

# KARVY BAZAAR BAATEIN

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### NSE

52 Wk H/L : 4693.20/2252.75

Mcap : Rs48,16,459 cr.

### BSE

52 Wk H/L : 15600.30/7697.39

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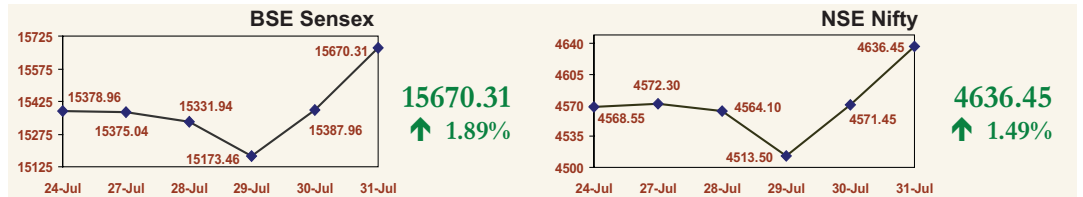
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## RBI maintains status quo

As expected, the Reserve Bank of India (RBI) left key rates unchanged in its quarterly review of the annual monetary policy on July 28. Since last year, the RBI has been treading a fine balance between economic growth and price control. When inflation rose last year, the RBI raised interest rates with a bias on price control. On the other hand, when inflation plummeted late last year, hitting sub-zero levels in June 2009, the central bank started to aggressively cut key policy rates even as the government pushed forward several stimulus measures to boost the economy. The stimulus measures have more or less started kicking-in, and given the fiscal deficit levels, any further stimulus could wait for the time being. On the monetary side, despite the aggressive cut in policy rates, banks have not brought down their lending rates to the expected levels.

Currently, even though inflation is at -1.54% (for the week-ended July 11), it can be attributed to the high-base effect, and is expected to rise in the second half of the financial year, particularly due to rise in crude oil prices and the fiscal deficit. Moreover, the government's impending borrowing program has already put upward pressure on yields, and may continue to do so. Given this backdrop, the RBI left key policy rates unchanged this week even as the central bank revised economic growth and inflation expectations upwards for FY10.

The rebound in crude oil and base metals prices induced buying interest in these equity stocks during the week. Except for the sharp Chinese correction on Wednesday that triggered a sell-off in the Indian equity markets, we traded on a positive note during the week, with the Nifty closing above the critical resistance levels of 4600 over the weekend. Auto, banking and technology stocks witnessed buying interest due to better-than-expected results.

This week, banking, energy, metals, FMCG and technology stocks are likely to trade on a positive note while construction and capital goods are likely to trade on a weak note.

### KBB weekly recommendations for the week beginning 03<sup>rd</sup> Aug.

Scrip	Action	CMP	Entry	Stop Loss	Target	Time Frame
ABAN	Buy	1038.85	1035-1040	1000.00	1110-1120	5-6 Days
Infosys	Buy	2064.35	Above 2070	2045.00	2150-2155	5-6 Days
Balrampur Chinni	Buy	118.80	116-118	113.00	132-133	7-8 Days
Ambuja Cem	Buy	108.50	105-108	102.80	118-120	5-6 Days
Nalco	Buy	308.60	306-310	297.00	328-330	5-6 Days

**Disclaimer:** The above recommendations are purely based on technical analysis. Hence, the stop loss should be strictly adhered to.

### KBB weekly performance monitor

Scrip	Action	Entry	SL	Target	Shares(#)	P/L	Return	Remark
Suzlon	Buy	100-102	95.00	120-122	-	-	-	NI
Essar Oil	Buy	132-135	129.00	150-152	-	-	-	NI
Tata Steel	Buy	Above 445	435.00	468-470	1523	35,025.66	5.15%	TA
Unitech	Buy	83-85	80.80	100-102	-	-	-	NI
NTPC	Buy	205-208	200.00	223-225	-	-	-	NI

Balance on inception (26-Jan-09)	Balance last week (24-July-09)	Balance current week (31-July-09)	Abs. returns WoW (%)	Abs. returns since Jan 26, 2009(%)
5,00,000	6,80,716	7,15,742	5.15	43.15

TA - Target achieved; SLT - Stop loss triggered; CMP - Closing price as on last trading day; NI - Not initiated; # No. of Shares; SL - Stop Loss; P/L - Profit/Loss

### Technical view

#### L&T

**CMP: 1506.35**

L&T witnessed significant declines post the budget and then recovered in line with the markets, stagnating close to 1520 levels. The volumes remained lower throughout the consolidation. The stock saw a consolidation pattern in the week and stabilized around its short-term 8-day and 21-day EMA levels. The stock could show momentum only if it manages to take-off the crucial resistance of 1520 levels, backed by increasing volumes. The inability to do the same will increase selling pressure in the stock, thus guiding it to the lower support of 1400 levels, where the 50-day EMA is currently placed. The 14-day RSI has recovered from the 40 levels of the scale and is yet to test the 60 levels. The immediate support is placed at around 1450 and 1400 levels. The 21-day EMA level is at around 1470 levels, which, if held in the near term, may result in the stock staging a breakout. Investors are advised to assume long positions in the stock only if it sustains above 1520 spot levels; else, buy the stock if

it is available at 1450 levels for a medium-term target of 1700 levels. All long positions in the stock should be protected with a stop loss below 1400 levels on a closing basis.

#### Tata Motors

**CMP: 421.55**

Tata Motors outperformed the broader market as the stock surged significantly during the month of July where it gained by over 44%. It surged endlessly on the back of significant increase in volumes. The stock is hovering above all the moving averages and has continuously found support around the 8-day EMA which a positive takeaway in the near term. The recently announced quarter results and sales figures were significant, boosting the sentiment in the entire sector. The stock broke past the 350 levels and surged to a high of 423 levels last week. The 14-day RSI is currently hovering in the overbought territory, and this induces a stint of caution. The stock may as well witness profit-taking from the highs of 450 levels. It has an immediate support around 400 and 380 levels that need to be observed closely. The RSI trigger line would find support around the 60 levels of the scale. The money flow index tipped the 100 levels and reverted.

Investors are advised to assume long positions in the stock in the range of 380-400 levels for a short-term target of 450 and 500 levels. All long positions in the stock should be protected with a stop loss placed below 350 levels on a closing basis.

#### ITC Ltd

**CMP: 249.20**

NIIT witnessed significant movement in the last one month, registering an all-time high of 252 levels. The stock faced stiff resistance around the 230 levels and broke past it in Friday's session. Immediate support is around 235 and 225 levels where the 8-day and 21-day EMAs are currently placed respectively. The 14-day RSI is already in the overbought territory which is the lone cause of concern. Immediate resistance is placed around the 265 levels, which is the extension of 61.80% gain of the rally from 180 levels. Investors are advised to assume long positions in the stock in the range of 240-245 levels for an upside target of 265 and 280 levels in the short-term scenario. All long positions in the stock should be protected with a stop loss placed below 225 levels on a closing basis.

- Kalyan C. Reddy

### Fundamental view

#### Hero Honda (Rs1,640)

Hero Honda Motors Limited (HHML)'s 1QFY10 sales were in line with our estimates and the net profit was ahead of our expectations. During 1QFY10, sales grew by 34% to Rs38,111 mn from Rs28,435 mn and was in line with our expectations of Rs38,068 mn. The sales growth was due to 25% volume growth and 6.6% growth in net realisations.

HHML reported an EBITDA of Rs6,387 mn for the quarter against Rs3,410 mn in the corresponding quarter of the previous year. During 1QFY10, the company reported a significant improvement in EBITDA margin from 12% to 16.8%. This was slightly better than our expectations of 16.3% due to lower-than-expected raw material costs. The effective tax rate for the quarter stood at 23.4% against our expectation of 26.5%. Accordingly, HHML's net profit for the quarter increased by 83.3% to Rs5,001 mn from Rs2,729 mn Y/Y. Broadly, the results were in line with our estimates, except for net profit, which was higher than expected due to lower-than-expected raw material cost and effective tax rate. We maintain our price target of Rs1,613. At the CMP of Rs1,640, we rate the stock as Underperformer.

Hero Honda Motors	Y/E March (Rs Mn)	FY07	FY08	FY09E	FY10E	FY11E
Reuters/ Bloomberg code	HROH.BO/ Net Sales HH IN	99,000	103,318	123,191	141,185	152,184
Market cap. (Rsbn)	327 EBITDA	11,730	13,485	17,118	22,756	24,234
Market cap. (US\$mn)	6,683 Net Profit	8,571	9,670	12,818	18,013	20,130
Shares outstanding (mn)	200 EPS (Rs)	42.9	48.4	64.2	90.2	100.8
52-week High/Low (Rs)	1677/661 CEPS (Rs)	49.9	56.5	73.2	101.5	113.1
	EPS growth (%)	(11.6)	13.1	29.7	38.7	11.3
	EBITDA Margin (%)	11.8	13.1	13.9	16.1	15.9
	PER (x)	38.2	33.9	25.5	18.2	16.3
	EV/EBITDA (x)	26.5	22.5	17.4	12.5	11.2
Major shareholders(%)	Price/Sales (x)	3.3	3.2	2.7	2.3	2.2
Promoter/Majority	55.0 Price/BV (x)	13.3	11.0	8.6	6.4	4.9
FII's	28.6 Dividend Yield (%)	1.0	1.2	1.2	1.2	1.2
Banks/FI's/MF's	8.2 RoCE (%)	51.6	49.2	51.2	52.3	43.3
Others and Public	8.3 RoE (%)	38.3	35.5	37.9	40.4	34.1

Source: Company and KSBL Research

#### GSK Pharma (Rs1,350)

GSK Pharma's net revenues for the quarter are up 9.7% to Rs4,620 mn. The priority products have shown double-digit growth. The operating margin declined slightly from 36.9% to 36.2% for the quarter. The savings in gross margins were offset by higher staff and other expenses. Profits for the quarter moved up by 16.4% to Rs1,317 mn due to higher other income of Rs374 mn as against Rs262 mn in the preceding quarter of the current year.

The recent launches, including Arixtra (anti-thrombotic agent), Rotarix (rotavirus diarrhea vaccine), and Tykerb (for refractory breast cancer) are all ahead of schedule.

GSK Pharma launched Cervarix in January 2009. Other launches in the pipeline include Micafungin Sodium in November 2009, Olmesartan Combination in August-September 2009, and Promacta in Q4CY09 and Q1CY10. The company is hopeful of launching Infanrix and Synflorix in CY10. Allermist should also be launched next year. In Derma, GSK Pharma in-licensed a product in the cosmeceutical range. The company is also hopeful of an India launch of Ofatumumab in CY11.

The key growth drivers for the company would be to extend its reach, product launches in chronic areas, in-licensed products,

## FUNDAMENTALS

### Market pulse

#### Bulk Deals

Company	Wt. Avg. Price (Rs.)	Traded Qty	Acquirer/Seller
<b>Buy</b>			
Gammon India	144.90	500000	Birla Sun Life Insurance Co
Great Offshore	449.97	469727	ABG Shipyard
India Infoline	124.00	12965096	Citigroup Global Markets Mauritius
Indiabulls Financial	190.00	4151131	Citigroup Global Markets Mauritius
<b>Sell</b>			
Bank of Rajasthan	62.33	1000000	Copthall Mauritius
Great Offshore	450.00	559485	DSP Blackrock Ind
Bajaj Hindusthan	189.07	2253500	Deutsche Securities
HCC	114.68	2100000	Morgan Stanley

#### Top Gainers (Weekly)

Company	31-July	24-July	%Change
Tata Power	1297.65	1172.20	10.70
TCS	533.10	482.00	10.60
Ambuja Cements	103.70	95.10	9.04
BPCL	486.95	452.55	7.60
Tata Motors	395.45	372.85	6.06
Wipro	487.25	460.60	5.79
Unitech	91.85	87.20	5.33
Power Grid	119.05	113.05	5.31
HCL Tech	245.95	234.50	4.88
ITC	242.70	232.20	4.52

#### Top Losers (Weekly)

Company	31-July	24-July	%Change
Sun Pharma	1144.45	1246.55	-8.19
ABB	687.35	742.20	-7.39
IDEA	76.05	81.55	-6.74
Reliance	1900.30	2016.85	-5.78
RPL	118.65	125.90	-5.76
Cairn India	232.30	246.30	-5.68
Hero Honda	1638.35	1735.10	-5.58
GAIL India	335.50	353.25	-5.02
REL Capital	860.95	900.40	-4.38
Sterlite	626.80	654.10	-4.17

#### FII Invt (Rs.cr)

#### MF (Rs.cr)

Date	Purchases	Sales	Purchases	Sales
24-Jul-09	5307.00	4597.10	972.40	1005.30
27-Jul-09	3263.90	2213.20	967.10	1143.90
28-Jul-09	3032.30	2586.10	1022.30	889.80
29-Jul-09	4315.60	3577.50	869.00	1161.30
30-Jul-09	2851.70	2712.60	1536.90	1586.10
<b>Total</b>	<b>18770.50</b>	<b>15686.50</b>	<b>5367.70</b>	<b>5786.40</b>

#### Corporate Actions

Company	Date	Purpose
Rolta India	3-Aug-09	Audited Accounts and Div
Ambuja Cements	4-Aug-09	Int Div-Rs.1.20 per share
Hindustan Oil Exploration	5-Aug-09	Annual General Meeting
Unitech Ltd	6-Aug-09	AGM/DIV-Re.0.10 per share
Zee Entertainment	6-Aug-09	AGM/Div-Rs.2/- per share

(Compiled by Krishnaveni M)

branded generics and vaccines. GSK Pharma is among the few companies with EBDITA in excess of 35% and return ratios in excess of 30%. The company deserves the premium multiple it is commanding. We upgrade our CY09 EPS by 3.7% to Rs62.7 and our CY10 EPS by 2.8% to Rs69.8. The

### Ambuja Cements (Rs100)

Ambuja Cements Limited (ACL)'s Q2CY09 operational performance is below our expectations due to higher clinker purchase. The net sales grew by 17.7% Y/Y to Rs18.4 bn, mainly due to growth in cement realisation by 8.9%, to Rs3,848/tonne and volume growth of 8.1% to 4.8 mn tonnes. Despite plant shutdown, the company has maintained its volume growth of 8.1% to 4.8 mn tonnes by purchase of clinker. However, higher purchase of clinker has dragged the EBIDTA margin by 240 bps to 26% and EBIDTA/tonne has declined by 2.9% to Rs999/tonne on a sequential basis. The net profit has gone up by 6.5% to Rs3.24 bn due to a sharp jump in other income.

**Valuation:** At the current market price of Rs100, ACL is trading at a P/E of 15x and EV/EBIDTA of 7.9x CY10E earnings. Looking at the overhang of supply and the subsequent, expected decline in cement price, we rate the company as a sell with a price target of Rs73.

**Higher purchase of clinker dragged EBIDTA margin by 420 bps:** The EBIDTA margin declined by 420 bps to 26% in Q2CY09, mainly due to higher purchase of clinker. Power and fuel cost was flat at Rs781/tonne. Raw material cost per tonne went up by 69.8%, to Rs671/tonne, due to higher purchase of clinker which was higher than the cost of manufacturing. We believe purchase of clinker would go down from

stock is currently quoting at 18.2x CY09E if we were to exclude cash of Rs210 per share. We value the core earnings at 18x CY10E at Rs1,255 per share and add Rs242 as cash per share. We upgrade our price target by 5.3% to Rs1,500. We, however, maintain our 'Marketperformer' rating on the stock.

Q4CY09 post commercialisation of the clinker unit, which will reduce raw material cost and improve the EBIDTA margin. The company has included power sale of Rs190 mn which has increased the other income by 97.9% to Rs691.7 mn. The net profit has gone up by 6.5% to Rs3.24 bn due to a sharp jump in other income.

### Revenue growth in line with expectation:

ACL has reported a growth of 17.7% in net sales to Rs18.4 bn—in line with our estimates. This is mainly due to growth in cement realisations by 8.9% to Rs3,848/tonne and an 8.1% growth in volume to 4.8 mn tonnes, of which exports were 0.22 mn tonnes compared to 0.08 mn tonnes in Q2CY09. Despite plant shutdown, the company has maintained its volume growth of 8.1% to 4.8 mn tonnes by purchase of clinker. The company is adding two clinkerisation units of 2.2 mn tonnes at Bhatapara (East) and Rauri (North). This is likely to be operational in H2CY09 and would provide volume growth and reduce the purchase of clinker.

**Projects on track:** ACL is in the process of expanding its clinker capacity at Bhatapara in Chhatisgarh and Rauri in HP by 4.4 mn tonnes which will be completed by September 2009 and by end-2009. Two new grinding unit plants at Dadri and Nalagarh of 1.5mn tonnes would be completed by H2 CY09 and Q1 CY10. Post all these expansions, the cement capacity would increase to 25 mn tonnes.

Ambuja Cement	In Rs. Mn	CY06	CY07	CY08	CY09E	CY10E
Reuters/ Bloomberg Code	GACM.BO/ ACEM IN	62,693	56,314	62,347	69,493	69,283
Market Cap. (Rsbn)	149.2	21,331	20,357	17,568	22,658	16,632
Market cap. (US\$bn)	3.0	15,033	9,832	10,940	14,936	9,934
Shares Outstanding (mn)	1522.6	9.9	6.5	7.2	9.8	6.5
52-week High/Low (Rs)	107/43	186.1	(34.8)	11.2	36.5	(33.5)
EBIDTAM%		34.0	36.1	28.2	32.6	24.0
PER (X)		9.9	15.2	13.6	10.0	15.0
Major Share Holders (%)	P/BV (x)	4.3	3.2	2.6	2.3	2.1
Promoter/Majority	46.5	2.4	2.6	2.4	2.1	2.2
FII's	26.6	9.9	6.5	8.0	6.1	7.9
Banks/Fis/MFs	15.9	3.4	2.4	2.2	2.0	1.9
Others	1.4	45.1	38.0	27.7	31.3	20.8
Public	9.7	43.1	21.1	19.3	23.1	13.9
EV/Ton(\$)		174.5	144.0	127.5	111.4	104.7

Source: Company and KSBL Research

- Karvy Equity Desk

### Mutual Fund performance

#### Equity Diversified

Scheme Name	NAV	1 Year	3 Years	5 Years
IDFC Premier Equity-A(G)	21.29	14.62	30.23	-
Reliance Reg Savings-Equity(G)	22.89	17.15	26.18	-
DBS Chola Opportunities(G)	34.82	6.71	22.44	26.02
Reliance Growth-Ret(G)	347.82	9.70	21.86	35.46
DSPBR Top 100 Equity(G)	78.51	17.89	21.42	30.84
Sahara Growth(G)	69.11	19.06	21.16	29.15
HDFC Top 200(G)	154.21	24.79	21.11	31.89
Baroda Pioneer Growth(G)	43.18	17.75	20.98	29.47
Birla SL Frontline Equity(G)	67.00	19.88	20.67	29.59
Tata Equity P/E(G)	34.15	9.97	20.66	26.35

#### Income Funds

Scheme Name	NAV	3 Mnts	1 Year	3 Years
Canara Robeco Income(G)	19.06	0.36	27.98	14.09
ICICI Pru Income-Ret(G)	29.44	0.08	25.56	12.58
DWS Premier Bond-Reg(G)	15.06	-0.86	21.45	8.76
Fortis Flexi Debt-Reg(G)	15.60	2.81	20.71	12.77
Reliance Income(G)	30.33	-0.38	19.75	10.75
Kotak Bond-Reg(G)	25.66	0.16	19.18	11.10
Kotak Bond-Deposit(G)	23.90	0.16	18.90	9.92
IDFC Dynamic Bond-A(G)	18.10	-0.38	18.62	11.90
JM Short Term(G)	17.40	1.04	18.62	10.88
Birla SL Income Plus-Ret(G)	40.96	-0.50	17.67	11.61

#### Balanced

Scheme Name	NAV	1 Year	3 Years	5 Years
Reliance Reg Savings-Balanced(G)	16.98	30.36	15.85	
Birla SL '95(G)	234.76	25.61	18.80	23.94
HDFC Prudence(G)	143.93	24.31	17.15	26.08
Canara Robeco Balance(G)	46.34	18.64	12.34	24.22
Tata Young Citizens	17.19	17.44	-3.34	6.58
UTI-CRTS 1981(G)	142.40	17.15	-	-
UTI-CCP Advantage(G)	13.36	15.21	7.50	6.12
UTI-Balanced(G)	63.69	14.92	10.64	16.85
HDFC Balanced(G)	37.95	14.74	12.63	18.56
FT India Balanced(G)	40.18	14.71	14.82	20.24

#### Short-term Debt

Scheme Name	NAV	3 Mnts	1 Year	3 Years
Sundaram BNPP Flexible-ST-Inst(G)	14.05	1.68	9.70	8.66
HDFC FRF-LT(G)	15.19	2.15	9.49	8.54
SBI Magnum FRF-STP(G)	13.75	1.20	9.34	7.40
Escorts FRF(G)	12.95	1.81	8.85	7.92
Birla SL FRF-LT(G)	15.00	1.85	8.45	8.45
UTI-FRF-STP(G)	1457.28	1.39	8.38	7.67
Canara Robeco FRF-STP(G)	13.82	1.31	8.20	8.21
ICICI Pru LT FRF-B(G)	14.00	2.03	8.19	8.01
DSPBR FRF-Reg(G)	14.39	1.06	8.13	6.81
Reliance FRF(G)	14.07	1.37	8.01	8.20

#### ELSS

Scheme Name	NAV	1 Year	3 Years	5 Years
Taurus Tax Shield(G)	27.40	12.85	25.46	22.99
Sundaram BNPP Tax Saver(G)	36.33	17.01	21.26	-
Sahara Tax Gain(G)	27.85	23.45	18.75	-15.91
Fidelity Tax Advantage(G)	15.22	14.29	17.11	-
Franklin India Taxshield(G)	149.70	12.69	13.48	24.31
Tata Tax Advantage-1	12.27	10.76	12.77	-
HDFC TaxSaver(G)	160.59	18.42	12.12	30.34
Reliance Tax Saver (ELSS)(G)	15.09	17.70	11.93	-
Kotak Tax Saver(G)	14.27	0.81	11.73	-
HDFC Long Term Adv(G)	97.92	11.02	10.48	23.65

#### Gilt Funds

Scheme Name	NAV	3 Mnts	1 Year	3 Years
ICICI Pru Gilt-Invest(G)	31.79	0.45	31.43	14.83
JM G-Sec-Reg(G)	28.94	-0.13	29.34	11.85
DSPBR GSF(G)	31.42	-1.74	28.77	12.17
Escorts Gilt(G)	20.34	-1.87	22.92	12.41
Templeton India G-Sec-LTP(G)	22.64	-0.38	22.76	12.82
Birla SL Govt Sec-LT(G)	24.67	-0.80	22.65	8.70
Canara Robeco Gilt PGS(G)	24.97	-0.67	21.73	11.62
Templeton India G-Sec-PF(G)	14.27	-0.51	21.17	11.60
Kotak Gilt-Invest(G)	30.13	-0.56	21.14	9.68
ING Gilt(G)	15.76	0.01	21.06	9.87

#### MIP

Scheme Name	NAV	1 Year	3 Years	5 Years
Reliance MIP(G)	18.41	26.97	13.25	12.78
Kotak Twin Advantage II(G)	13.35	24.20	10.51	-
HDFC MIP-LTP(G)	19.36	23.17	12.74	13.34
Birla SL MIP II-Savings 5(G)	16.00	21.32	12.91	9.88
Birla SL Monthly Income(G)	32.33	19.15	11.44	10.28
Canara Robeco CIGO(G)	25.82	19.10	14.35	15.02
Birla SL MIP II-Wealth 25(G)	15.86	18.56	8.27	9.73
Birla SL MIP(G)	23.60	18.24	9.64	8.94
UTI-MIS Adv(G)	17.87	18.00	11.44	11.93
Sahara Classic(G)	12.29	17.11	-	-

#### Liquid Funds

Scheme Name	NAV	1 Mnt	3 Mnts	1 Year
HDFC STP(G)	17.30	0.47	1.03	15.57
Reliance STF(G)	16.82	0.75	1.39	14.90
Templeton FRF Income-LT-SIP(G)	12.17	0.76	1.96	9.83
Escorts Liquid Plan(G)	13.38	0.28	1.82	9.34
Birla SL ST Oppor-Ret(G)	13.72	0.45	1.88	9.14
JM Money Mgr-Super(G)	12.48	0.45	1.66	8.97
Fortis Money Plus-Reg(G)	13.32	0.44	1.44	8.97
Sahara Liquid-Variable Pricing(G)	1628.32	0.54	1.71	8.81
Tata Treasury Mgr-RIP(G)	1185.02	0.49	1.42	8.66
DWS Cash Oppor-30D(G)	11.42	0.46	1.47	8.64

Source: Acemf Note: All NAV as of July 30, 2009

(Compiled by Pradeep Kumar S.)

### Commodities review

#### Energy review

**Crude oil:** Crude oil prices continued on its northward journey during the beginning of last week due to improved Home Sales data. However, the surge in prices was cut short on speculation that the current rally in prices that started sometime in mid-July might have been overdone.

The US Department of Energy (DOE) reported a rise in crude oil inventory for the first time in seven weeks. It witnessed an accumulation of 5.152 million barrels, the highest since April 10, 2009. On the other hand, the drop in gasoline inventories was more than welcome, coming in for the first time in six weeks. This caused a surge in gasoline prices by 4.53% despite the fact that demand from the ongoing summer driving season was not as expected. Increasing inventories of crude oil, weak Durable Goods Order data from the US, a temporary downtrend in equity markets and a stronger dollar index dragged the prices by 5.7% on Wednesday. However, prices recovered by 5.1% due to rise in equity markets and the depreciation of the dollar towards the week-end, and also due to improved confidence in the European markets over a potential rebound in the economy. Prices fell by 0.6% last week, mainly due to inventory accumulation. Prices of the most-active September futures touched a high and low of \$68.99/bbl and \$62.70/bbl, respectively, last week and are currently trading at \$67.73/bbl.

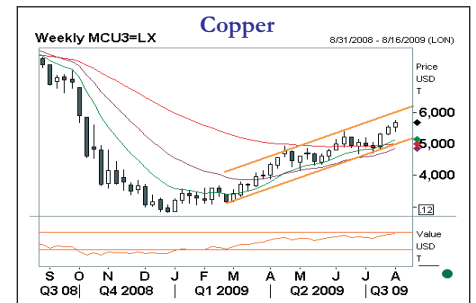


This week, prices are expected to rise, taking cues from equity markets, and due to expectation of a further fall in gasoline inventory. However, speculation regarding a further rise in inventory of crude oil may limit any up-move in prices.

#### Base metals review

The base metals complex continued with its bull run last week, taking support from the weak dollar and firm equity markets. The euro (up by 0.71%) gained due to better-than-expected economic numbers, which caused the dollar to depreciate. This enhanced the appeal of dollar-denominated commodities as an alternate asset class. As on Thursday, copper prices on the LME gained by 4% and rose to a 10-month high. Aluminum was up by 5.80%, lead and zinc were up 4.5% each, and nickel was up 3.9%. The inventory of aluminum and copper increased by 39,300 tonnes and 98,000 tonnes, respectively, on the LME-accredited warehouses. Among major economic data releases, a spectacular surge in the US New Home Sales by 11% against the prior level of -0.60% supported the rally. Furthermore, the Euro-zone PMI

Manufacturing (July) rose to 46 against 42.6, indicating a early revival of the economy. According to Japan's Ministry of Finance data, refined copper exports in June increased for the ninth straight month. The exports rose by 156% from a year earlier to 57,991 tonnes, with nearly 60% going to China. Moreover, Japan's exports of refined zinc in June rose by 100% Y/Y, to 14,972 tonnes, with more than 50% going to China. Aluminum prices jumped to the highest level in almost ten months as China imported more than 1 million tonnes of refined aluminum in H1FY09-10—16 times higher than H1FY08-09. The economic data releases scheduled for this week include the US ISM Non-Manufacturing Composite, Unemployment Rate and change in Non-Farm Payrolls. Data is expected to be mixed for the economy as the Manufacturing Composite will rise along with a surge in the Unemployment Rate to 9.7% from the prior levels of 9.5%. Equities are expected to sustain with the dollar index maintaining the lows. We anticipate metals to start the week on a corrective note, and thereafter mark decent gains.



- Commodities Research Desk

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### United Ujjwal Bhavishya

United Ujjwal Bhavishya is a unit-linked endowment assurance policy for children. The policy has been introduced by Tata AIG Life Insurance Company Limited. The life insurance cover is available on the life of the parent and the child is the beneficiary.

#### Unique features

**Premium waiver:** All future premiums are waived-off in case of death or total permanent disability of the parent (the life assured).

**Top-up premium:** The top-up premium (or additional premium) can be paid at any time during the policy term. This top-up premium does not affect the value of the sum assured, provided the total amount of top-up premiums paid is not greater than 25% of the total regular premium paid at any point of time. Top-up premiums can be paid up to four times in a policy year. The minimum top-up amount is Rs5,000.

#### Policy benefits

**Death benefit:** In the unfortunate event of death of the life assured (the parent) during the policy term, the sum assured value will be paid to the nominee and the life insurance cover will be terminated. However, the policy benefits will continue until the policy matures. Moreover, all future premiums will be waived-off. All of the riders opted for, will cease to operate on death of the life assured.

**Maturity benefit:** At the end of the policy term, the policyholder or the nominee (in case of the earlier death of the life assured and

**Fund management charge:** This charge is levied for the management of the investment fund value under the policy and is levied on a daily basis. The details for this charge are:

Fund Name	WL Aggressive Growth Fund	WL Mid-cap Equity Fund	WL Stable Growth Fund	Large Cap Equity Fund	Select Equity Fund	WL Income Fund	WL Short-Term Fixed Income Fund	110% Capital Guarantee Fund
Fund Management Charge	1.10% p.a.	1.20% p.a.	1.00% p.a.	1.20% p.a.	1.45% p.a.	0.80% p.a.	0.65% p.a.	2.25% p.a.

The above charge is subject to an increase up to 2.50% p.a. with prior approval of IRDA.

**Investment fund choice:** The policy provides the choice of 8 investment funds. The details for these are:

Fund Name	Investment Objective	Investment Allocation in		
		Equities	Money Market Instruments	Government / Corporate Bonds
WL Aggressive Growth Fund	Higher returns in the long-term from investments primarily in equities along with debt / money-market instruments	50-80%	Up to 100%	20-50%
WL Mid-cap Equity Fund	Long-term capital appreciation from investments pre-dominantly in Mid-cap equity & equity linked securities.	Up to 100%	Up to 100%	-
WL Stable Growth Fund	Stable returns by balancing investments in equities and debt / money-market instruments	30%-50%	Up to 100%	50% -70%
Large Cap Equity Fund	Generation of long-term capital appreciation from investments pre-dominantly in large-cap equity and equity linked securities	80%-100%	Up to 100%	-
Select Equity Fund	Provision of income distribution over a period of medium to long-term while emphasizing on the importance of capital appreciation.	Up to 100%	Up to 100%	-
WL Income Fund	Income generation from investments in a range of debt and money-market instruments of various maturities with a view to maximise the optimal balance between yield, safety and liquidity	-	Up to 100%	Up to 100%
WL Short-Term Fixed Income Fund	Generation of stable returns from investments in fixed income securities having shorter maturity periods (1 to 3 years)	-	Up to 100%	Up to 100%
110% Capital Guarantee Fund	Steady returns with the assurance of capital protection	Up to 15%	Up to 100%	Up to 100%

There are 12 free-of-charge switches allowed in a policy year, with charge applicable on any further switches.

policyholder) will receive the investment value comprising the fund value for the regular premiums and the top-up premiums, if any.

#### Eligibility parameters

**Age at entry for parents:** minimum – 18 years; maximum – 55 years

**Maximum age at maturity:** 65 years

**Policy term:** minimum – 10 years; maximum – 25 years

**Minimum premium amount:** Rs.15,000 p.a.

**Premium payment frequency:** annual, semi-annual, quarterly and monthly

**Value of sum assured:** Minimum–5 times of annualized premium; maximum–policy term multiplied with the annualized premium

#### Policy charges

**Premium allocation charge:** This charge is deducted from the regular premium amount and the remaining amount is allocated to the chosen investment fund(s). The details of this charge are:

Annualized Premium Amount	Premium allocation charge as a % of premium in policy year				
	Year 1	Year 2	Year 3 to Year 5	Year 6 to Year 10	Year 11 and onwards
Rs.15,000 to Rs.24,999	25%	8%	3%	1%	0%
Rs.25,000 to Rs.49,999	23%	8%	3%	1%	0%
Rs.50,000 to Rs.99,999	21%	8%	3%	1%	0%
Rs.1,00,000 & more	18%	8%	3%	1%	0%

Premium allocation charge for top-up premium is 1.50% of the top-up premium amount.

## INSURANCE

**Mortality charge:** This charge is levied on a monthly basis for the provision of the life assurance coverage under the policy. The rate of charge depends on the age of the life assured at the time of the commencement of the policy.

**Policy administration charge:** This charge is levied on a monthly basis. In the first year, for annualised premium value up to Rs49,999, this charge is Rs90 p.m. and for higher annualized premium value, it is Rs150 p.m. From the second year onwards, this charge is Rs90 p.m. and can be increased by up to a maximum of 5% p.a.

**Switch charge:** A subsequent switch after first 12 free-of-charge switches will be charged at the rate of Rs100 per switch. This charge can be revised up to maximum of Rs250 per switch.

**Surrender charge:** The details of the charge applicable on policy surrender are:

Policy year	1 to 3	4	5	6	7	8 & onwards
Surrender charge (as % of fund value)	NA	25%	15%	10%	5%	0%

There are no surrender charges applicable on top-up premium account.

### Riders available

There are four riders available under this policy. These are:

**Tata AIG Life Family Income Benefit rider:** In the event of death or permanent disability of the life assured, the insurance company will pay to the nominee 1% of the value of sum assured, every month for 100 months or up to the end of policy term, whichever is earlier.

**Tata AIG Life Accidental Death Benefit rider:** This rider provides an additional benefit amount, which could be up to the value of the basic sum assured in case of death of the life assured due to an accident.

**Tata AIG Life Accidental Death & Dismemberment Benefit rider:** This rider includes an accidental death benefit coverage up to the value of the basic sum assured as well as a schedule of benefit percentages of the basic sum assured, payable in case of accidental dismemberment or severe burns.

It is important to note that the policy holder can either opt for Accidental Death Benefit Rider or Accidental Death and Dismemberment Rider, but not both at the same time.

**Tata AIG Life Critical Illness Lump sum Benefit rider:** In case the life assured is diagnosed with a critical illness or requires a surgery, this rider provides a lump sum benefit amount. The rider covers cancer, stroke, heart attack, coronary bypass graft surgery, kidney failure and major organ transplants. This benefit is subject to policy conditions.

### Tax benefits

The premium paid for this policy is eligible for deduction under the provisions of Section 80C of the Income Tax Act, 1961. The benefits received from the policy are exempt from tax under Section 10(10D) of the Act.

*Important: In this policy, the investment risk in the investment portfolio is borne by the policy holder.*

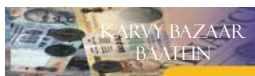
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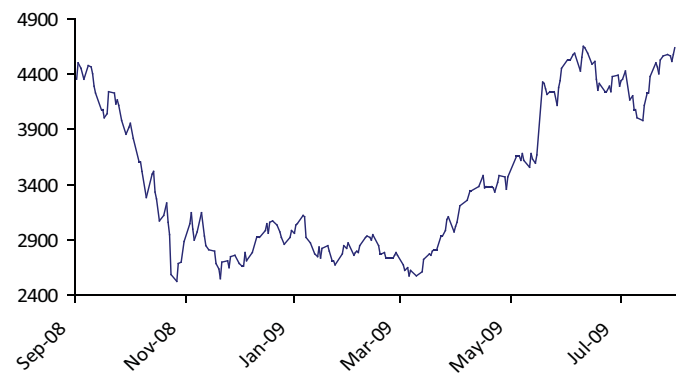
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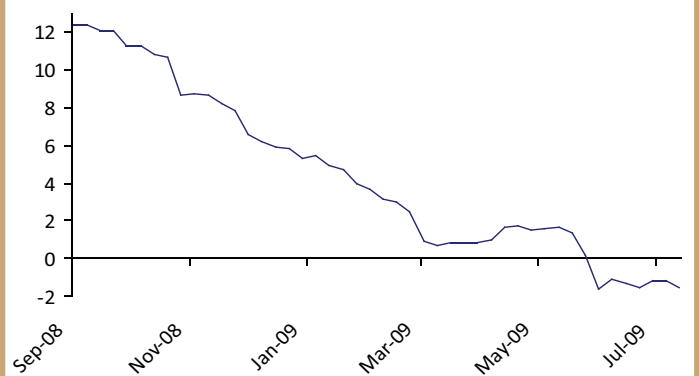


## MARKET DATA

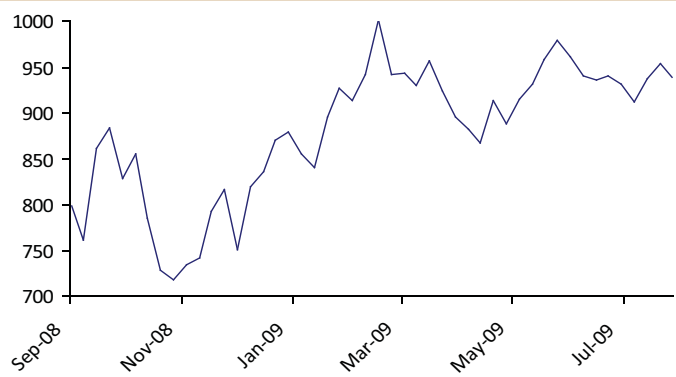
### Nifty movement



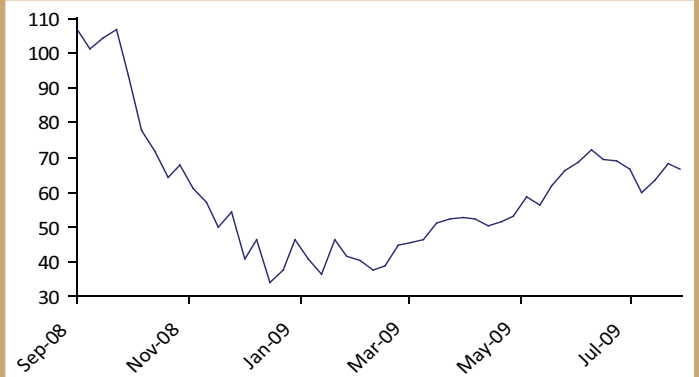
### Inflation is at -1.54%



### Gold (US\$/oz)



### Crude oil (US\$/bbl)



### Global indices: Weekly performance

	Close (July 31)	Close (July 24)	Weekly (%)	6M (%)	12M (%)	PE Ratio
<b>ASIA</b>						
Hang Seng	20573.33	19982.79	2.96	54.94	-9.49	18.55
STI	2659.20	2533.43	4.96	52.26	-9.23	16.19
S. Korea	1557.29	1502.59	3.64	34.01	-2.34	33.00
Nikkei 225	10356.83	9944.55	4.15	29.56	-22.58	-
<b>AMERICA</b> (closing as on July 30)						
Dow Jones	9154.46	9093.24	0.67	14.42	-19.54	12.86
S&P 500	986.75	979.26	0.76	19.48	-22.14	17.03
NASDAQ	1984.30	1965.96	0.93	34.40	-14.67	33.14
Brazil Bovespa	54478.43	54457.29	0.04	38.62	-8.45	22.77
<b>EUROPE</b> (closing as on July 30)						
FTSE-100	4631.61	4576.61	1.20	11.74	-14.33	49.63
DAX 30	5360.66	5229.36	2.51	23.58	-17.26	39.63
CAC 40	3435.49	3366.45	2.05	15.69	-21.67	12.35

Source: Bloomberg

### Domestic indices: Weekly performance

	Close (July 31)	Close (July 24)	Weekly (%)	6M (%)	12M (%)	PE Ratio
Sensex	15670.31	15378.96	1.89	66.28	9.16	18.56
Nifty	4636.45	4568.55	1.49	61.28	7.00	18.62
BSE 500	5940.38	5825.06	1.98	73.35	7.50	18.27
BSE Auto	5713.68	5545.30	3.04	128.53	55.28	39.93
BSE Bankex	8465.76	8335.02	1.57	72.77	29.91	13.43
BSE Capital Goods	12595.94	12578.88	0.14	101.32	7.81	26.24
BSE Consumer Durables	3119.09	3139.03	-0.64	75.44	-15.38	10.50
BSE FMCG	2738.15	2579.65	6.14	34.71	28.00	26.68
BSE Healthcare	3805.05	3865.97	-1.58	40.21	-8.58	43.50
BSE IT	3962.12	3778.67	4.85	77.16	7.39	18.74
BSE Oil & Gas	9480.09	9595.25	-1.20	51.62	-2.56	16.31
BSE Metal	12395.26	12118.27	2.29	143.04	-4.01	13.75
BSE Realty	3908.77	3790.65	3.12	134.33	-23.04	16.09
BSE PSU	8365.69	8225.67	1.70	63.53	24.75	59.06
BSE Power	2970.46	2903.37	2.31	65.73	15.39	28.73
BSE Tech	2929.45	2853.44	2.66	61.08	-2.37	18.83

(Compiled by Amit Chopra)

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