

The turning point in RBI's monetary policy. The RBI cut the CRR by 50 bps to 5.5%, thereby injecting liquidity of about Rs320 bn. While the CRR has been viewed previously more as a monetary policy tool, given the liquidity situation the RBI had to use the CRR. While this seems to shift the use of CRR as a liquidity tool, the RBI's move also signaled a turn in monetary policy ("*the reduction (in CRR) can also be viewed as a reinforcement of the guidance that future rate actions will be towards lowering them*"). The question though remains about the timing of the repo rate cuts. The RBI also lowered its estimate for FY2012 GDP growth to 7% from 7.6% while keeping its inflation estimates unchanged. The RBI still remains wary of inflation, though. Other central banks, like in Turkey and Hungary, kept rates unchanged while Thailand cut rates by 25 bps. Bank of Japan reduced its estimate for FY2012 and remained downbeat on FY2013. The other big news came from the Fed which announced that it would most likely keep rates on hold until the end of CY2014, almost 18 months more than earlier announced.

Other key economic indicators during the week

- The IMF revised down global GDP growth by 70 bps and 60 bps for CY2012 and CY2013 respectively. The IMF estimates emerging economies growth in CY2012 to be about 5.4% and advanced economies are estimated to grow by 1.2%. In CY2012, India is likely to grow by 7% (50 bps lower than the last estimate) and by 7.3% in CY2013 (80 bps lower than last estimate).
- For the fortnight ended January 13, aggregate deposits grew by 17.2% against 15.9% a year earlier. Non-food credit for the fortnight ended January 13 grew by 16.7% against 22.8% a year earlier and food credit grew by 35.1%. Investment in SLR securities decreased by Rs38 bn over the fortnight, posting fortnightly growth of (-)0.2% and yoy growth of 15.6%. The credit-deposit ratio was 75.1% against 75.2% a year earlier.
- For the week ended January 14, primary articles inflation fell to 1.89% from 2.47% a week earlier as the index remained flat from last week. Primary food articles inflation came in at (-)1.03% from (-)0.42% a week earlier with the index rising by 0.26%. The fall in food inflation was driven by a sharp decline in vegetables inflation ((-)47.06% from (-)45.81%), largely reflecting the impact of last year's high base. Fuel price inflation remained unchanged at 14.45%.

INDIA

January 30, 2011

BSE-30: 17,234

Period Under Review:
Jan 23– Jan 27, 2012

"... the interest rates will come down from hereon but when and at what pace will depend on a number of factors including the downward trajectory of core inflation, credit growth, the rupee exchange rate and the fiscal deficit."
D. Subbarao, Governor, RBI in his interaction post the monetary policy meeting

Suvodeep Rakshit

suvodeep.rakshit@kotak.com
Tel:+91-22-6634-1409

Shubhra Mittal

shubhra.mittal@kotak.com
Tel:+91-22-6659-6489

THE FORTNIGHT AHEAD

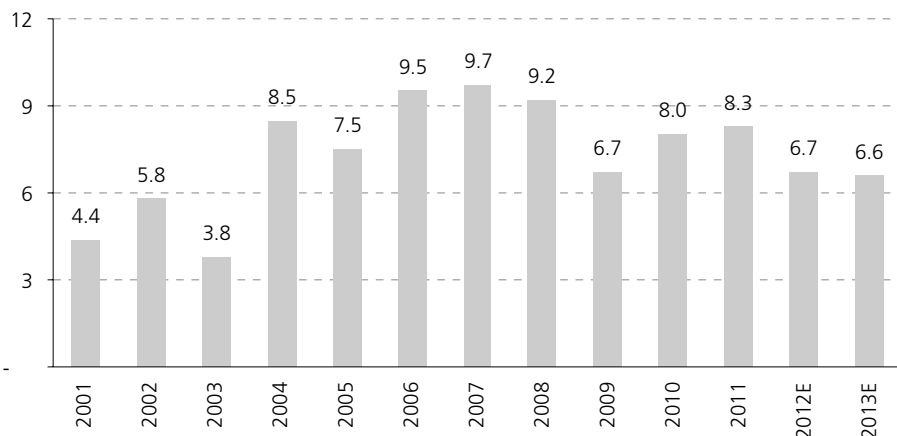
Calendar of Economic Releases for the fortnight

Monday	Tuesday	Wednesday	Thursday	Friday
January 30	January 31	February 01	February 02	February 03
JP Unemployment rate (Dec) Prior: 4.5%	EZ Unemployment rate (Dec) Prior: 10.3 CN PMI Manufacturing (Jan) Prior: 48.7	EZ PMI Manufacturing (Jan) Prior: 48.7 EZ CPI (Jan)—Prior: 2.7%		US Unemployment rate (Jan) Prior: 8.5%
February 06	February 07	February 08	February 09	February 10
	JP Current account balance (Dec) Prior: 139 bn (JPY)		EZ ECB Refi rate—Prior: 1%	US Trade balance (Dec) Prior: (-)47.8 bn (USD)

Source: Bloomberg, Factset, Institutional Equities

GROSS DOMESTIC PRODUCT (GDP)

YoY growth in India's real GDP, March fiscal year-ends, 2001-2012E (%)



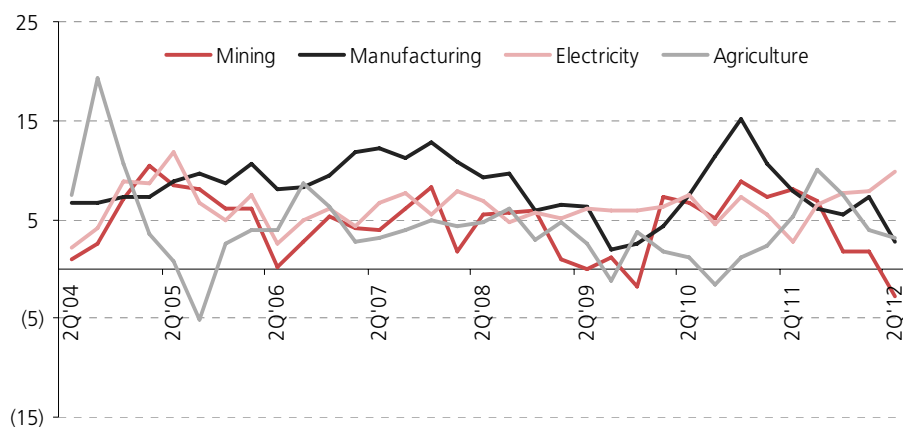
Source: Central Statistical Organization, Kotak Institutional Equities estimates

India's quarterly real GDP growth, March fiscal year ends, 2010-2012 (%)

Sector	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12
Agriculture and allied activities	1.2	(1.6)	1.1	2.4	5.4	9.9	7.5	3.9	3.2
Industrial sector	7.4	10.0	13.7	9.7	7.3	6.2	5.3	6.7	2.8
Mining and quarrying	6.8	5.2	8.9	7.4	8.0	6.9	1.7	1.8	(2.9)
Manufacturing	7.4	11.4	15.2	10.6	7.8	6.0	5.5	7.2	2.7
Electricity, gas and water supply	7.5	4.5	7.3	5.5	2.8	6.4	7.8	7.9	9.8
Services sector	10.6	9.2	10.1	10.1	9.2	8.6	8.6	8.9	8.7
Construction	5.1	8.3	9.2	7.7	6.7	9.7	8.2	1.2	4.3
Trade, transport and Communication	7.8	10.8	13.7	12.1	10.2	8.6	9.3	12.8	9.9
BFSI and business services	10.9	8.5	6.3	9.8	10.0	10.8	9.0	9.1	10.5
Community and social services	19.4	7.6	8.3	8.2	7.9	5.1	7.0	5.6	6.6
Real GDP (at factor cost)	8.7	7.3	9.4	8.8	8.4	8.3	7.8	7.7	6.9

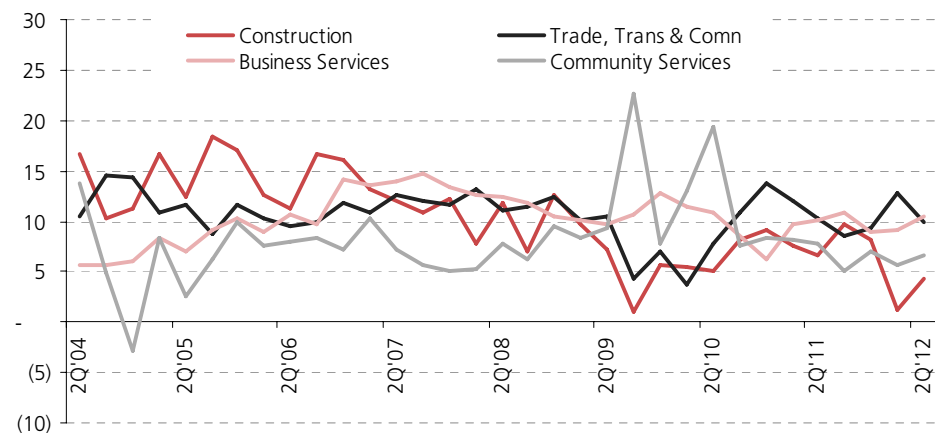
Source: Central Statistical Organization, Kotak Institutional Equities

YoY growth in Industry and Agriculture, March fiscal year-ends, 2004-2012 (%)



Source: Central Statistical Organization, Kotak Institutional Equities

YoY growth in India's Services sector, March fiscal year-ends, 2004-2012 (%)



Source: Central Statistical Organization, Kotak Institutional Equities

INDEX OF INDUSTRIAL PRODUCTION (IIP)

YoY growth and 4-month YoY growth moving average in India's IIP, 2006-2011 (%)



Source: Central Statistical Organization, compiled by Kotak Institutional Equities

Sectoral classification of IIP growth, March fiscal year-ends, 2010-2012 (%)

	Mining			Manufacturing			Electricity		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
April	3.1	9.2	1.6	(3.6)	14.5	5.7	7.1	6.5	6.5
May	3.2	7.8	1.8	(2.9)	8.9	6.3	3.2	6.2	10.3
June	13.0	7.0	(1.4)	(4.5)	7.9	11.2	7.9	3.6	7.9
July	7.6	8.7	0.6	0.6	10.8	3.1	4.2	3.7	13.1
August	9.0	5.9	(5.5)	4.3	4.6	3.9	10.6	1.0	9.5
September	5.0	4.3	(7.1)	0.6	6.8	2.4	7.5	1.8	9.0
October	7.1	6.1	(6.1)	1.6	12.4	(5.7)	4.0	8.8	5.6
November	7.9	6.9	(4.4)	6.6	6.5	6.6	1.8	4.6	14.6
December	7.6	5.9		10.2	8.7		5.5	5.9	
January	11.6	1.7		14.5	8.1		5.5	10.5	
February	8.2	1.1		15.3	7.5		7.3	6.8	
March	11.1	0.3		16.3	11.0		8.3	7.2	
April-March	7.9	5.2		4.8	8.9		6.1	5.6	

Source: Central Statistical Organization, compiled by Kotak Institutional Equities

Use-based classification of India's yoy IIP growth, March fiscal year-ends, 2010-2012 (%)

	Basic goods			Capital goods			Intermediate goods			Consumer goods			Consumer durables			Consumer non-durables		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
April	1.1	6.7	7.2	(14.2)	35.5	6.6	(0.9)	11.8	3.9	(1.2)	13.8	3.2	9.3	23.3	1.6	(7.7)	6.7	4.6
May	1.6	3.4	7.5	(9.9)	15.8	6.2	(1.6)	11.7	0.1	(2.4)	7.4	7.2	0.9	14.7	5.1	(4.8)	1.9	9.0
June	7.2	3.9	7.8	(23.2)	3.7	38.7	(0.7)	8.6	1.6	(1.1)	13.3	3.1	1.1	21.3	1.6	(2.6)	7.5	4.4
July	3.4	4.5	10.0	(15.3)	40.7	(13.7)	0.6	8.5	(0.1)	8.0	5.7	6.4	12.7	14.8	9.0	4.7	(0.9)	4.1
August	4.7	3.8	5.8	(1.0)	4.7	4.0	7.3	5.9	(1.0)	8.5	4.6	2.1	9.8	8.1	5.5	7.4	1.8	(0.7)
September	2.1	3.5	4.0	(2.7)	7.2	(6.5)	6.6	4.6	1.3	1.4	9.6	4.3	5.6	14.2	9.2	(1.9)	5.9	(0.2)
October	3.0	9.8	1.4	(4.3)	21.0	(26.5)	6.1	9.7	(7.8)	3.4	9.4	0.2	7.2	14.3	(0.2)	0.4	5.1	0.7
November	6.0	5.7	6.3	(8.1)	25.7	(4.6)	8.0	4.3	0.2	12.8	0.7	13.1	30.6	7.2	11.2	2.0	(4.4)	14.8
December	5.8	7.8		4.9	20.2		12.4	8.1		15.1	3.6		46.5	7.8		0.2	0.6	
January	8.8	7.7		14.3	5.4		14.2	7.4		18.6	8.3		57.4	12.5		-	5.0	
February	5.6	5.6		39.4	(5.7)		10.3	6.3		16.6	13.4		28.9	18.2		8.7	9.7	
March	7.3	6.5		48.6	14.5		10.9	3.1		12.6	13.3		13.0	14.9		12.4	11.9	
April-March	4.8	6.0		1.0	15.0		5.9	7.2		7.7	8.3		17.0	14.1		1.4	3.9	

Source: Central Statistical Organization, compiled by Kotak Institutional Equities

RESERVE BANK OF INDIA – LIABILITIES AND ASSETS

Liabilities and assets of Reserve Bank of India, March fiscal year-ends (Rs bn)

Date	20-Jan-12	21-Jan-11	25-Mar-11	chg (%)				13-Jan-12	chg (%)
				2012		2011			
				yoy	ytd	yoy	ytd		
Liabilities									
Notes Issued	10,263	9,145	9,421	12.2	8.9	19.6	15.7	10,257	0.1
Deposits									
Central Government	1	667	63	(100)	(98)	280	1,596	1	
Market Stabilization Scheme	-	-	-	-	-	-	-	-	
Scheduled Commercial Banks	3,883	3,282	3,192	18	22	40	17	3,574	8.6
Other Liabilities	5,842	4,135	3,924	41.3	48.9	4.6	19.0	5,984	(2.4)
Assets									
Foreign Currency Assets	13,080	12,330	12,232	6.1	6.9	3.4	7.5	13,330	(1.9)
Gold Coin and Bullion	1,418	1,007	1,000	40.8	42	18	22	1,418	-
Rupee Securities (incl. T-Bills)	5,144	3,765	3,218	36.6	60	213	113	4,781	7.6
Loans and Advances									
Central govt. deposits	162	-	-	-	-	-	-	150	8.0
State Governments	5.3	8.5	7.3	(38.5)	(28.0)	476.4	52.9	2.2	141.9
NABARD	-	-	-	-	-	-	-	-	-
SCB deposits	91.1	51.7	50.3	76.3	81	-	12,198	47.2	93
Other Assets	89	67	93					88	

Source: Reserve Bank of India, compiled by Kotak Institutional Equities

MONEY STOCK AND RESERVE MONEY AGGREGATES

Components and sources of money stock in India, March fiscal year-ends (Rs bn)

Date	13-Jan-12	14-Jan-11	25-Mar-11	chg (%)				30-Dec-11	chg (%)
				2012		2011			
				yoy	ytd	yoy	ytd		
Components									
M3 (broad money)	71,926	62,089	64,967	15.8	10.7	16.7	10.8	71,987	(0.1)
M1 (narrow money)	16,727	15,388	16,366	8.7	2.2	13.6	3.2	16,897	(1.0)
Currency with the public	10,006	8,917	9,193	12.2	8.8	19.1	15.6	9,780	2.3
Demand deposits with banks	6,699	6,441	7,137	4.0	(6.1)	6.9	(9.8)	7,094	(5.6)
Time deposits with banks	55,199	46,702	48,601	18.2	13.6	17.8	13.6	55,090	0.2
Sources									
Net bank credit to government	22,753	18,259	18,934	24.6	20.2	18.4	12.1	22,351	1.8
Net bank credit to commercial	46,716	40,044	42,101	16.7	11.0	23.1	14.6	46,818	(0.2)
Net bank foreign assets	15,209	13,625	13,704	11.6	11.0	3.4	6.5	15,906	(4.4)
Net bank non-monetary liabilities	12,889	9,961	9,898	29.4	30.2	23.7	22.6	13,225	(2.5)

Source: Reserve Bank of India, compiled by Kotak Institutional Equities

Components and sources of reserve money in India, March fiscal year-ends (Rs bn)

Date	20-Jan-12	21-Jan-11	25-Mar-11	chg (%)				13-Jan-12	chg (%)
				2012		2011			
				yoy	ytd	yoy	ytd		
Components									
Reserve money	14,517	12,874	12,958	12.8	12.0	25.5	16.4	14,201	2.2
Currency in circulation	10,400	9,269	9,543	12.2	9.0	19.2	15.6	10,394	0.1
Banker's deposits with RBI	4,096	3,474	3,379	17.9	21.2	42.0	16.4	3,785	8.2
Sources									
Net RBI credit to government	5,311	3,107	3,164	70.9	67.9	239.8	81.8	4,934	7.7
Credit to center	5,306	3,099	3,157	71.2	68.1	239.1	81.9	4,932	7.6
Net RBI credit to banks and comm.	124	66	69	87.7	80.7	21.7	44.8	79	56.5
Credit to banks	92	52	51	74.8	79.4	1,244	-	48	92.0
Net RBI foreign exchange assets	14,498	13,337	13,232	8.7	9.6	4.6	8.4	14,748	(1.7)
Net RBI non-monetary liabilities	5,554	3,760	3,628	47.7	53.1	5.3	20.9	5,697	(2.5)

Source: Reserve Bank of India, compiled by Kotak Institutional Equities

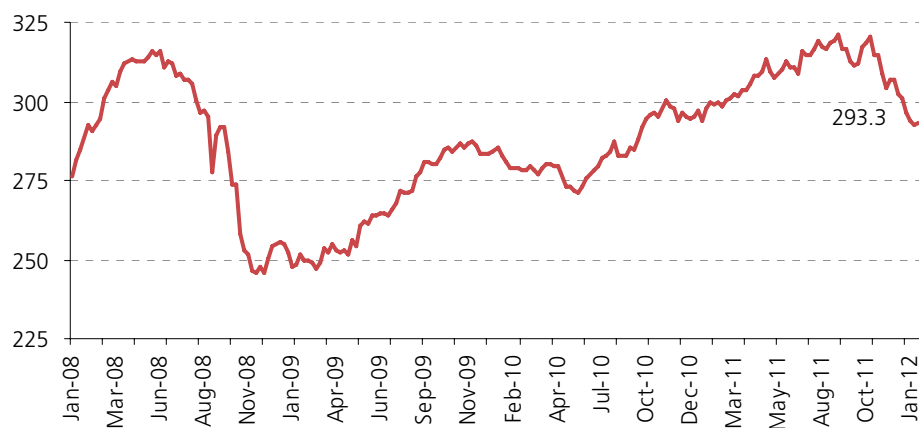
BANKING AND FOREX AGGREGATES

Liabilities and assets of banking system in India, March fiscal year-ends (Rs bn)

Date	13-Jan-12	14-Jan-11	25-Mar-11	chg (%)				30-Dec-11	chg (%)
				2012		2011			
				yoy	ytd	yoy	ytd		
Liabilities									
Aggregate deposits	57,987	49,470	52,047	17.2	11.4	15.9	10.1	58,279	(0.5)
Demand deposits	5,992	5,700	6,390	5.1	(6.2)	(0.1)	(11.7)	6,387	(6.2)
Time deposits	51,995	43,770	45,657	18.8	13.9	18.3	13.8	51,892	0.2
Assets									
Cash in banking systems	3,914	3,384	3,492	15.7	12.1	47.3	10.3	3,881	0.8
Investments in SLR securities	16,896	14,617	15,000	15.6	12.6	3.3	5.6	16,934	(0.2)
Credit by banks	43,545	37,208	39,387	17.0	10.6	23.0	14.7	43,656	(0.3)
Non-food credit	42,681	36,568	38,744	16.7	10.2	22.8	14.4	42,811	(0.3)
Food credit	864	640	643	35.1	34.4	37.9	31.9	846	2.2
Ratios (%)									
Cash-deposit ratio	6.8	6.8	6.7					6.7	
Investment-deposit ratio	29.1	29.6	28.8					29.1	
Credit-deposit ratio	75.1	75.2	75.7					74.9	

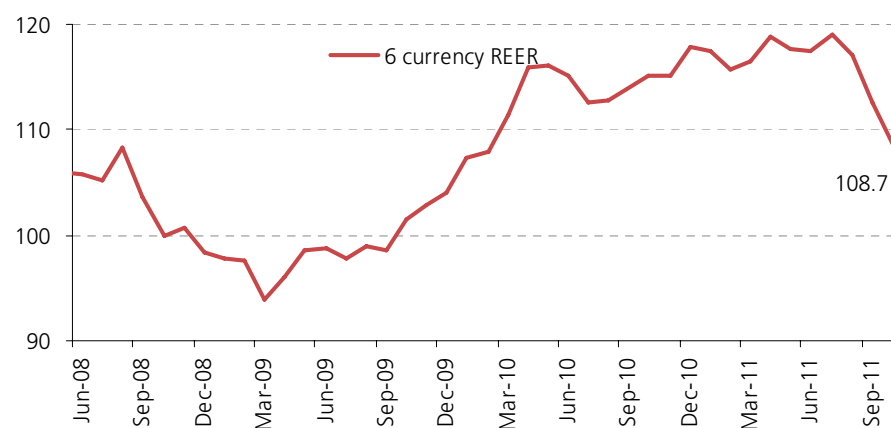
Source: Reserve Bank of India, compiled by Kotak Institutional Equities

India's foreign exchange reserves, 2008-2012 (US\$ bn)



Source: Central Statistical Organization, compiled by Kotak Institutional Equities

Real effective exchange rate of Indian currency, 2008-2011 (X)



Source: Central Statistical Organization, compiled by Kotak Institutional Equities

EXTERNAL SECTOR AGGREGATES

Monthly foreign trade aggregates of India, March fiscal year-ends (US\$ bn)

Date	Nov-11	Nov-10	Oct-11	chg (%)		YTD (Apr-Nov)		chg (%)
				yoy	mom	2012	2011	yoy
Exports	22.3	21.5	22.4	3.9	(0.3)	193	145	33.6
Imports	35.9	28.8	39.5	24.5	(9.1)	306	238	28.9
Oil imports	10.3	7.8	10.1	32.3	2.3	90	65	38.6
Non-oil imports	25.6	21.1	29.4	21.7	(13.0)	216	172	25.3

Source: Ministry of Commerce, compiled by Kotak Institutional Equities

CAD/GDP ratio at 3.7% in 2QFY12

India's quarterly balance of payments, March fiscal year-ends, 2009-2012, (US\$ bn)

	2009	2010	2011	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12
Current account	(27.9)	(38.4)	(44.3)	(12.1)	(16.8)	(10.0)	(5.4)	(15.9)	(16.9)
GDP	1,218	1,381	1,727	388	396	476	474	462	457
CAD/GDP (%)	(2.3)	(2.8)	(2.6)	(3.1)	(4.2)	(2.1)	(1.1)	(3.5)	(3.7)
Trade balance	(119.5)	(118.4)	(130.6)	(31.9)	(37.3)	(31.5)	(29.9)	(41.8)	(43.9)
Trade balance/GDP (%)	(9.8)	(8.6)	(7.6)	(8.2)	(9.4)	(6.6)	(6.3)	(9.1)	(9.6)
- Exports	189.0	182.2	250.4	55.3	52.0	65.9	77.2	74.3	76.6
- Imports	308.5	300.6	381.0	87.2	89.3	97.4	107.1	116.1	120.5
o/w Oil imports	93.7	87.1	100.5	25.7	22.3	23.9	28.7	37.7	32.4
o/w Non-oil imports	214.8	213.5	280.5	61.5	67.0	73.5	78.4	78.5	88.1
Invisibles (net)	91.6	80.0	86.2	19.8	20.5	21.5	24.5	25.9	27.0
- Services	53.9	35.7	47.7	9.6	11.7	11.9	14.5	15.5	15.5
o/w Software	43.7	48.2	56.8	12.5	12.6	15.0	16.7	15.3	14.9
o/w Non-software	10.2	(12.5)	(9.1)	(3.0)	(0.9)	(3.1)	(2.2)	0.3	0.6
- Transfers	44.8	52.3	53.4	13.0	13.0	13.6	13.8	14.7	16.2
- Other invisibles	(7.1)	(8.0)	(14.9)	(2.9)	(4.2)	(4.0)	(3.9)	(4.4)	(4.7)
Capital account	6.8	53.4	59.8	16.8	21.4	13.4	8.2	22.7	18.4
% of GDP	0.6	3.9	3.5	4.3	5.4	2.8	1.7	4.9	4.0
Foreign investment	5.8	51.2	37.4	7.5	22.2	6.9	0.8	10.5	3.2
- FDI	19.8	18.8	7.1	2.9	3.0	0.6	0.6	7.9	4.4
- FII	(15.0)	29.0	28.2	3.5	18.7	6.1	(0.0)	2.3	(1.4)
- ADRs/GDRs	1.2	3.3	2.0	1.1	0.5	0.2	0.2	0.3	0.2
Banking capital	(3.2)	2.1	5.0	4.0	(3.2)	4.9	(0.8)	12.7	6.7
- NRI deposits	4.3	2.9	3.2	1.1	1.0	0.2	0.9	1.2	2.8
Short-term credit	(2.0)	7.6	11.0	4.3	2.6	1.3	2.7	3.1	2.9
ECBs	7.9	2.8	11.9	2.2	3.4	3.8	2.4	3.6	7.0
External assistance	2.4	2.9	4.9	2.5	0.6	1.2	0.8	0.4	0.3
Other capital account items	(4.1)	(13.1)	(10.4)	(3.8)	(4.3)	(4.8)	2.4	(7.5)	(1.6)
E&O	1.1	(1.6)	(2.4)	(0.9)	(1.3)	0.6	(0.8)	(1.3)	(1.2)
Overall balance	(20.1)	13.4	13.1	3.7	3.3	4.0	2.0	5.5	0.3
memo items:									
Average exchange rate (US\$/Rs)	45.82	47.41	45.63	45.68	46.51	44.85	45.25	44.74	45.78
Average Indian crude (US\$/bbl)	84.0	70.0	85.1	78.3	74.9	85.3	102.0	112.7	109.2

Source: Reserve Bank of India, Kotak Institutional Equities

FISCAL AGGREGATES

Monthly tax receipts of the Indian government, March fiscal year-ends (Rs bn)

Date	Nov-11	Nov-10	Oct-11	Chg (%)		YTD (Apr-Nov)		Chg (%)
				yoy	mom	2012	2011	yoy
Gross tax revenues	481	402	558	19.6	(13.8)	4,732	4,181	13.2
Direct taxes	161	113	229	42.8	(30)	2,326	2,123	9.6
Corporation tax	87	39	113	123.6	(23)	1,474	1,387	6.2
Income tax	74	74	115	0.3	(35.9)	852	735	15.9
Indirect taxes	314	289	326	8.6	(3.7)	2,397	2,048	17.0
Customs duty	133	111	125	19.4	6.3	1,006	851	18.3
Excise duty	114	116	101	(1.5)	13.4	808	748	8.0
Service tax	67	52	95	28.5	(29.1)	533	393	35.6
Other taxes	—	10	6	—	—	50	57	(11.6)
Net tax revenues	290	249	368	16.2	(21.2)	3,205	2,966	8.0

Source: Ministry of Finance, compiled by Kotak Institutional Equities

Monthly fiscal aggregates of the Indian government, March fiscal year-ends (Rs bn)

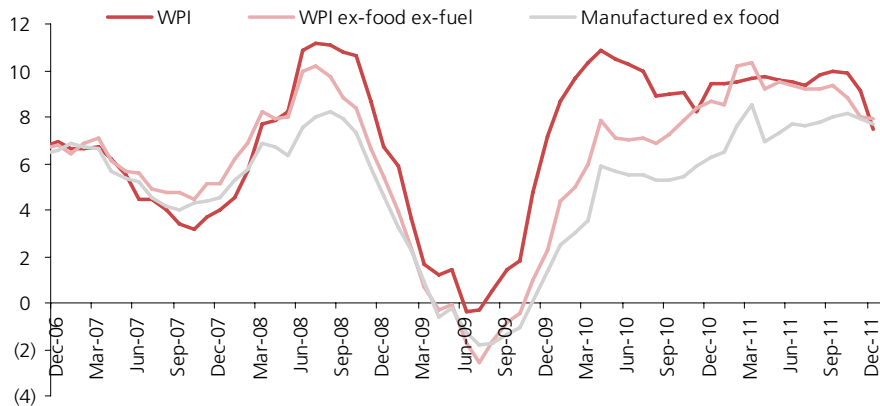
Date	Nov-11	Nov-10	Oct-11	chg (%)		YTD (Apr-Nov)		chg (%)
				yoy	mom	2012	2011	yoy
Total receipts	340	491	551	(30.8)	(38.3)	4,073	5,031	(19.0)
Total expenditure	803	733	813	9.6	(1.2)	7,607	6,907	10.1
Plan expenditure	201	184	234	9.3	(14.1)	2,213	2,109	4.9
Non-plan expenditure	602	549	579	9.8	4.0	5,394	4,798	12.4
Revenue expenditure	705	744	754	(5.2)	(6.5)	6,733	6,169	9.1
Capital expenditure	98	(12)	59	(937.5)	66.6	874	738	18.4
Fiscal deficit	464	242	262	91.7	77.0	3,534	1,865	89.5
Revenue deficit	374	453	212	(17.4)	76.4	2,805	1,402	100
Primary deficit	250	50	42	398.8	497.8	1,875	520	261

Source: Ministry of Finance, compiled by Kotak Institutional Equities

WHOLESALE AND CONSUMER PRICE INFLATION (WPI, CPI)

Core inflation remains a concern

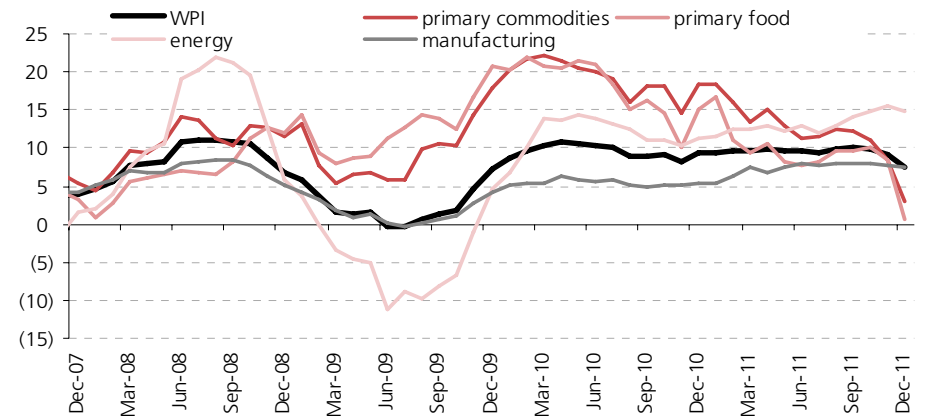
Headline WPI inflation and measures of core inflation, March fiscal year-ends, (%)



Source: Gol, Kotak Institutional Equities

Primary articles inflation starts tapering

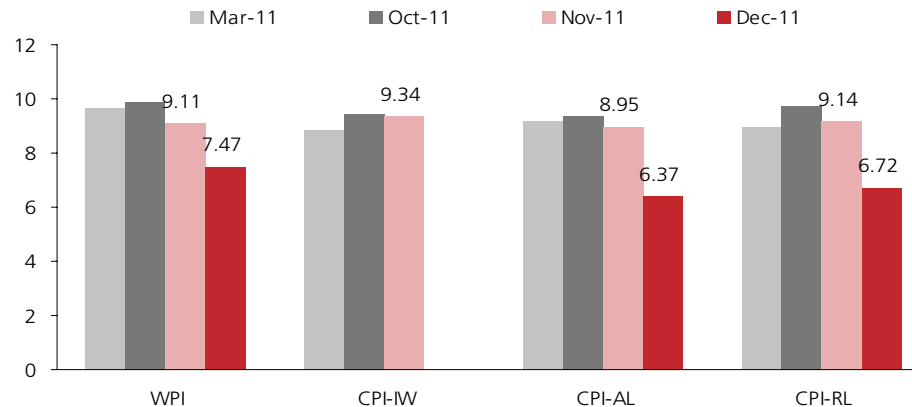
Inflation rate (yoy change in WPI) for major commodity groups (%)



Source: Office of the Economic Advisor, Ministry of Commerce & Industry

Consumer price inflation starts coming off

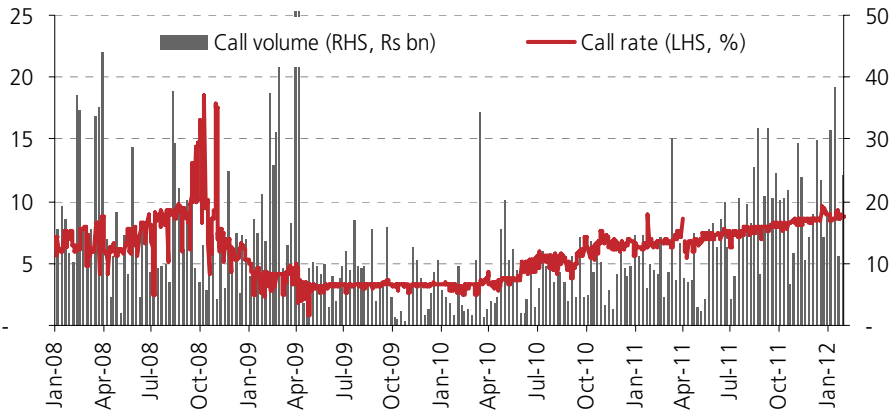
CPI for industrial workers (IW), agricultural labor (AL) and rural labor (RL) (%)



Source: Central Statistical Organization, Kotak Institutional Equities

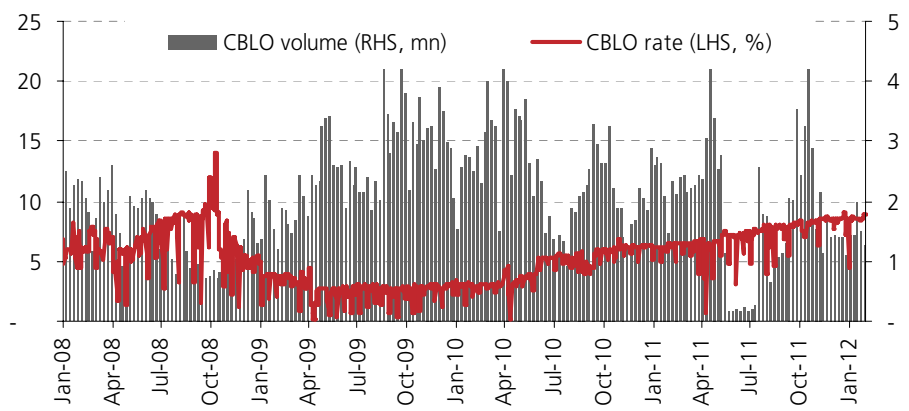
INDIA MONEY MARKETS

Money market call rates and volumes in India, 2008-2011 (% , Rs bn)



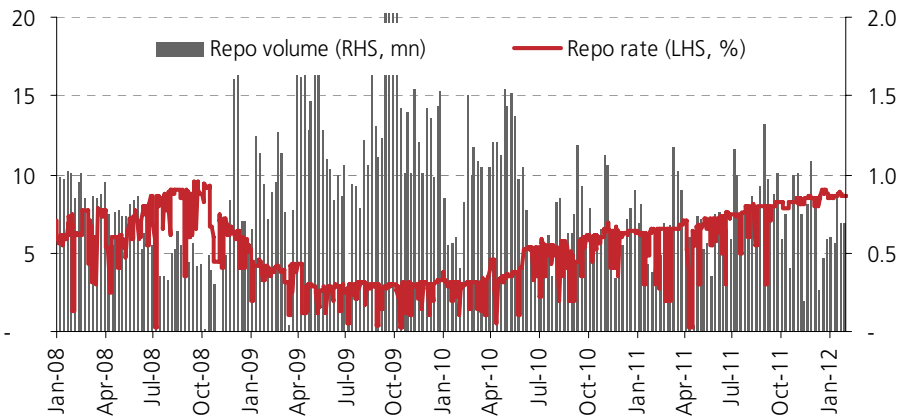
Source: Reserve Bank of India, compiled by Kotak Institutional Equities

Collateralized borrowing rates and volumes in India, 2008-2011 (% , mn)



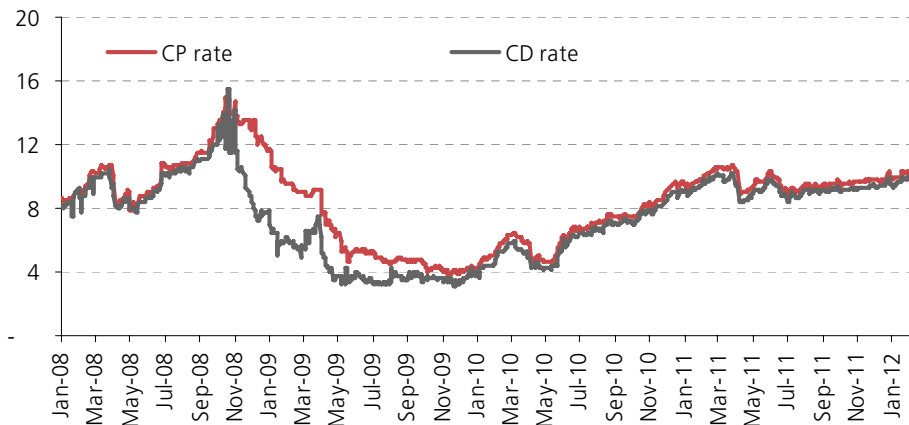
Source: Clearing Corporation of India, compiled by Kotak Institutional Equities

Overnight repo rates and volumes in India, 2008-2011 (% , mn)



Source: Reserve Bank of India, compiled by Kotak Institutional Equities

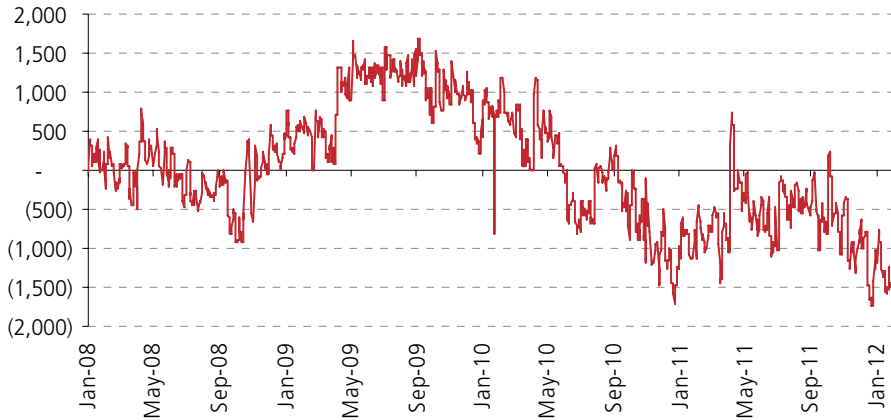
3-month Commercial Paper and Certificate of Deposit rates in India, 2008-2011 (%)



Source: Fixed Income Money Market Dealers Association, compiled by Kotak Institutional Equities

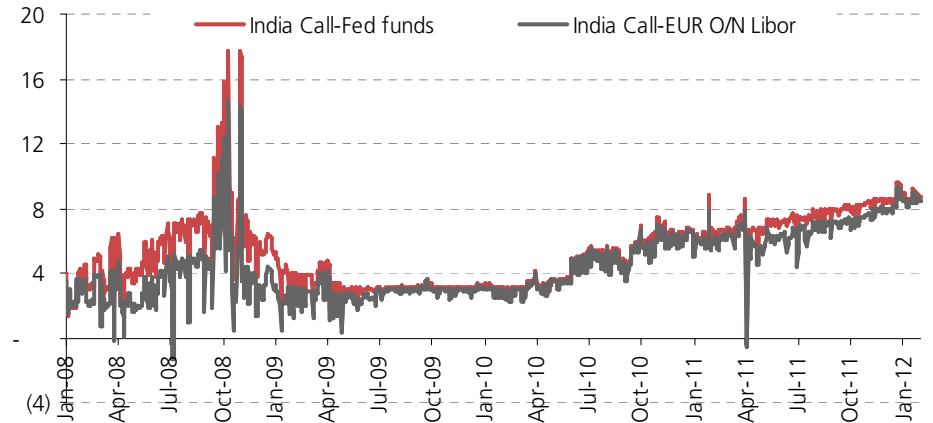
INDIA AND GLOBAL MONEY MARKETS

Net Reverse Repo amount (net of Repo) outstanding, 2008-2012 (Rs bn)



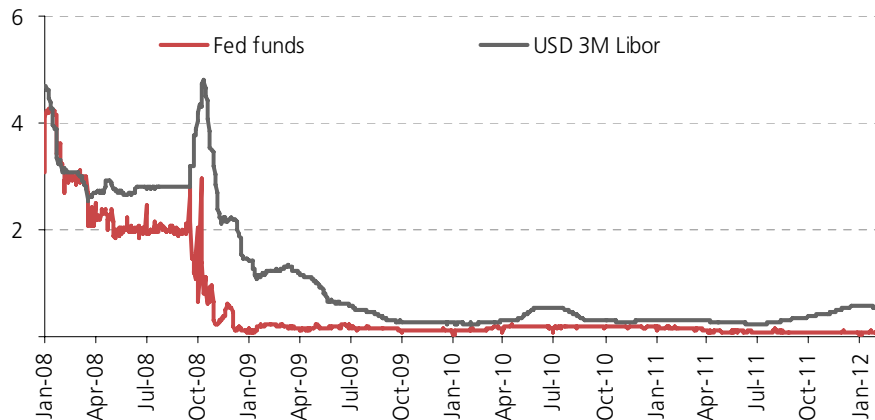
Source: Reserve Bank of India, compiled by Kotak Institutional Equities

Short-term interest rate spreads between India, US and Euro rates, 2008-2011 (%)



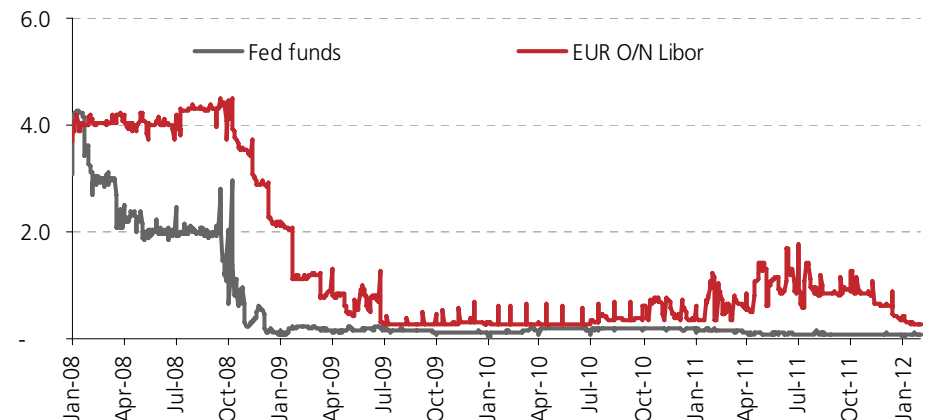
Source: Bloomberg, compiled by Kotak Institutional Equities

US effective Federal Funds and 3 month USD Libor rates, 2008-2011 (%)



Source: Bloomberg, compiled by Kotak Institutional Equities

US effective Federal Funds and overnight EUR Libor rates, 2008-2011 (%)



Source: Bloomberg, compiled by Kotak Institutional Equities

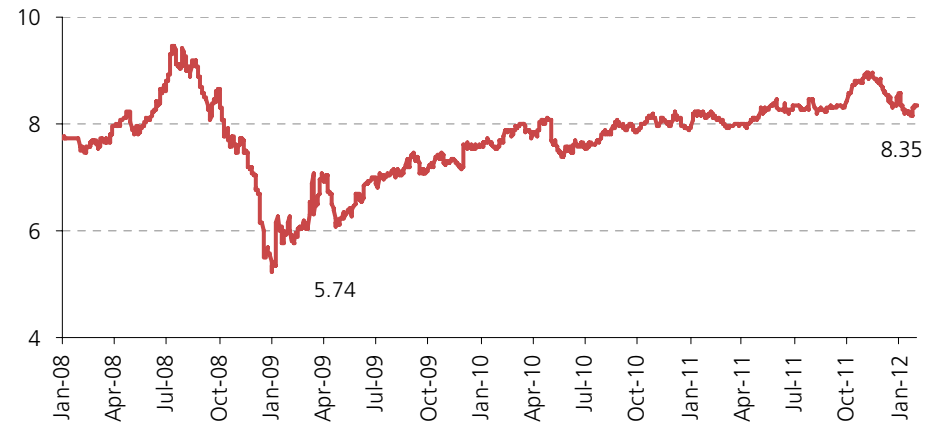
INDIAN G-SEC BOND MARKETS

3-month benchmark treasury bill yields in India, 2008-2011 (%)



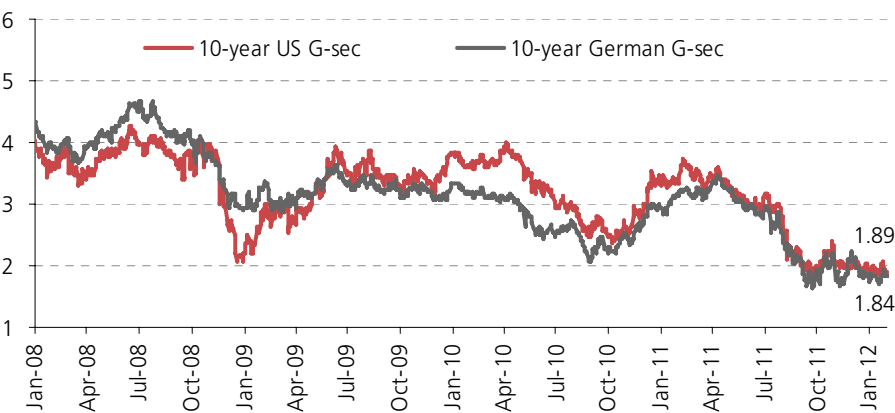
Source: Bloomberg, compiled by Kotak Institutional Equities

10-year benchmark government security yield in India, 2008-2011 (%)



Source: Bloomberg, compiled by Kotak Institutional Equities

10-year government securities yields in US and Germany, 2008-2011 (%)



Source: Bloomberg, compiled by Kotak Institutional Equities

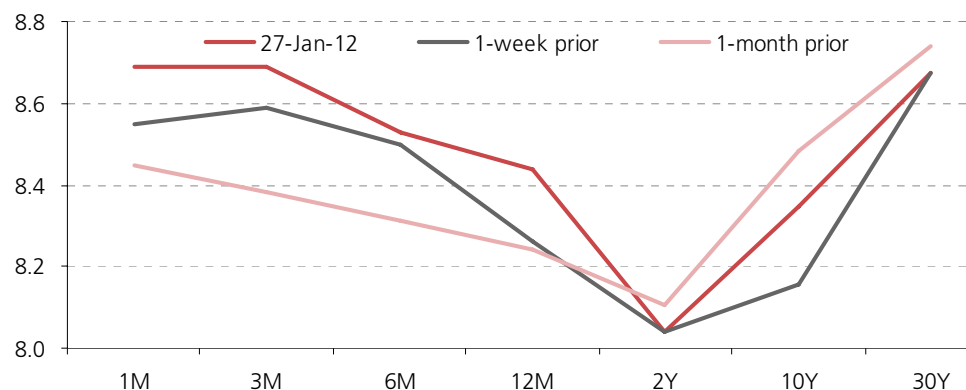
91-day T-bill auction cut-offs in India, 2008-2011 (%)



Source: Bloomberg, compiled by Kotak Institutional Equities

INDIA YIELD CURVE AND SPREADS

Yield curve of Indian treasury bills and government securities (%)



Source: Bloomberg, compiled by Kotak Institutional Equities

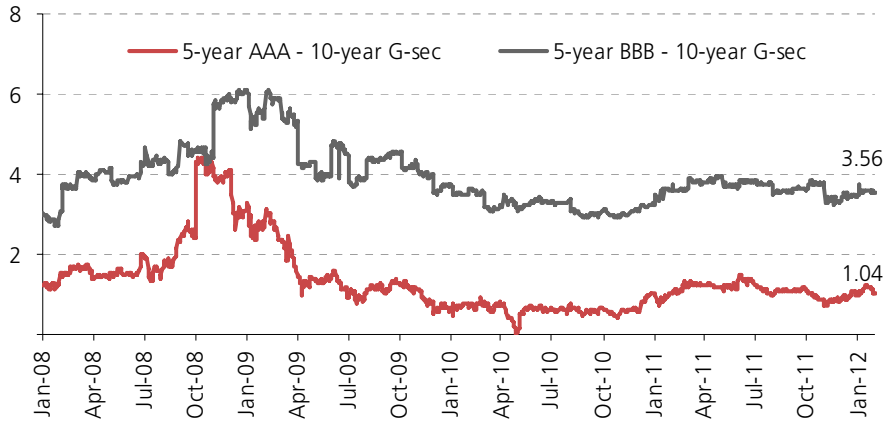
Yield spreads across different maturity G-secs and T-bills in India, 2008-2011 (%)



Source: Bloomberg, compiled by Kotak Institutional Equities

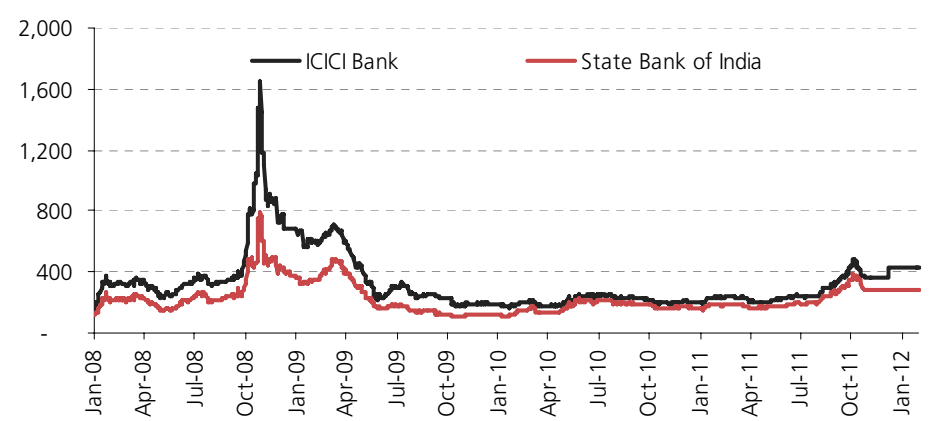
INDIAN CORPORATE BOND MARKETS

Yield spreads across corporate bonds and G-secs in India, 2008-2011 (%)



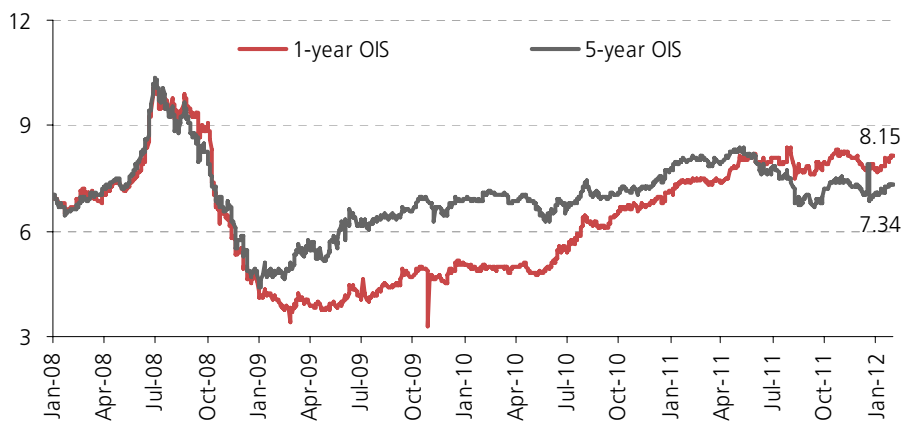
Source: Fixed Income Money Market Dealers Association, compiled by Kotak Institutional Equities

5-year Credit Default Swap (CDS) spreads of Indian corporates, 2008-2011 (bps)



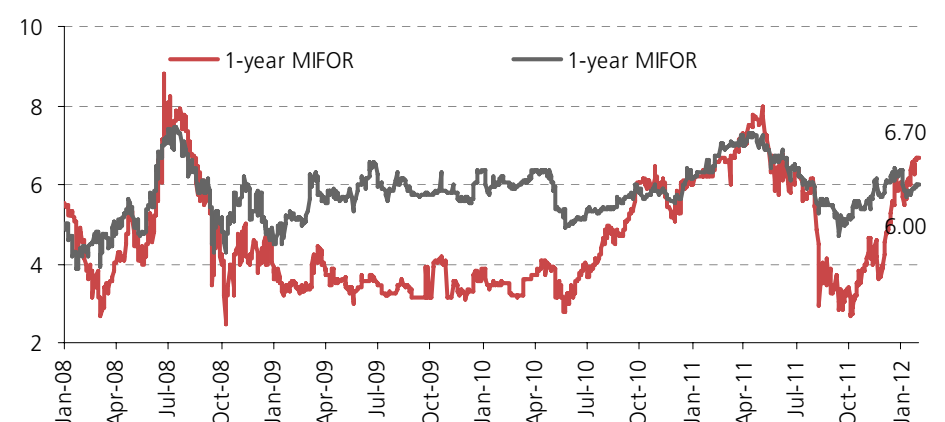
Source: Bloomberg, compiled by Kotak Institutional Equities

1-year and 5-year Overnight Indexed Swap (OIS) rates in India, 2008-2011 (%)



Source: Bloomberg, compiled by Kotak Institutional Equities

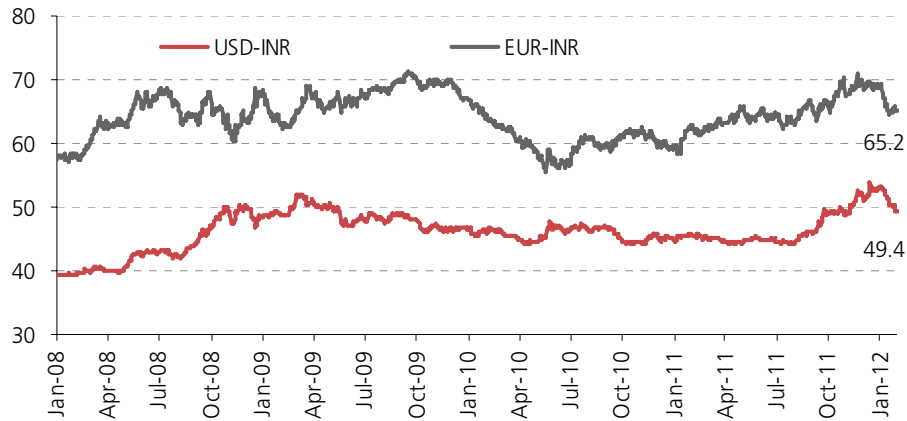
1-year and 5-year MIFOR Swap rates in India, 2008-2011 (%)



Source: Bloomberg, compiled by Kotak Institutional Equities

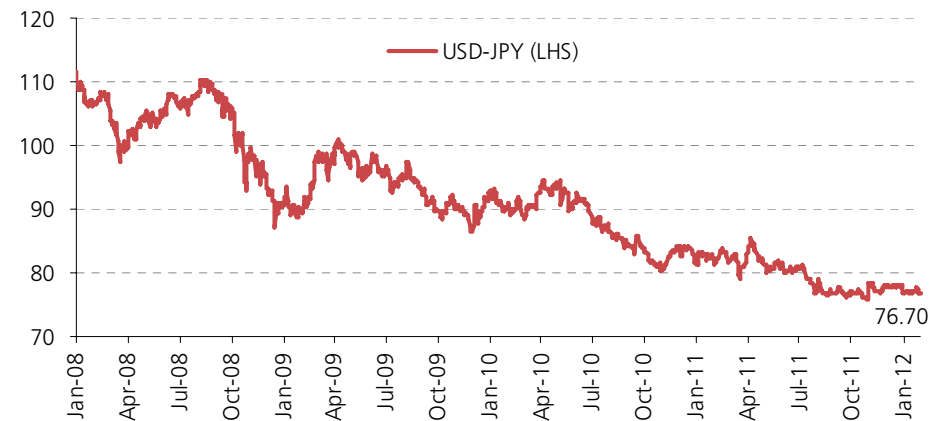
GLOBAL CURRENCY MARKETS

Spot rates of Indian Rupee versus US Dollar and Euro, 2008-2011



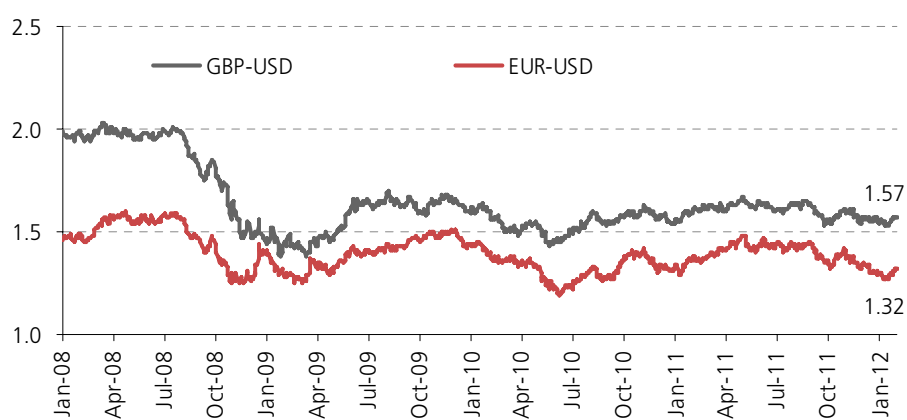
Source: Bloomberg, compiled by Kotak Institutional Equities

Spot rates of Japan Yen and China Yuan versus US Dollar, 2008-2011



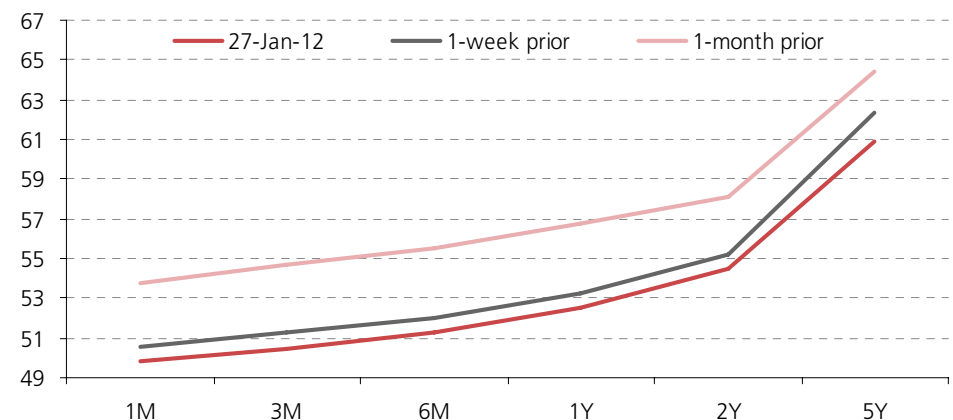
Source: Bloomberg, compiled by Kotak Institutional Equities

Spot rates of US Dollar versus UK Pound and Euro, 2008-2011



Source: Bloomberg, compiled by Kotak Institutional Equities

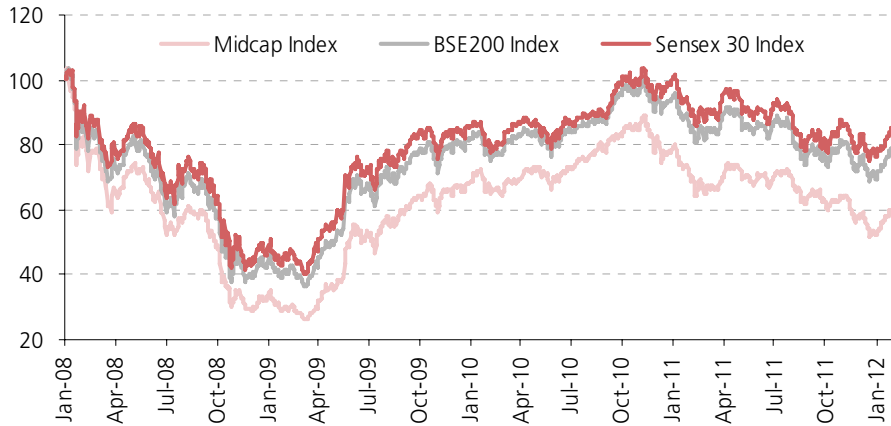
Forward rates curve of Indian Rupee versus US Dollar



Source: Bloomberg, compiled by Kotak Institutional Equities

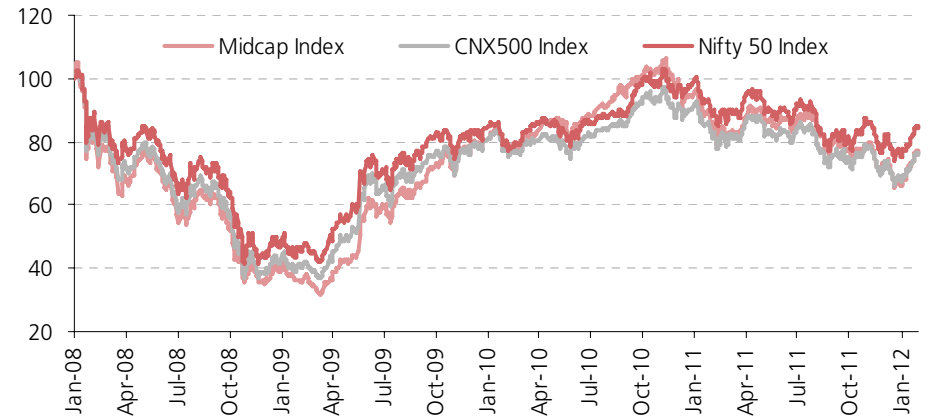
INDIAN EQUITY MARKETS

Performance of benchmark BSE indices (base 100)



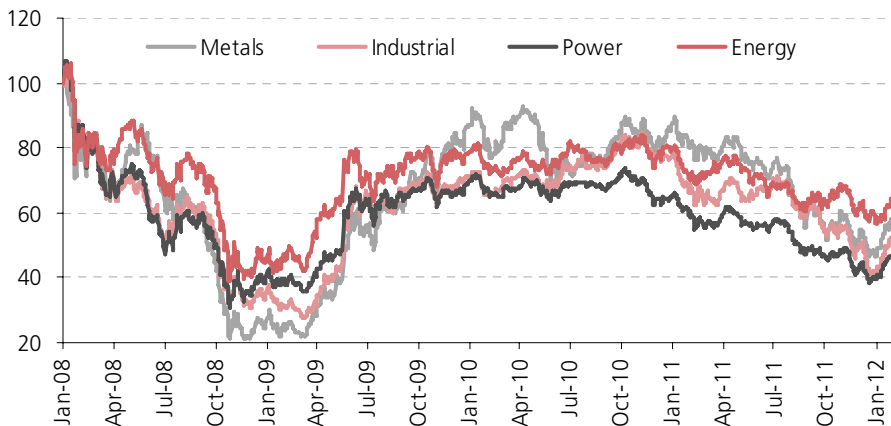
Source: Bombay Stock Exchange, compiled by Kotak Institutional Equities

Performance of benchmark NSE indices (base 100)



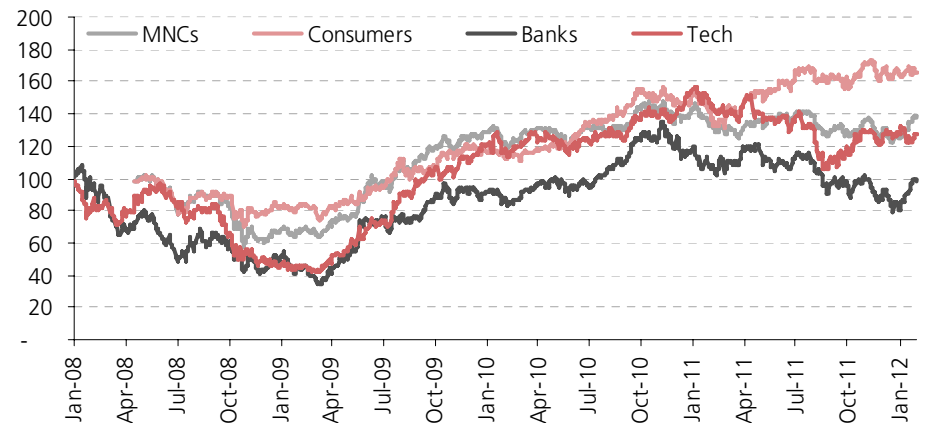
Source: National Stock Exchange, compiled by Kotak Institutional Equities

Performance of benchmark sector indices on BSE (base 100)



Source: Bombay Stock Exchange, compiled by Kotak Institutional Equities

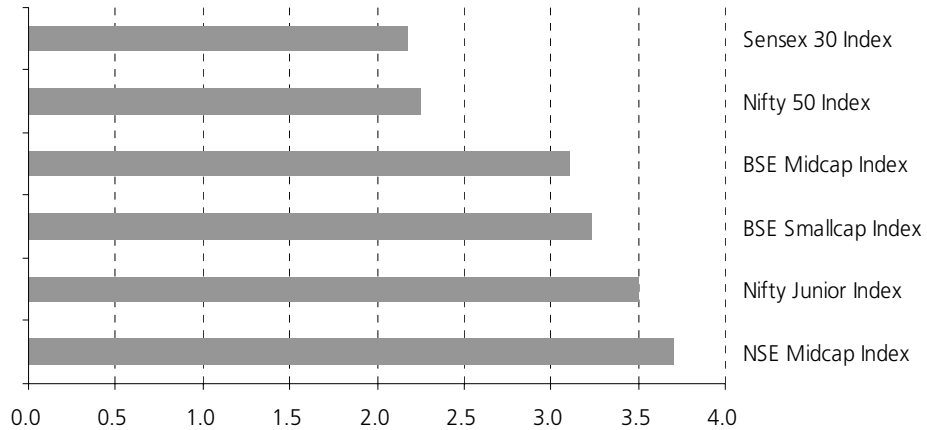
Performance of benchmark sector indices on NSE (base 100)



Source: National Stock Exchange, compiled by Kotak Institutional Equities

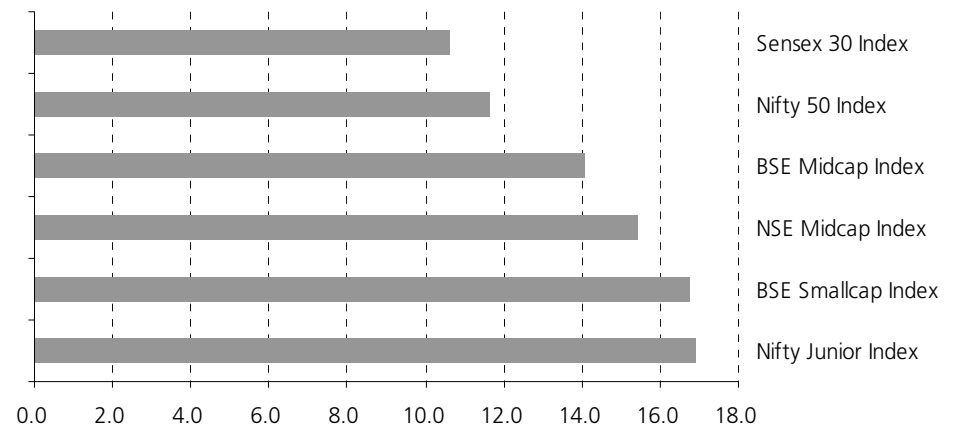
INDIAN EQUITY MARKETS

1-week performance of benchmark BSE and NSE indices (%)



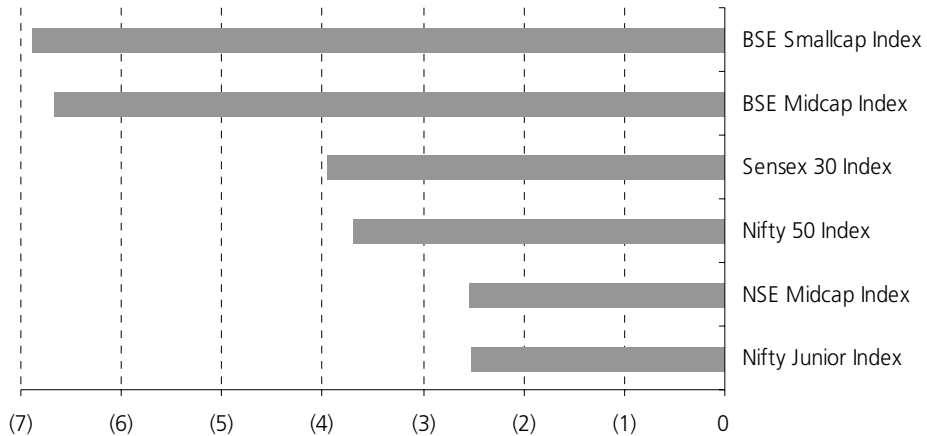
Source: Bloomberg, compiled by Kotak Institutional Equities

1-month performance of benchmark BSE and NSE indices (%)



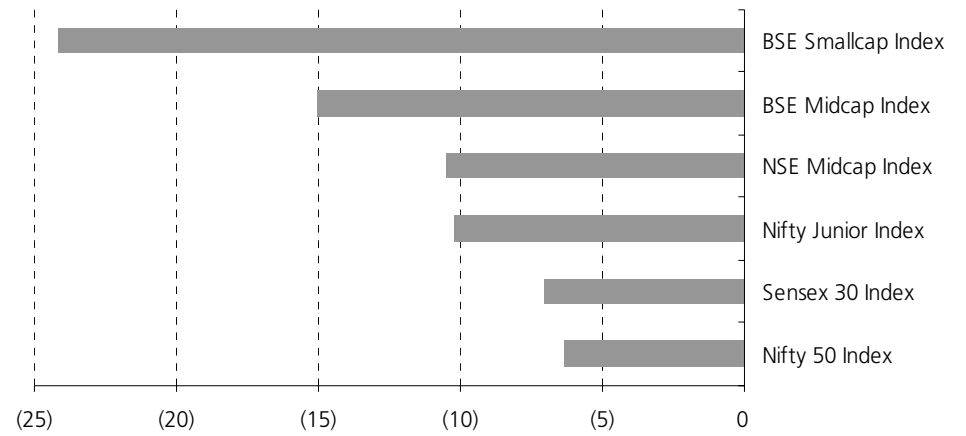
Source: Bloomberg, compiled by Kotak Institutional Equities

3-month performance of benchmark BSE and NSE indices (%)



Source: Bloomberg, compiled by Kotak Institutional Equities

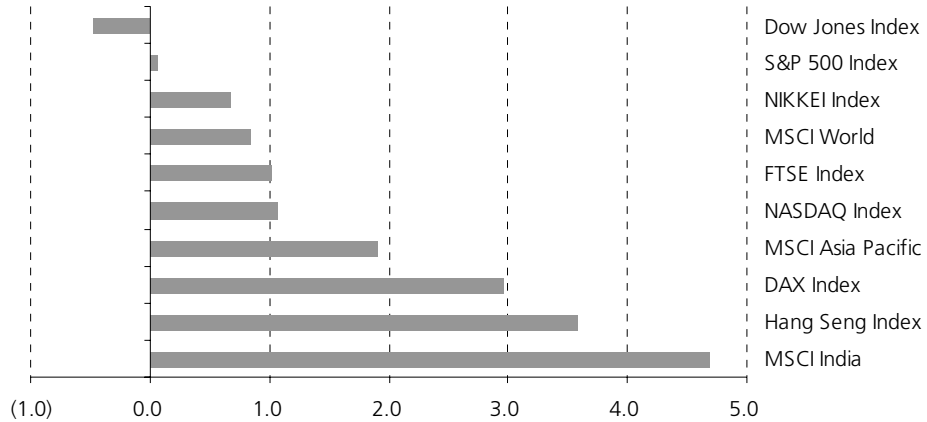
YTD performance of benchmark BSE and NSE indices (%)



Source: Bloomberg, compiled by Kotak Institutional Equities

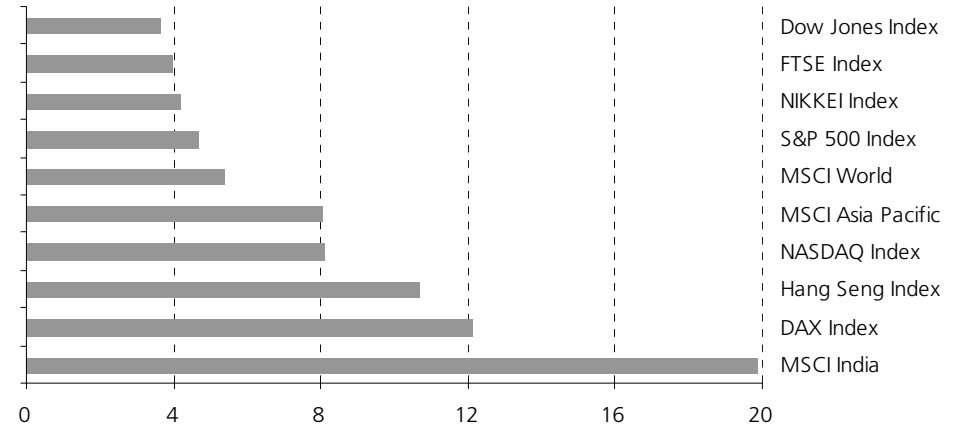
GLOBAL EQUITY MARKETS

1-week performance of benchmark global indices (%)



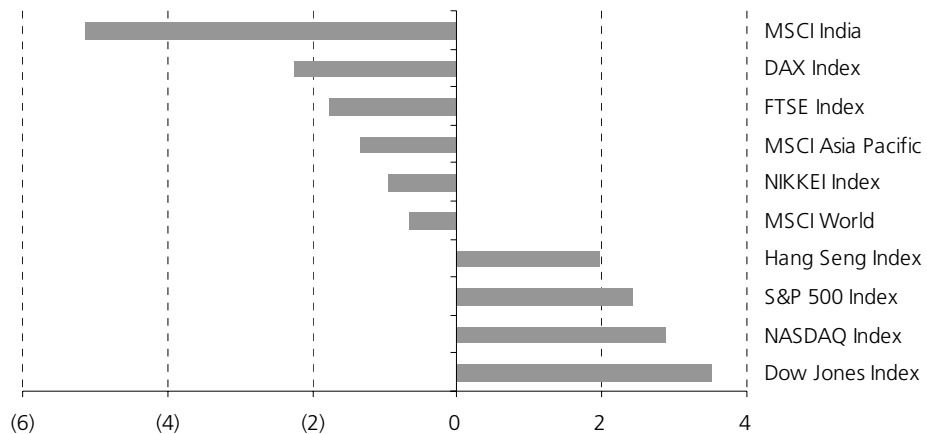
Source: Bloomberg, compiled by Kotak Institutional Equities

1-month performance of benchmark global indices (%)



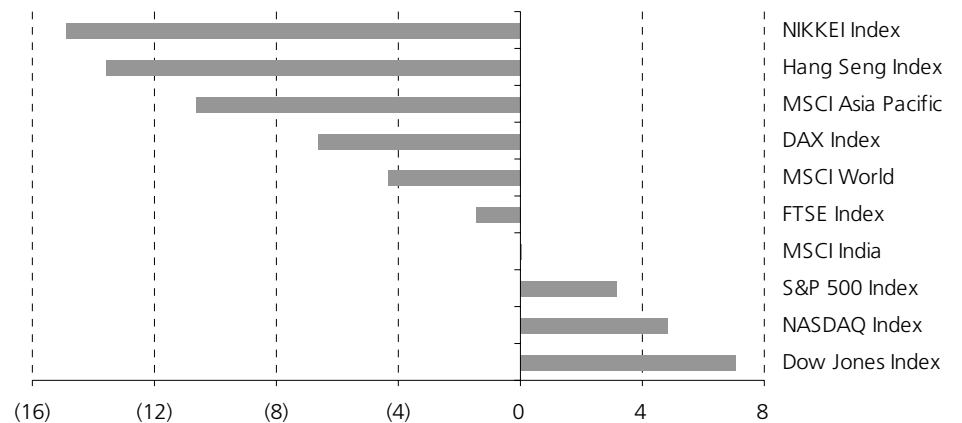
Source: Bloomberg, compiled by Kotak Institutional Equities

3-month performance of benchmark global indices (%)



Source: Bloomberg, compiled by Kotak Institutional Equities

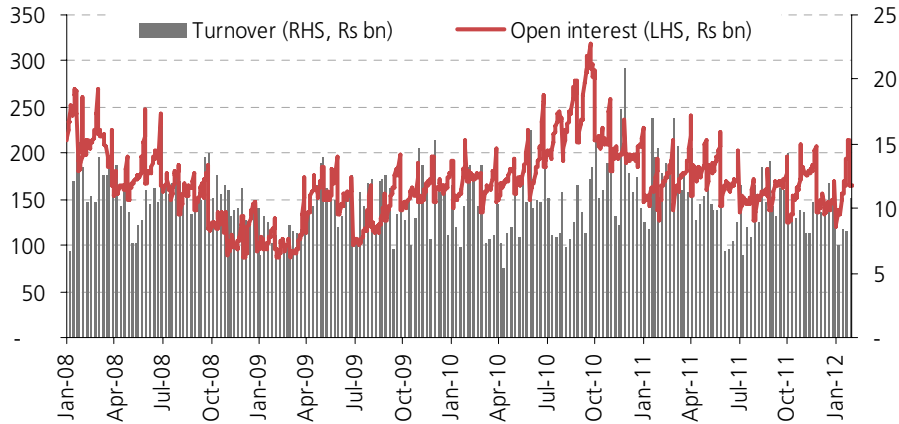
YTD performance of benchmark global indices (%)



Source: Bloomberg, compiled by Kotak Institutional Equities

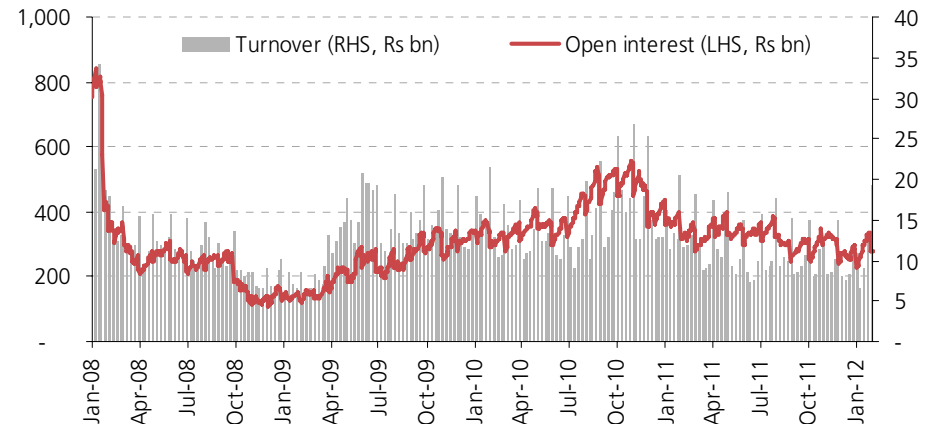
INDIAN EQUITY DERIVATIVE MARKETS

Index futures open interest and turnover in India, 2008-2011 (Rs bn)



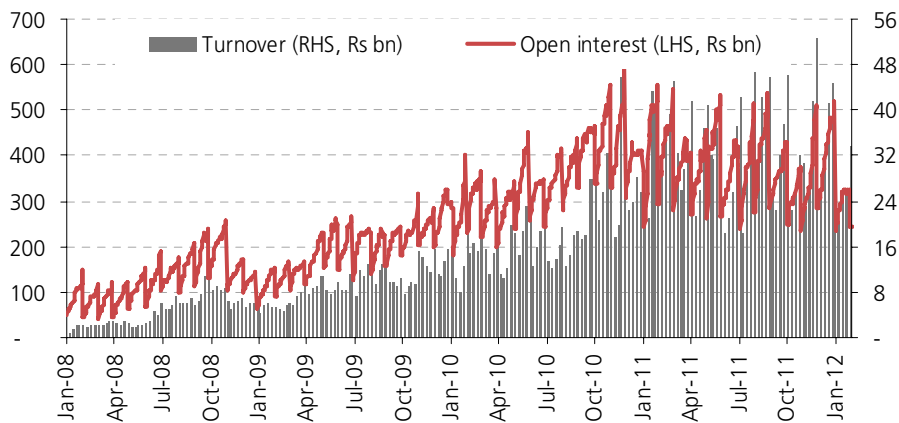
Source: National Stock Exchange, compiled by Kotak Institutional Equities

Stock futures open interest and turnover in India, 2008-2011 (Rs bn)



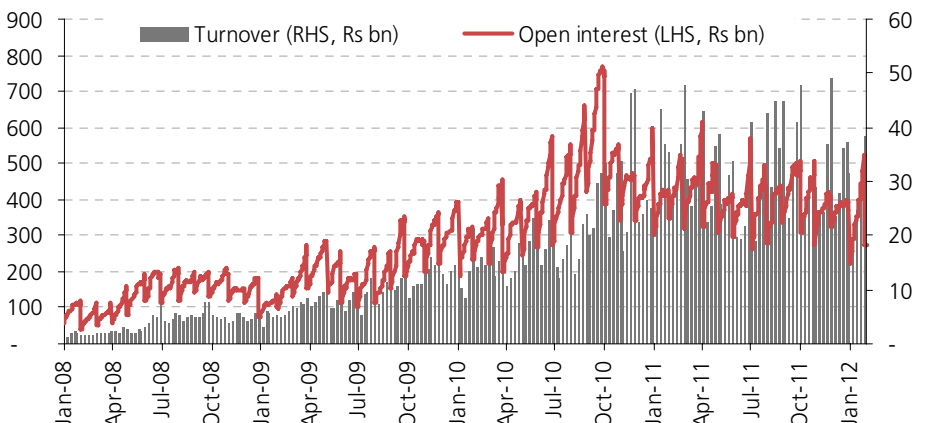
Source: National Stock Exchange, compiled by Kotak Institutional Equities

Index call option open interest and turnover in India, 2008-2011 (Rs bn)



Source: National Stock Exchange, compiled by Kotak Institutional Equities

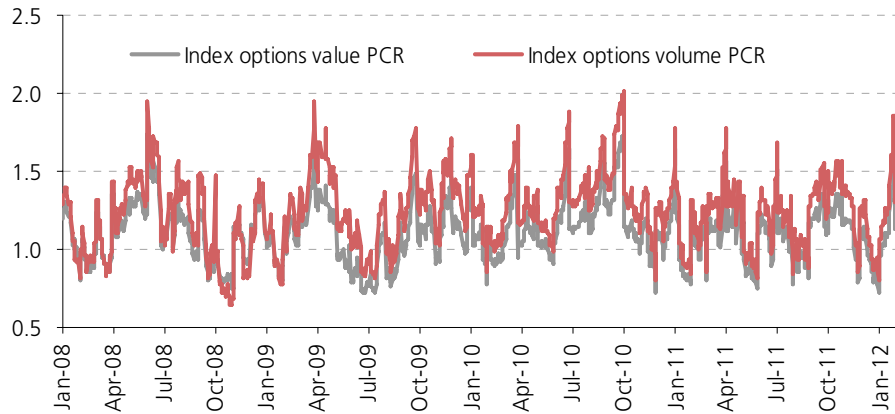
Index put option open interest and turnover in India, 2008-2011 (Rs bn)



Source: National Stock Exchange, compiled by Kotak Institutional Equities

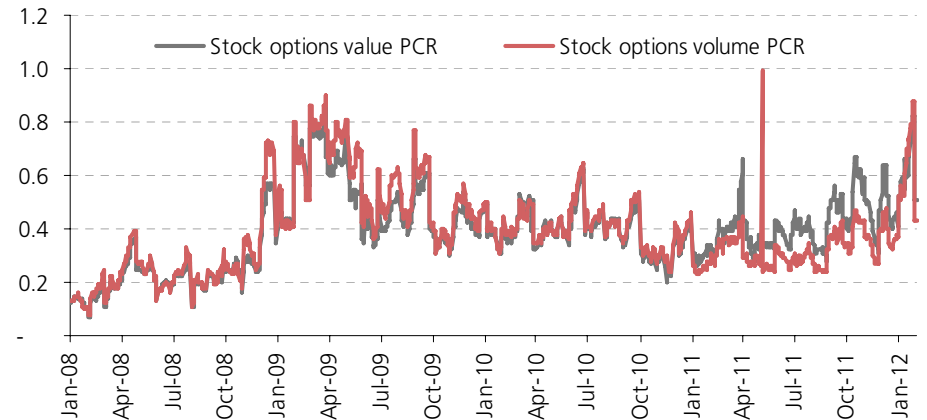
INDIAN EQUITY DERIVATIVE MARKETS

Volume and value put-call ratio of Index options in India (X)



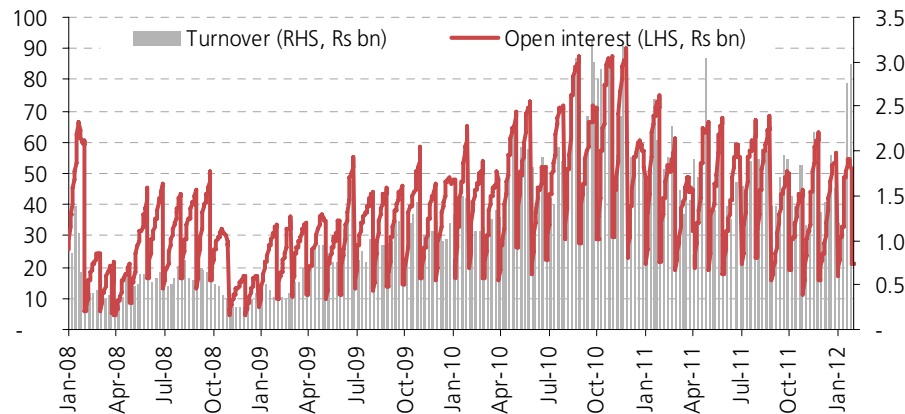
Source: National Stock Exchange, compiled by Kotak Institutional Equities

Volume and value put-call ratio of Stock options in India (X)



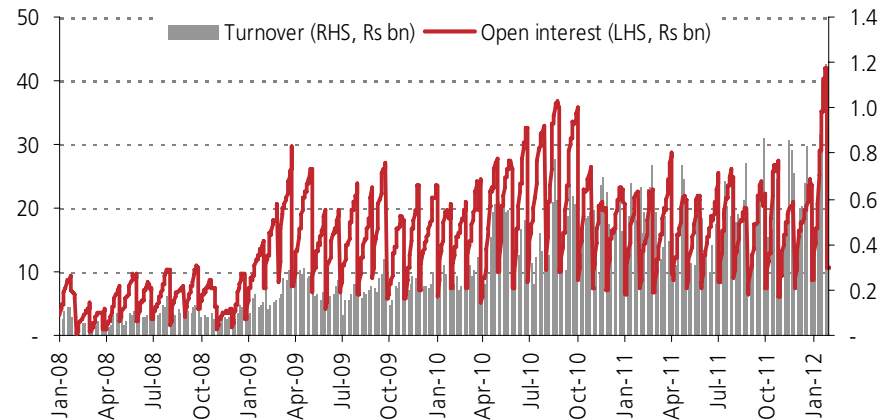
Source: National Stock Exchange, compiled by Kotak Institutional Equities

Stock call option open interest and turnover in India, 2008-2011 (Rs bn)



Source: National Stock Exchange, compiled by Kotak Institutional Equities

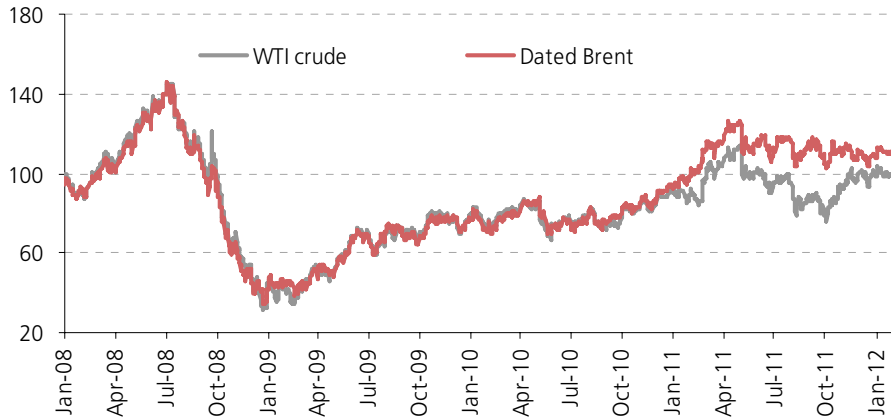
Stock call option open interest and turnover in India, 2008-2011 (Rs bn)



Source: National Stock Exchange, compiled by Kotak Institutional Equities

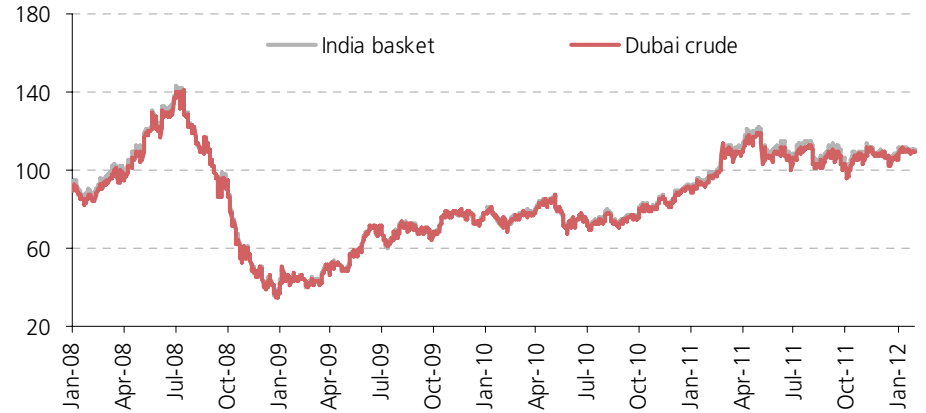
GLOBAL COMMODITY MARKETS

Spot prices of Brent and WTI crude oil (USD/bbl)



Source: Bloomberg, compiled by Kotak Institutional Equities

Spot prices of Dubai crude and India oil basket (USD/bbl)



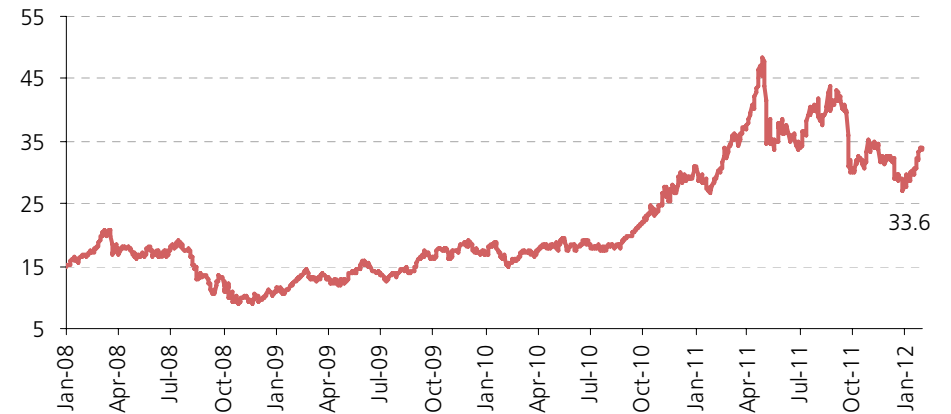
Source: Bloomberg, compiled by Kotak Institutional Equities

Spot prices of gold in the international market (USD/oz)



Source: Bloomberg, compiled by Kotak Institutional Equities

Spot prices of silver in the international market (USD/oz)



Source: Bloomberg, compiled by Kotak Institutional Equities

GLOBAL COMMODITY MARKETS

LME Metals commodities Index (X)



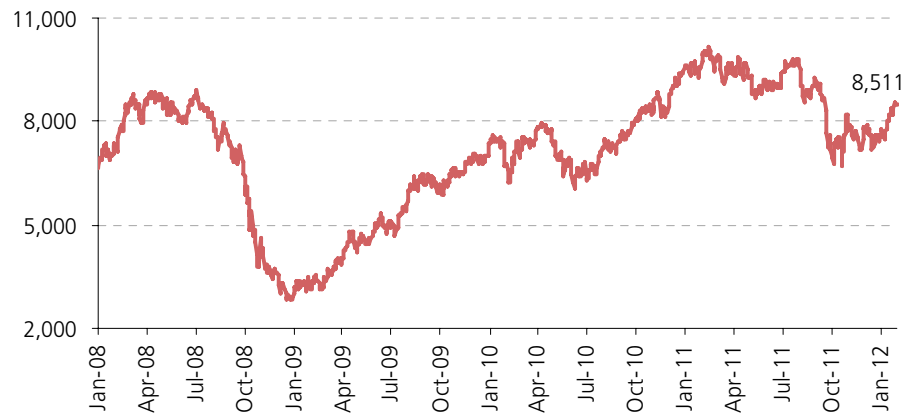
Source: Bloomberg, compiled by Kotak Institutional Equities

Spot prices of Aluminium on LME (USD/ton)



Source: Bloomberg, compiled by Kotak Institutional Equities

Spot prices of Copper on LME (USD/ton)



Source: Bloomberg, compiled by Kotak Institutional Equities

Spot prices of Zinc on LME (USD/ton)



Source: Bloomberg, compiled by Kotak Institutional Equities

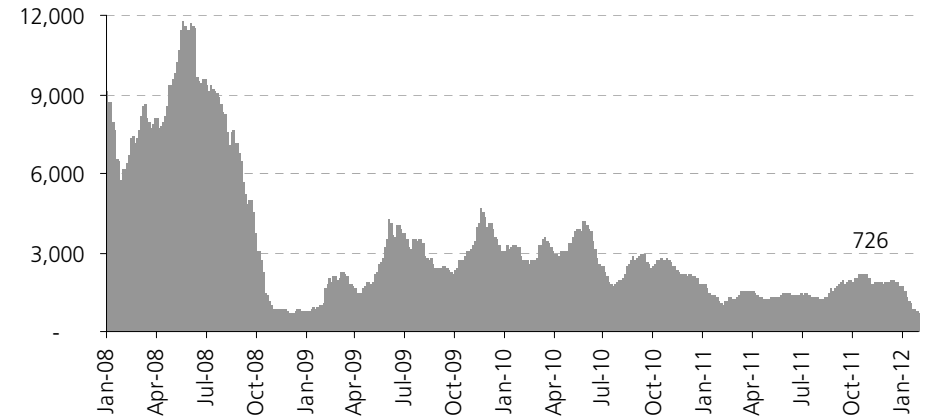
GLOBAL COMMODITY MARKETS

Rogers Metal commodities Index (X)



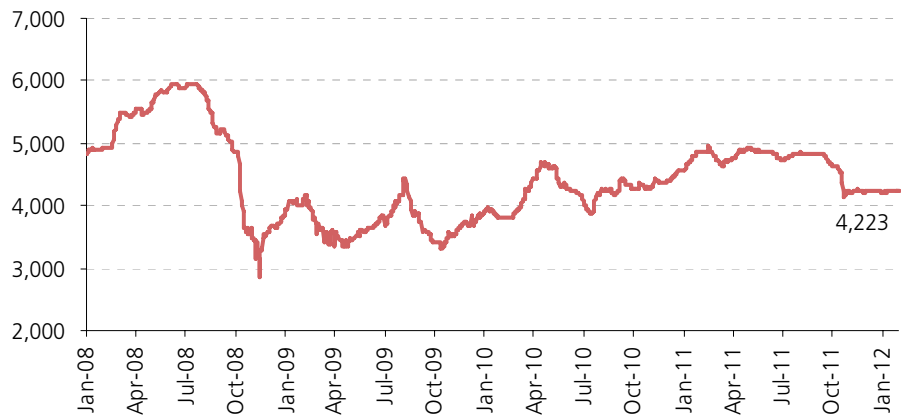
Source: Bloomberg, compiled by Kotak Institutional Equities

Baltic Dry shipping Index (X)



Source: Bloomberg, compiled by Kotak Institutional Equities

Spot prices of Hot-rolled Steel on CHIS (CNY/ton)



Source: Bloomberg, compiled by Kotak Institutional Equities

Spot prices of Cold-rolled Steel on CHIS (CNY/ton)



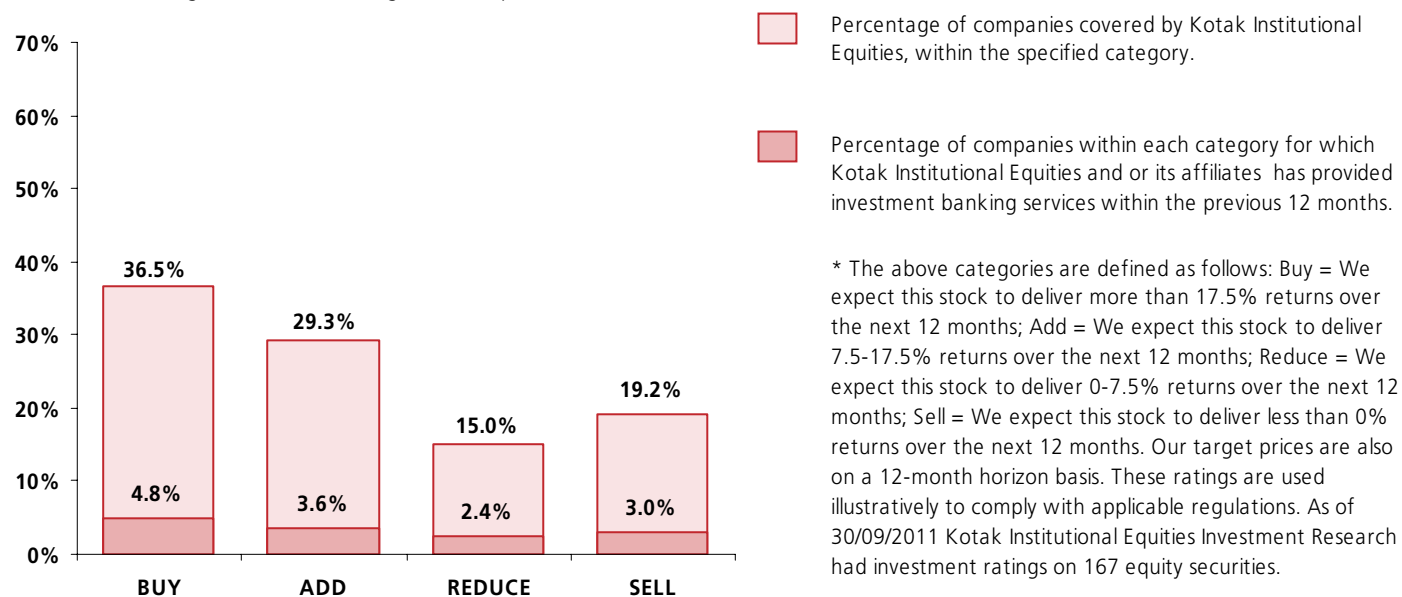
Source: Bloomberg, compiled by Kotak Institutional Equities

DISCLOSURES

"I, Suvodeep Rakshit, hereby certify that all of the views expressed in this presentation accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this presentation".

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of September 30, 2011

RATINGS AND OTHER DEFINITIONS/IDENTIFIERS

Definitions of ratings

BUY: We expect this stock to deliver more than 17.5% returns over the next 12 months.

ADD: We expect this stock to deliver 7.5-17.5% returns over the next 12 months.

REDUCE: We expect this stock to deliver 0-7.5% returns over the next 12 months.

SELL: We expect this stock to deliver less than 0% returns over the next 12 months.

Our target prices are also on a 12-month horizon basis.

Other definitions

Coverage view. The coverage view represents each analyst's overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: Attractive (A), Neutral (N), Cautious (C).

Other ratings/identifiers

NR = Not Rated. The investment rating and target price, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.

CS = Coverage Suspended. Kotak Securities has suspended coverage of this company.

NC = Not Covered. Kotak Securities does not cover this company.

RS = Rating Suspended. Kotak Securities Research has suspended the investment rating and price target, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.

NA = Not Available or Not Applicable. The information is not available for display or is not applicable.

NM = Not Meaningful. The information is not meaningful and is therefore excluded.

DISCLAIMER

Copyright 2011 Kotak Institutional Equities (Kotak Securities Limited). All rights reserved.

Kotak Securities Limited and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. We along with our affiliates are leading underwriter of securities and participants in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationships with a significant percentage of the companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. Investors should assume that Kotak Securities Limited and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may participate in the solicitation of such business. Our research professionals are paid in part based on the profitability of Kotak Securities Limited, which include earnings from investment banking and other business. Kotak Securities Limited generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, Kotak Securities Limited generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of clients of Kotak Securities Limited. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. Kotak Securities Limited does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment.

Certain transactions -including those involving futures, options, and other derivatives as well as non-investment-grade securities - give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavor to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so. We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. For the purpose of calculating whether Kotak Securities Limited and its affiliates holds beneficially owns or controls, including the right to vote for directors, 1% of more of the equity shares of the subject issuer of a research report, the holdings does not include accounts managed by Kotak Mahindra Mutual Fund. Kotak Securities Limited and its non US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies affectively assume currency risk. In addition options involve risks and are not suitable for all investors. Please ensure that you have read and understood the current derivatives risk disclosure document before entering into any derivative transactions.

This report has not been prepared by Kotak Mahindra Inc. (KMIInc). However KMIInc has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. Any reference to Kotak Securities Limited shall also be deemed to mean and Kotak Mahindra Inc.

