

Pair Trading Strategy : Long INFOSYSTCH, Short WIPRO

Recommended Strategy

Long INFOSYSTCH, Short WIPRO on a rupee-neutral basis.

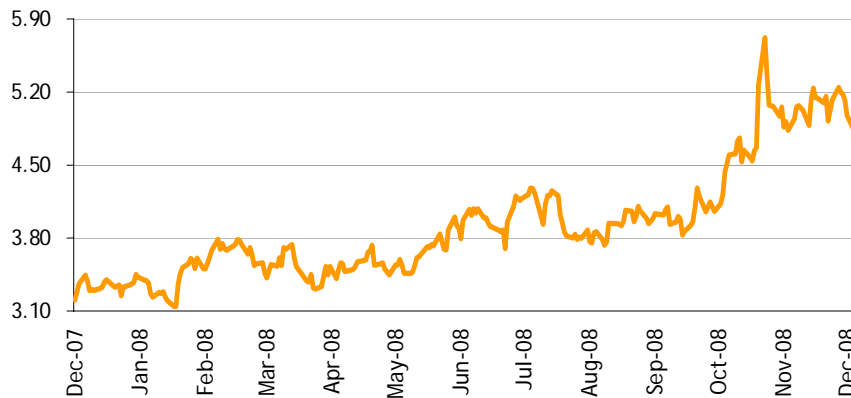
Currently, the December Futures of INFOSYSTCH and WIPRO are trading at Rs 1,180.75 and Rs 262.25 respectively, giving a current price ratio (INFOSYSTCH/WIPRO) of 4.502 .

We recommend profit booking at the price ratio of 4.949 , keeping a stop loss of 4.055 .

The expected return at the target is 9.9%, computed on gross exposure.

Over the past 1 month, INFOSYSTCH has underperformed WIPRO as INFOSYSTCH has decreased by 6.6% as against an increase of 0.2% in WIPRO. As a result, the current price ratio of 4.502 is trading at 3.17 x standard deviations below 20 day mean price ratio.

Price Ratio (INFOSYSTCH / WIPRO)



Source : Bloomberg, KRC Research

Key Statistics

Stock Ratio data	Average Ratio	Correlation
Current Ratio	4.502	20 days 77%
Expected Ratio	4.949	60 days 96%
% return	9.9%	250 days 86%

December 11, 2008
9:46 AM IST

INFOSYSTCH

Bloomberg	INFO=1
NSE	INFOSYSTCH
Price	1,180.75
Mkt. Cap (Rs Cr)	67,197
Beta	0.78
Lot Size	200
Lot Value (Rs)	236,150

WIPRO

Bloomberg	WPRO=1
NSE	WIPRO
Price	262.25
Mkt. Cap (Rs Cr)	38,244
Beta	0.98
Lot Size	600
Lot Value (Rs)	157,350

CA Alok Agarwal

alok.agarwal@krchoksey.com

☎ 91-22-6696 5555 (Ext.502)

www.krchoksey.com

Past Performance

Closed Trades :

No. of Days Trade Open	Start Date / Close Date	Strategy	Entry Price (Rs.)	Entry Ratio	Close Price (Rs.)	Close Ratio	Ret. On GE	Ret. On AD	Remarks
4	21-Nov-08 26-Nov-08	Short SBIN Long HDFCBANK	1,121.25 821.90	1.380	1,050.00 863.00	1.216	11.9%	13.1%	-
9	17-Oct-08 29-Oct-08	Long TCS Short SATYAMCOMP	504.90 282.90	1.785	549.00 278.40	1.972	10.5%	15.8%	-
10	07-Oct-08 20-Oct-08	Long LT Short BHEL	1,016.15 1,507.55	0.674	817.30 1,110.00	0.736	9.1%	18.2%	-
4	14-Oct-08 17-Oct-08	Short INFOSYSTCH Long HCLTECH	1,387.55 161.10	8.613	1,268.00 163.50	7.752	10.0%	16.0%	-
1	13-Oct-08 14-Oct-08	Long RCOM Short IDEA	283.20 72.80	3.890	278.25 76.50	3.637	-6.5%	-11.1%	Stop Loss triggered on first day itself after touching high of 4.060
1	06-Oct-08 06-Oct-08	Long RCOM Short IDEA	301.30 69.60	4.329	306.70 66.85	4.588	6.0%	12.0%	Profits booked on first day itself.
3	30-Sept-08 3-Oct-08	Short BHARTIARTL Long RCOM	758.10 322.40	2.351	758.50 338.00	2.244	4.8%	9.6%	1 st target was revised as the market was very volatile.
5	20-Sept-08 26-Sept-08	Short DLF Long UNITECH	429.60 126.10	3.407	383.35 119.25	3.117	6.0%	9.0%	1 st target was revised as the market was very volatile.
6	13-Sept-08 22-Sept-08	Short ACC Long AMBUJACEM	589.00 80.15	7.349	608.55 85.95	7.080	2.8%	5.7%	50% Profit booked on 19-Sept and bal. 50% closed out on 22-Sept

- GE = Gross Equity Exposure;
- AD = Amount Deployed for margins (taken at total margin of each stock and 10% safety margin)

Open Trades :

No. of Days Trade Open	Start Date / Close Date	Strategy	Entry Price (Rs.)	Entry Ratio	Current Price (Rs.)	Current Ratio	Ret. On GE	Ret. On AD	Remarks
9	26-Nov-08 Open	Short BHEL Long SIEMENS	1,276.00 225.60	5.656	1,418.55 249.20	5.692	-0.6%	-0.7%g	Hold
28	29-Oct-08 Open	Long GRASIM Short AMBUJACEM	995.00 55.55	17.960	1,104.70 64.05	17.247	-4.0%	-4.0%	Hold

Rajiv Choksey	Institutional Sales	rajiv.choksey@krchoksey.com	+91-22-6653 5135
Anuj Choksey	Institutional Sales	anuj.choksey@krchoksey.com	+91-22-6696 5500
Poran Das	Institutional Sales	poran.das@krchoksey.com	+91-22-6696 5548
Alok Agarwal	Institutional Research	alok.agarwal@krchoksey.com	+91-22-6696 5502

Disclaimer:

This publication has been prepared solely for information purpose and does not constitute a solicitation to any person to buy or sell a security. While the information contained therein has been obtained from sources believed to be reliable, investors are advised to satisfy themselves before making any investments. Kisan Ratilal Choksey Shares & Sec Pvt Ltd., does not bear any responsibility for the authentication of the information contained in the reports and consequently, is not liable for any decisions taken based on the same. Further, KRC Research Reports only provide information updates and analysis. All opinion for buying and selling are available to investors when they are registered clients of KRC Investment Advisory Services. As per SEBI requirements it is stated that, Kisan Ratilal Choksey Shares & Sec Pvt Ltd., and/or individuals thereof may have positions in securities referred herein and may make purchases or sale thereof while this report is in circulation.

Please send your feedback to krc.research@krchoksey.com

Visit us at www.krchoksey.com

Kisan Ratilal Choksey Shares and Securities Pvt. Ltd.

Registered Office:

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai - 400 001.
Phone: 91-22-6633 5000; Fax: 91-22-6633 8060.

Branch Office:

ABHISHEK, 5th Floor, Link Road, Dalia Industrial Estate, Andheri (W), Mumbai - 400 058.
Phone: 91-22-6696 5555; Fax: 91-22-6691 9576.