

From the Trading desk

- Indian markets are expected to remain subdued amid worries over China's economic outlook. Fed Chairman Ben Bernanke says Europe's financial troubles have eased, adding that the US central bank would be ready to act if conditions worsened again (this action could be liquidity positive), gives some respite for the demand scenario from Europe. Crude prices recovered after an almost 2% slip yesterday while further dip in crude prices could be positive for Indian markets.
- The US FDA will be inspecting Dr Reddy's Mexico unit by this month end and National Pharma Pricing Policy may be dropped. We believe it will have a negative overhang in the stock as it faced an import alert from the last year. Any major dip will be good buying opportunity in the stock.
- **Reliance Power** slapped a fine of Rs 4 bn for failing to go ahead with its construction of the UMPP in Andhra Pradesh. Utilities are not ready to discuss the increase in tariff either. **Negative for the stock.** The stock made a recent high around ~139 levels, failing to breach past prices drifted lower and are currently trading near its support of 123-122, decisive breach below which would drift prices lower towards 115/112 levels.
- The delay in the crude oil ramp up at the MBA fields coupled with the recent increase in the Cess from 2500 Rs/ mt to 4500 Rs/mt, are negatives for Cairn India. With US and Britain jointly discussing to release strategic petroleum reserves (SRP) to calm down the oil markets, coupled with Saudi Arabia assurance to increase production to address supply concerns are near term overhangs on crude oil prices. We believe this is negative for **Cairn India.** The stock has been making lower tops and lower bottoms also the momentum indicators are displaying weakness. Thus any bounce likely to encounter resistance around 370/372 area, if fails to sustain, prices could drift lower towards 335 levels.
- BHARTIARTL: The stock has been trading near its support of 320, as it was the level, where last time the stock found base and rallied. Thus around these levels, there is little downside with no trigger to sell the stock. However if breaks below 320, would fall further towards new lows (305-290).

Corporate/Industry Snapshot's

- Kingfisher to suspend international flights from Mar 25
- Godrej properties sets IPP price band between Rs 575 and Rs 620 per share for its 7.44 mn equity offerings
- NTPC ties up a loan of USD 100 mn with Mizuho corporate bank
- BHEL gets Rs 6.3 bn equipment order from Abhijeet projects
- Mahindra Satyam, Tech Mahindra boards to consider merger today
- M&M looks at organic food business foray

Economic Events

- IMF pegs India's GDP growth for 2012-13 at 7%
- FDI up 92% Y-o-Y to \$ 2 bn in January taking cumulative inflows to \$26.19 bn for April-January period of the current financial year
- Huge gold imports strain balance of payment says Finance Minister
- IMF chief asks India to diversify oil supply sources amid US-Iran face off

Domestic Indices	Chg.%	Pt.	Close
SENSEX	0.2	42.8	17316
NIFTY	0.3	17.8	5275
MIDCAP	1.0	78.1	7637
SMLCAP	(0.0)	(1.9)	6630
BSE-500	0.4	29.7	6727
BSE-100	0.4	38.2	9121
NIFTY Junior	0.9	90.4	10263

Advances / Declines	BSE	NSE
Advances	1335	698
Declines	1542	780
Unchanged	122	79

Top 5 BSE 200 - GAINERS		
Company	Price (Rs)	% chg
IRB Infra	197	5.5
Bata India	726	5.3
Jet Air India	338	5.2
Tech Mahindra	648	5.1
PTC India	61	5.0

Top 5 Nifty - GAINERS		
Company	Price (Rs)	% chg
JPASSOCIAT	78	4.1
PNB	960	3.5
BPCL	685	2.9
SUNPHARMA	570	2.6
JINDALSTEL	588	1.6

Top 5 BSE 200 - LOSERS		
Company	Price (Rs)	% chg
Tata Motors	272	(4.2)
ADANI POWER	67	(4.0)
Thermax	469	(3.3)
Adani Enter	285	(3.2)
United Spirits	538	(2.6)

Top 5 Nifty - LOSERS		
Company	Price (Rs)	% chg
TATAMOTORS	272	(4.1)
COALINDIA	326	(2.6)
HINDALCO	138	(2.4)
HCLTECH	489	(2.0)
BAJAJ-AUTO	1685	(1.5)

Currency Rate	Close	Pr. Close	Net
USD / INR	50.31	50.53	(0.220)
EUR / INR	66.79	66.82	(0.032)
CNY / INR	7.95	8.00	(0.043)
JPY / USD	0.01	0.01	0.000
USD / EUR	0.75	0.76	(0.002)

Global Indices	Chg.%	Pt.	Close
Dow Jones	(0.5)	(68.9)	13170
NASDAQ	(0.1)	(4.2)	3074
FTSE	(1.2)	(69.7)	5891

Market View

Stocks Close Mostly Lower But Well Off Worst Levels - U.S. Commentary

With traders expressing renewed concerns about the outlook for the global economy, stocks moved mostly lower during trading on Tuesday. The markets ended the session well off their worst levels of the day, however, as selling pressure waned following an early downward move.

The major averages climbed well off their early lows but still closed in the red. The Dow fell 68.94 points or 0.5 percent to 13,170.19, the Nasdaq edged down 4.17 points or 0.1 percent to 3,074.15 and the S&P 500 slipped 4.23 points or 0.3 percent to 1,405.52.

The notable move to the downside in early trading came as traders reacted negatively to the latest news out of China, with an executive at mining giant BHP Billiton (BHP) warning that Chinese iron ore demand is flattening.

News that China is raising retail gasoline and diesel prices for the second time this year also raised concerns about the outlook for growth in the world's second largest economy. Additionally, the Commerce Department released a report showing an unexpected drop in U.S. housing starts in the month of February, although starts came in nearly in line with estimates due to an upward revision to the data for January.

The report showed that housing starts fell 1.1 percent to an annual rate of 698,000 in February from the revised January estimate of 706,000. Economists had expected starts to edge up to 700,000 from the 699,000 that had been reported for the previous month. On the other hand, the report showed that building permits, an indicator of future housing demand, jumped 5.1 percent to an annual rate of 717,000 in February. With the increase, building permits reached their highest level in over three years. All Indian ADR ended in red following the Indian Markets yesterday.

Asian markets trading lower; Nikkei, Hang Seng down

Asian markets were trading lower in morning trade at 7.40am IST. Hong Kong's Hang Seng was down 0.13% or 28.06 points at 20,860.18. Japan's Nikkei was down 0.27% or 27.72 points at 10,114.27. Singapore's Straits Times was down 0.17% or 5.15 points at 2,997.58. South Korea's Seoul Composite was down 0.38% or 7.67 points at 2,034.48. Taiwan's Taiwan Weighted was flat at 7,966.41. China's Shanghai Composite was up 0.17% or 4.01 points at 2,380.85.

Indian markets are expected to open flat following the weak Global and Asian markets. Stocks to watch out will be Mahindra Satyam, Tech Mahindra & Pharma Stocks.

ADR Price Movement				
Company	Price (US\$)	Volume	Pr. Day Price	Change (%)
HDFC Bank	33.3	516536	33.3	0.2
ICICI Bank	36.2	1786478	36.7	(1.3)
Dr. Reddy	33.4	156203	33.7	(1.0)
Sterlite	9.2	778415	9.3	(1.7)
Wipro	10.8	280436	10.9	(1.6)
Infosys	57.7	1157818	58.1	(0.8)
MTNL	1.1	32007	1.2	(2.6)
Patni	19.6	62467	19.9	(1.6)
Tata Comm	8.9	41011	8.9	0.8
Tata Motors	27.3	2559452	28.4	(4.0)

Asian Indices	Chg.%	Pt.	Close
Nikkei	0.1	12.2	10142
Hang Seng	(1.1)	(227.1)	20888
Straits Times	0.4	12.6	3003
SGX CNX Nifty	0.2	13.0	5290
South Korea	(0.2)	(4.9)	2042
Taiwan	(0.9)	(71.2)	7973

Commodity Prices	Chg.%	Close	Chg.
Aluminium (USD/MT)	(2.6)	2150	(55.0)
Zinc (USD/MT)	(2.1)	2078	(43.0)
Gold (\$/oz)	0.2	1651	3.5
Silver (\$/oz)	0.3	32	0.1
Light Crude (USD/bbl)	0.4	124	0.5
Sugar (USD/MT)	(0.3)	668	(2.3)
Copper (USD/MT)	(1.6)	8570	(140.0)

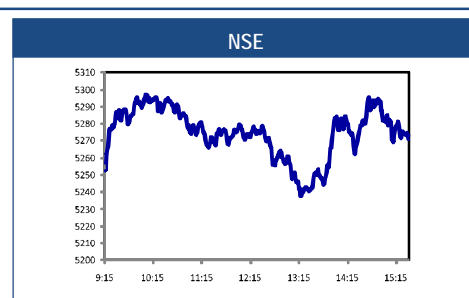
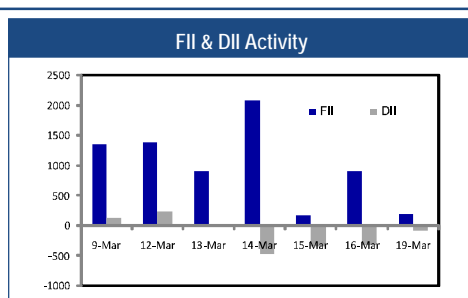
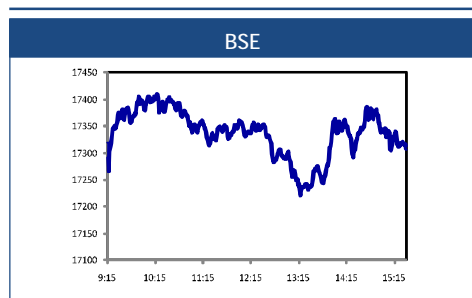
Net Inflow (Rs. cr.)	19 Mar.	MTD	YTD
FII	186	7619	43917
DII	(89)	(993)	(5020)

Volatility Index	Close	Pr. Close	Chg. %
Volatility Index	21.9	23.0	(4.5)

PE Ratio	PE	Chg.%*	Chg.%^
SENSEX	15.7	(12.6)	14.4
NIFTY	15.5	(11.3)	16.4
Dow Jones	13.6	(0.9)	26.6
NASDAQ	25.6	(0.4)	33.7
FTSE	11.1	(3.5)	23.0
Nikkei	26.5	(0.9)	24.3
Hang Seng	9.8	(14.4)	29.6
Straits Times	9.9	(7.1)	18.9
South Korea	22.0	(8.8)	23.8
Taiwan	19.9	(12.3)	20.8

* % change from 52 week high

^ % change from 52 week low



Industry

National Pharma Pricing Policy may be dropped; DoP to continue with production cost-based model

The department of pharmaceuticals has decided to abandon its controversial industry-friendly proposal to cap retail prices of essential medicines at the average price of the three best-selling brands and stick with the cost of production as the parameter. The thinking of the department, evolved after considering stakeholders' feedback, is to drop the market-based pricing model and go for the cost-based mechanism.

The department, under the chemicals and fertilizers ministry, had last October sought views on its draft National Pharmaceutical Pricing Policy that proposes to cap the prices of 348 essential medicines and their formulations at the average price of the three best-selling brands. While the industry had welcomed the draft, others had objected saying it would lead to a rise in prices because the top three brands would usually be the more expensive ones that are most aggressively marketed.

The health ministry, health experts, consumer bodies and the NGO that successfully moved the Supreme Court to force the government to regulate prices of all essential drugs had all derided the proposal. The department's views will now be submitted to the group of ministers headed by agriculture minister Sharad Pawar which is meeting on March 28 to take a final call on the issue. While the department's view is not binding on the inter-ministerial group, it is expected to be an important consideration while framing the final policy.

The prime minister's office, which has often resolved policy disputes, has however been in favour of the market-based pricing mechanism. The department's decision is a setback to the industry, especially the bigger players that have been lobbying for an end to cost-based pricing with a top-up to cover marketing costs and profits.

An industry executive, who did not wish to be named, said about half of the 74 drugs under price control are no longer manufactured by companies as they are not profitable. The cost-based mechanism encourages companies to adopt unethical means to inflate cost of production to increase profitability, the executive added. The health ministry, while maintaining that the cost-based model was ideal, acknowledged that it could be cumbersome and nontransparent.

R-Power draws utilities fire

Four states have slapped a fine of Rs 4 bn on the Reliance Power entity setting up one of India's largest power projects, worsening troubles for a prestigious venture which has been in a limbo for about nine months. Andhra Pradesh, Tamil Nadu, Karnataka and Maharashtra, which have agreements to buy electricity from the 4,000 MW project, have also threatened to encash bank guarantees, terminate power purchase agreements and recover the land allotted for the coal-fired project. The stoppage of the project has caused irreparable loss to the electricity procurers, which would ultimately be detrimental to end consumers of the four beneficiary states. The project is being implemented by Coastal Andhra Power, a special purpose entity set up by Reliance Power. On Tuesday, Reliance Power, a part of the Anil Dhirubhai Ambani Group, moved the Delhi High Court and obtained a stay on the notice to invoke bank guarantees of Rs 3 bn and terminate the power purchase agreements. The project in Krishnapatnam in coastal Andhra Pradesh is one of four ultra mega power projects that have been awarded to ease the acute electricity shortage in the country using the advantages of efficiencies of scale and advanced technologies. Reliance Power won three of the bids for projects in Andhra Pradesh, Jharkhand and Madhya Pradesh, but only the project in the southern state relied on imported coal. Similarly, Tata Power, which won the bid to build a 4,000 MW project in Gujarat with imported coal as fuel, has also been struggling. A proposal by the Tatas to increase power tariff citing costly Indonesian coal has been turned down by the Gujarat government. It has advised Tata Power, which has already commissioned the first unit of 800 MW, to approach the central government for remedy. Reliance Power, too, has been pleading for an increase in power tariff saying its project will become unviable if the rate of Rs 2.33 per unit agreed in 2007 is not changed. Andhra Pradesh was to get a 40% share of the electricity while the three other states would share 20% each. The project cost is estimated at about Rs 17,500 crore. The buyers in the four states, on the other hand, say Reliance Power has not adhered to the timelines prescribed for financial closure, fuel supply agreements, awarding contracts, submission of additional bank guarantees and resuming work at Krishnapatnam. The Reliance entity has taken refuge under the force majeure clause saying events beyond its control led to an increase in coal costs but the utilities counter that the agreements do not allow for a rate increase influenced by changes in policies by foreign governments.

Thought for the Day

When two men in business always agree, one of them is unnecessary.

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