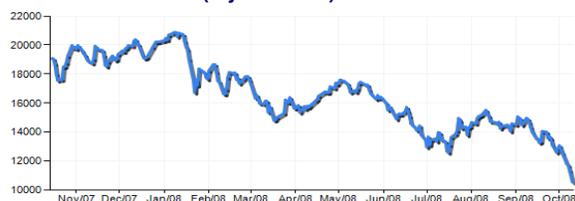




13 October 2008

BSE Sensex 11,309

Sensex (1 year trend)



BSE Sensex Performance (%)	1m	3m	12m
Absolute	-16.4	-10.1	-40.7

Key Indicators	Sensex	BSE-100
PE	13.2	13.8
P/BV	2.7	2.6
Div. Yield (%)	1.8	1.6

**Energy and Precious Metal**

Crude Oil Futures (USD/bbl)	62.7
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Gold 100 OZ FUTR (USD/t oz.)	713.3
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**Forex and Money Market**

India GSec Yield (10 Year %)	6.7
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USD/INR	46.6
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All prices are closing prices for October 13, 2008. Data is sourced from Bombay Stock Exchange (BSE), Bloomberg and the subject company. This report should be considered only a single factor in making investment decisions.

**India Equity Market Update: 2008****Outlook neutral, bottom up approach preferred****Equities: Neutral Outlook**

Background: The discussion was initiated in November 2007 (Sensex at 19,000) and a downside target of 16,000 was set; later the target was revised to 14,000 (February 2008), and to 12,000 (June 2008). In September 2008 the target was revised to 10,000. Since the Sensex is close to achieving the target of 10,000, it is time for review.

**FII's flows to impact market direction and exchange rate**

FII's view on emerging markets including India; redemption pressure on these FII's (mainly of Europe and US origin) would impact their action in Indian market. FII flows would also impact exchange rate for Indian rupee and the exchange rate would have impact on equity market.

**Benign inflationary environment to reduce volatility**

Recent fall in oil and commodity prices may bring the inflation down; if these prices don't move up again and inflation is under control then domestic interest rates may soften; that would help stabilizing Indian equities.

**Globally cautious; long term downturn to continue**

Globally, the significance of fiscal policies may increase as monetary policies may have limited impact in handling the current situation. Coordinated action by central banks globally would help restoring the confidence and reducing uncertainty. Slow process of increasing regulations and financial system overhaul would start. Having said so, losses from sub-prime may take time to get absorbed by the system.

**Indian equities to move sideways**

Indian equities may remain range bound, though currently it is not feasible to ascertain the range; market itself would indicate formation of such range. Mid and small caps may underperform large-caps. Bottom-up approach would yield better results. The view on performance of Indian firms as mentioned in our September 2008 newsletter prevails.

Market Outlook  
Neutral (N)

Equity Strategy

## **APPENDIX I**

### **Disclosure Section**

#### **Research Certification**

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#### **Equity rating key for long-term investment opportunities**

##### **Stock ratings**

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##### **Rating definitions**

Overweight (OW) – The stock's total return is expected to exceed the total return of the MSCI India Total Return Index, on a risk adjusted basis over the next 12-24 months

Neutral (N) – The stock's total return is expected to be in line with the total return of the MSCI India Total Return Index, on a risk adjusted basis over the next 12-24 months

Underweight (UW) – The stock's total return is expected to be below the total return of the MSCI India Total Return Index, on a risk adjusted basis over the next 12-24 months

Not-Rated (NR) – Currently we do not have adequate conviction about the stock's total return relative to the MSCI India Total Return Index, on a risk adjusted basis over the next 12-24 months

Unless otherwise specified, the time frame for price targets included in NextGen India Investments Research is 12 to 24 months.

## Important Disclaimer

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