87	110.53	61.42	NA
Bookvalue (Unit Curr) (Rs.)	26.29	176.44	27.66	223.14	62.79
EPS (Unit Curr) (Rs.)	2.82	12.02	4.97	16.41	4.79
Market Price (Rs.) As on 1st Jan. 2008	123.8	1033.95	70.8	765.85	1297.55
P/E Ratio (Latest)	47.25	87.03	14.24	46.66	270.9

Returns (Appreciation) in % (as on 01.01.2008)				
Co_Name	1 Month	6 Months	1 Year	2 Years
R C F	53.28	194.17	230.31	175.50
Sterlite Inds.	-4.28	72.53	86.30	380.67
UCO Bank	21.15	196.63	228.44	165.85
V S N L	17.03	61.30	72.08	100.75
Mundra Port	33.79	-	-	-
NIFTY	4.76	42.44	53.33	116.66

DERIVATIVES

The term "Derivative" indicates that it has no independent value, i.e. its value is entirely "derived" from the value of the underlying asset. The underlying asset can be securities, commodities, bullion, currency, livestock, or anything else.

Types of Derivatives:

- ✓ **Forwards**: A forward contract is a customized contract between two entities, where settlement takes place on a specific date in the future at today's pre-agreed price.
- ✓ **Futures**: A futures contract is an agreement between two parties to buy or sell an asset at a certain time in the future at a certain price. Futures contracts are special types of forward contracts in the sense that the former are standardized exchange-traded contracts, such as futures of the Nifty index. Each futures contract specifies the quantity i.e. lots, and quality of the item, expiration month, the time of delivery and virtually all the details of the transaction except price, which the two parties negotiate based on current market conditions. When you buy a Futures contract, you don't pay the entire value of the contract but just the margin.
- ✓ **Options**: An Option is a contract, which gives the right, but not an obligation, to buy or sell the underlying at a stated date and at a stated price. While a buyer of an option pays the premium and buys the right to exercise his option, the writer of an option is the one who receives the option premium and therefore obliged to sell/buy the asset if the buyer exercises it on him. Options are of two types - **Calls** and **Puts** options:
  - **'Calls'** give the buyer the right but not the obligation to buy a given quantity of the underlying asset, at a given price on or before a given future date.
  - **'Puts'** give the buyer the right, but not the obligation to sell a given quantity of underlying asset at a given price on or before a given future date.
- ✓ **Warrants**: Options generally have lives of up to one year. The majority of options traded on exchanges have maximum maturity of nine months. Longer dated options are called Warrants and are generally traded over-the-counter.

Option Premium

At the time of buying an option contract, the buyer has to pay premium. The premium is the price for acquiring the right to buy or sell. It is price paid by the option buyer to the option seller for acquiring the right to buy or sell. Option premiums are always paid upfront.

Lot Size

Lot size refers to number of underlying securities in one contract. The lot size is determined keeping in mind the minimum contract size requirement at the time of introduction of derivative contracts on a particular underlying.

Requirements to trade in Derivatives

Unlike equity instrument, derivatives do not require any Demat account, since there is no settlement. However to trade in derivatives one needs to hold a trading a/c with the broker. To buy/ sell a contract one has to maintain a minimum balance as margin. The contract is bought/sold on the basis of a lot size, which is specified by the exchange. The instrument is no longer valid after the expiry date. In Indian markets, expiry is the last Thursday of every month on which a contract expires or ends. 3 Contract are framed on every purchase / sales of a futures / options and gets expired, expires every last Thursday for 3 months.

Index Futures and Index Option Contracts

Futures contract based on an index i.e. the underlying asset is the index, are known as Index Futures Contracts. For example, futures contract on NIFTY Index and BSE-30 Index. These contracts derive their value from the value of the underlying index. Similarly, the options contracts, which are based on some index, are known as Index options contract. However, unlike Index Futures, the buyer of Index Option Contracts has only the right but not the obligation to buy / sell the underlying index on expiry.

In the beginning futures and options were permitted only on S&P Nifty and BSE Sensex. Subsequently, sectoral indices were also permitted for derivatives trading subject to fulfilling the eligibility criteria. Derivative contracts may be permitted on an index if 80% of the index constituents are individually eligible for derivatives trading. However, no single ineligible stock in the index shall have a weightage of more than 5% in the index. The index is required to fulfill the eligibility criteria even after derivatives trading on the index have begun. If the index does not fulfill the criteria for 3 consecutive months, then derivative contracts on such index would be discontinued.

Commodity derivatives market

Commodity derivatives market trade contracts for which the underlying asset is commodity. It can be an agricultural commodity like wheat, soybeans, rapeseed, cotton, etc or precious metals like gold, silver, etc.

Difference between Commodity and Financial derivatives

The basic concept of a derivative contract remains the same whether the underlying happens to be a commodity or a financial asset. However there are some features, which are very peculiar to commodity derivative markets. In the case of financial derivatives, most of these contracts are cash settled. Even in the case of physical settlement, financial assets are not bulky and do not need special facility for storage. Due to the bulky nature of the underlying assets, physical settlement in commodity derivatives creates the need for warehousing. Similarly, the concept of varying quality of asset does not really exist as far as financial underlying is concerned. However in the case of commodities, the quality of the asset underlying a contract can vary at times.

Investment Tip

- Carry out a thorough study and exercise caution before investing in Derivatives. Spend time researching not only the derivative but also the underlying asset. Understand how the price variation of the underlying asset, how it affects the investment value and study the related market for the asset.
- While derivatives are very useful for hedging, risk transfer, to improve market efficiency, and has a deal of liquidity, it is necessary to keep in view the risks of lack of transparency particularly in complex products, difficulties in valuation, tail risk exposures, counter party exposure and its hidden systemic risk.