

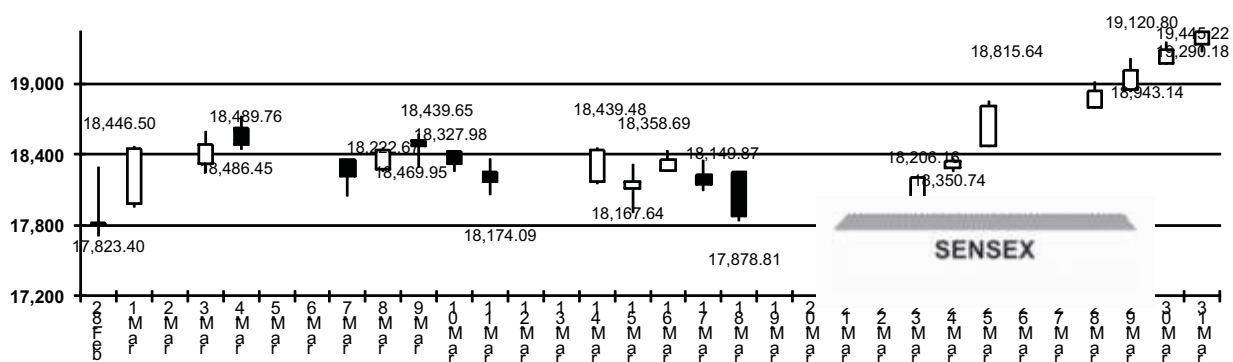
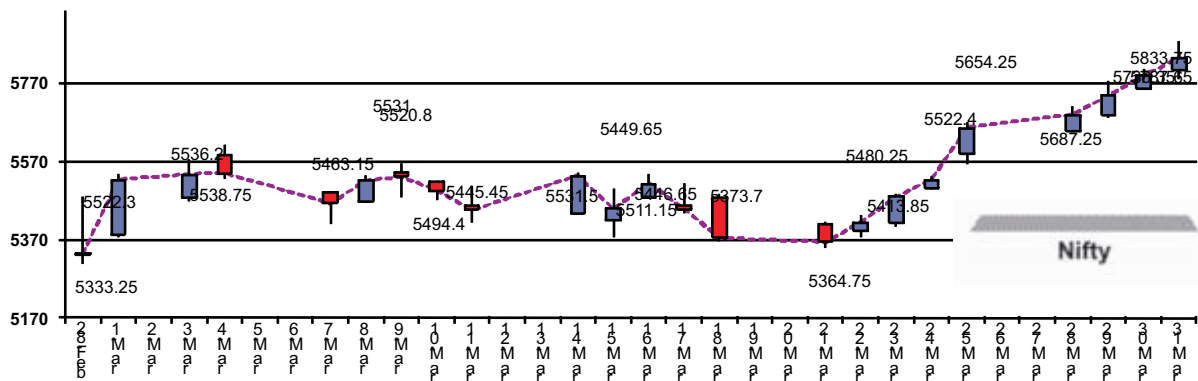
## Equity Market Watch

Indian equities market performance continued to remain upbeat for most of March 2011 with key benchmark indices, SENSEX and Nifty growing by 9.10% and 9.38% respectively during the period. This performance may be attributable to the renewed FII interest in the F&O market, mitigation of the crude oil price rally and a relatively benign liquidity outlook.

The performance of sectoral indices reflected the interplay of the specific factors intrinsic and peculiar to each sector; and therefore varied accordingly. The top sectoral gainers in March 2011 were Realty (17.9%), Auto (12.58%) and Banking (12.33%). On the other hand, Healthcare (5.35%), Metal (5.29%), and FMCG (4.77%) remained on the lag end of the sectoral indices performance chart. (Source: NSE)

The SENSEX and Nifty performance displayed a daily returns variance (risk) of 1.251% and 1.232% respectively. The average daily cash volume in Nifty in March 2011 decreased by 12.8% to Rs 11,623.26 crs. On the y-o-y basis, the average daily cash volume in Nifty decreased by -14.72%. The aggregate cash volume in Nifty for the period of March 2011 was recorded at Rs 2,55,711 crs - a decline of -4.05% over the month of February. (Source: NSE).

### SENSEX & Nifty Performance in March 2011



(Source: NSE)

## Other News : Union Budget FY12

Sectors	Feb.26, 2010	Feb.25, 2011	% YoY
<b>Non-food Credit (I to IV)</b>	<b>2,889,557</b>	<b>3,549,744</b>	<b>22.8%</b>
<b>Agriculture &amp; Allied Activities I</b>	<b>370,394</b>	<b>438,340</b>	<b>18.3%</b>
<b>Industry (Micro &amp; Small, Medium and Large ) II</b>	<b>1,248,686</b>	<b>1,579,540</b>	<b>26.5%</b>
Micro & Small	200,919	219,820	9.4%
Medium	127,861	168,772	32.0%
Large	919,906	1,190,948	29.5%
Transport Operators	49,301	58,306	18.3%
Computer Software	12,599	14,257	13.2%
Tourism, Hotels & Restaurants	18,419	28,381	54.1%
Shipping	9,479	9,543	0.7%
Professional Services	42,953	58,597	36.4%
Trade	165,024	183,293	11.1%
Wholesale Trade (other than food procurement)	86,208	101,132	17.3%
Retail Trade	78,816	82,161	4.2%
Commercial Real Estate	91,610	107,889	17.8%
Non-Banking Financial Companies (NBFCs)	108,427	158,738	46.4%
Other services	194,451	240,775	23.8%
<b>Personal Loans IV</b>	<b>578,213</b>	<b>672,085</b>	<b>16.2%</b>
Consumer Durables	8,101	10,023	23.7%
Housing (Including Priority Sector Housing)	297,201	342,318	15.2%
Advances against Fixed Deposits (Including FCNR (B), NRNR Deposits etc.)	46,534	56,956	22.4%
Advances to Individuals against share, bonds, etc.	2,797	3,576	27.9%
Credit Card Outstanding	20,738	18,598	-10.3%
Education	36,522	43,801	19.9%
Vehicle Loans	61,605	78,894	28.1%
Other Personal Loans	104,715	117,919	12.6%

(Source: RBI)

The growth in the non-food credit was recorded at 22.8% in Feb 2011 as compared to 15.9% in Feb-10. All major sectors witnessed significant acceleration in the credit flow other than agriculture. Credit growth in agri-related sectors was estimated at 18.3% in February 2011 vis-à-vis 24.4% in the corresponding period last year.

Credit to industry grew by 26.5 % in February 2011 as compared with an increase of 20.1 % in the previous year, led by infrastructure, metals, engineering, food processing, rubber, plastic and their products and cement and cement products. Credit growth to NBFCs at 46.4 % on a y-o-y basis in February 2011 was significantly higher than the growth of 19.8 % during the corresponding period of the previous year. Credit offtake by the commercial real estate (CRE) sector at 17.8 % on a y-o-y basis in February 2011 was higher than the growth of 0.9 % during the corresponding period of the previous year. On a y-o-y basis, personal loans grew by 16.2 % in February 2011 substantially higher than the growth of 4.1 % during the corresponding period of the previous year.

## Market Outlook

The long term outlook continues to remain positive for Indian equities as the economic growth momentum remains healthy with real GDP growth remaining at around 8%. We expect this growth to result in healthy corporate earnings and the earnings growth to translate on growth in equity markets.

However, the near term challenges can influence markets as it gets impacted by events / newsflows that can have a near term negative implications. Currently, the economy & markets across the globe (including India) are facing headwinds arising out from the rising crude oil prices post the politically relevant events playing out in Middle East & North Africa region. In the Indian context, an additional factor to monitor is the tightening interest rate cycle. However, in the overall context of positive demography, economic growth & earnings momentum, we continue to remain positive with a medium term outlook.

## Debt Market Watch

The factors affecting the debt market performance remained in line with expectations of the market. Following is the summary of key changes in certain parameters from the previous month

Particulars	Mar-11	Feb-11	Change
10 YR IGB (Yield) (31/March/2011)	8.00%	8.07%	-7 bps
10 YR UST (Yield) (31/March/2011)	3.44%	3.41%	3 bps
Avg. LAF Surplus / Deficit (Rs. Cr)	-73847	-75859	2012
Currency (Rs/\$) (31/March/2011)	44.58	45.32	-0.74
India's Forex Reserve (Billion \$) (25/MAR/2011)	303.5	300.6	2.9

Source: RBI; US Fed

### Inflation

The WPI based inflation at 8.31% (Feb 2011) continued to remain higher than the long term average. The inflation in the primary goods segment moderated to 14.79% yoy.

The price growth in the primary goods segment continues to be dictated by the price hike of food commodities like cereals, fruits & milk.

On the other hand, the prices of the select commodities in the energy and related segment continue to show renewed inflationary trend on account of rising cost of commodities, especially fuel. The inflation in Fuel & power segment as of February stood at 11.49%. During the same period last year, the inflation in this segment was at 10.16%.

The impact of the monetary policy regime is more visible on the manufactured products segment, which registered a price growth of 4.94% yoy in February 2011.

Snapshot of Latest Monthly Inflation(Feb 2011)						
Groups	mom		March till date		YoY	
	FY10	FY11	FY10	FY11	FY10	FY11
<b>WPI</b>	0.00	0.07	9.42	7.51	9.68	<b>8.31</b>
<b>PRIMARY</b>	-0.79	-2.90	20.47	13.20	21.73	<b>14.79</b>
Food	-0.91	-5.19	20.50	10.51	21.85	<b>10.65</b>
Cereals	-0.76	0.47	12.28	3.54	12.72	<b>1.89</b>
Rice	-0.36	-1.07	8.60	2.27	9.91	<b>1.77</b>
Wheat	-1.48	1.91	19.04	2.08	17.79	<b>-1.67</b>
Pulses	-6.85	1.36	28.28	-2.61	26.93	<b>-5.10</b>
Vegetables	-11.73	-37.83	19.10	21.74	14.38	<b>16.11</b>
Potatoes	-18.62	-26.92	17.73	2.28	37.29	<b>-11.28</b>
Onions	-8.36	-48.94	19.42	59.25	7.55	<b>10.09</b>
Fruits	3.86	3.92	17.94	14.84	17.18	<b>15.07</b>
Milk	1.71	1.30	19.72	7.36	28.55	<b>11.98</b>
Egg,	1.98	1.87	34.09	13.77	34.31	<b>14.97</b>
Non-Food	-0.70	4.05	14.26	23.15	14.35	<b>29.80</b>
Fibres	-0.93	15.73	18.42	69.49	13.97	<b>72.46</b>
Oil	-0.57	5.34	9.01	9.99	10.30	<b>7.61</b>
Minerals	-0.18	-0.61	33.11	12.69	36.28	<b>16.78</b>
<b>FUEL</b>	0.59	0.66	10.97	8.71	10.16	<b>11.49</b>
Liquefied	0.00	0.00	0.45	14.99	0.45	<b>14.99</b>
Petrol	1.57	2.65	11.70	23.14	11.70	<b>28.73</b>
High	2.02	0.00	8.67	6.22	8.93	<b>12.45</b>
<b>MANUFACTURED</b>	0.16	1.31	5.03	4.78	5.20	<b>4.94</b>
Food	-0.27	0.42	17.87	2.05	17.68	<b>-0.34</b>
Non-Metallic	1.28	1.11	2.89	1.47	4.47	<b>1.82</b>
Machinery	0.08	0.49	0.68	2.09	0.59	<b>2.95</b>
Transport	0.00	0.83	1.20	2.37	1.46	<b>2.37</b>

Source: RBI

### Outlook

The continued inflationary pressure in the food prices, and the upswing in the crude oil prices, remains a key cause of concern for the market participants. In that context, the 25 bps rate hike in the repo and the reverse repo by the RBI on 17th March may only be the first among the coming series of upward re-assessments. The money market rates too surged in the last fortnight of March as heavy advance tax outflow caused a squeeze on the market liquidity. The liquidity conditions are expected to improve since the supply outlook seems relatively benign, while the government spending too is expected to pick pace in the weeks ahead. Alongside, the likely introduction of a new 10-year benchmark paper may also contribute in trending down the benchmark yields in the times ahead.

## Gold Corner

For the month, spot gold closed at \$1,431, up \$21.25 per ounce or 1.51 percent for the month. The key reasons attributable for this performance is largely based on the Portugal's possible \$100 billion bailout, which spurred demand for the precious metal. Also uncertainty surrounding the unfolding tensions in Middle-East and North Africa and the strength in crude oil has kept a bid in the gold market; and will likely be the main driver next month. The U.S. Trade-Weighted Dollar Index moved lower by 1.34 % for the month which also was supportive to gold prices.

The gold supply remains relatively high compared to the current demand (see the table below) which may be indicative of the profit booking by early investors. However, the market pricing remains largely unaffected.

Period	Demand (% change)	Supply (% change)	Avg. Gold Prices (% change)
Q 4-2009	- 3.2%	8.2%	14.7%
Q 1-2010	6.2%	- 5.3%	0.7%
Q 2-2010	24.0%	20.5%	7.8%
Q 3-2010	- 10.5%	- 7.1%	2.6%
Q 4-2010	- 6.3%	14.2%	9.5%
<b>2010 compare to 2009</b>	<b>9.7%</b>	<b>1.8%</b>	<b>25.2%</b>

Source: World Gold Council

The assets managed by Gold Exchange Traded Funds in the country increased to Rs. 3742.14 crore for the quarter of January - March 2011.

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