

KARVY BAZAAR BAATEIN

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NSE	
52 Wk H/L	: 4731.45/2252.75
Mcap	: Rs48,11,779 cr.
BSE	
52 Wk H/L	: 16002.46/7697.39

Editor : S. Gopichand

Managing Editor : Satyan Nair

Deputy Editors : Bhuvan Yadav, Kalyan C Reddy, Pavan Katta.

Research Team : JK Jain, Rajendra P, Atul Stanley Hermit, Krishna Veni, Raj Deepak Singh, Pradeep Kumar S.

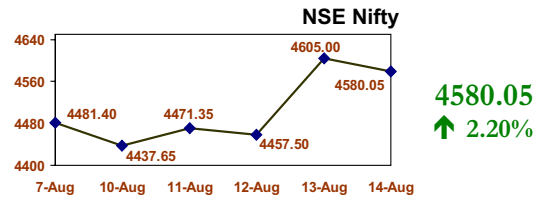
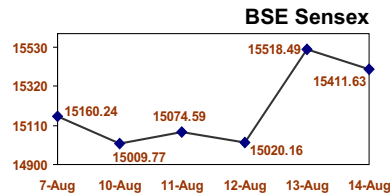
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by S. Gopichand on behalf of Karvy Stock Broking Limited.

Editor: S. Gopichand

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Drought fears deepen...

India is now officially drought-affected with 29% below-normal monsoon rains for the period June 1, 2009 to August 12, 2009. Clearly, the north-western regions of the country have been the worst hit. The last time we faced a similar drought-like situation was in FY03. While CMIE has reduced its GDP growth forecast for the current financial year from 6.6% to 5.8%, many economists are still playing a wait-and-watch game. That's because market experts are of the view that the situation today is quite different from that of FY03 in that the country has a huge buffer stock of foodgrains, besides the numerous pro-poor schemes that are being actively implemented by the government. However, there are rising food-based inflation fears coming into play in the second half of the current fiscal in view of the deficient monsoons.

Needless to say, the monsoon situation has proved to be the sole dampener in an otherwise optimistic investment scenario, given the strong cues emanating from the global markets. In fact, despite the strong closing for global markets in the penultimate week, Indian stock markets fell sharply on Monday as the monsoon impact began to sink in. But news about the easing recession in the US, better-than expected IIP for June, and government unveiling a roadmap towards implementation of a new tax code saw the Nifty and the Sensex recovering spectacularly during the week, finally closing at 4580 and 15411 levels on Friday, a rise of 2.2% and 1.7%, respectively.

Global rating agency Standard & Poor's (S&P) stated August 13 that India's economy will continue to grow despite the global downturn on the back of strong domestic demand. According to S&P, the potential threats to growth include higher inflation levels, high interest rates and persistent global sluggishness. However, there appear to be other factors that might affect the growth of Indian markets in the near term, including the monsoon situation and swine flu, which could influence the level of participation in the markets over the next few days. Overall, the Nifty is likely to trade in a range of 4450-4700 levels over this week.

KBB weekly recommendations for the week beginning 17th Aug.

Scrip	Action	CMP	Entry	Stop Loss	Target	Time Frame
Areva T&D	Buy	299.65	289-292	282	325-327	5-6 Days
NIIT Ltd	Buy	67.95	62-65	60	75-76	5-6 Days
Tata Comm	Buy	502.35	495-498	487	528-530	7-8 Days
Videocon Ind	Buy	208.5	202-204	198	223-225	5-6 Days
HCL Tech	Buy	270.10	263-265	258	280-282	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
BPCL	Buy	512-515	507.00	538-540	347	-2,776.00	-1.55%	SL
Rolta	Buy	144-146	140.00	156-158	1259	12,590.00	6.85%	TA
Selan	Buy	190-192	185.00	202-204	953	11,436.00	6.25%	TA
Nitin Fire	Buy	318-321	314.00	342-345	562	12,353.00	6.85%	TA
Polaris	Buy	117-119	114.00	128-130	-	-	-	NI

Total 33,603.00

Balance on inception (26- Jan- 09)	Balance last week (07-Aug-09)	Balance current week (14-Aug-09)	Abs. returns WoW (%)	Abs. returns since Jan 26, 2009(%)
5,00,000	7,05,244	7,38,847	4.76	47.77

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

Fundamental view

ITC Ltd

ITC is the market leader in the Indian cigarette business with a 73% and 84% market share in both volume and value terms, respectively. The company is also a leading player in FMCG, hotels, agri-business, and paper and packaging business. We believe that the company's topline and bottom-line would grow with a healthy CAGR of 16.2% and 17.7%, respectively, during FY09-FY11E due to its pricing power and strong portfolio of brands in its core cigarette business and its other businesses, which are well placed to benefit from the revival in the economy. Historically, the company has shown a consistent and stable topline and bottom-line performance by notching a healthy CAGR of 16.4% and 17%, respectively, over FY00-FY09, despite concerns like increasing regulatory restrictions and higher taxation. We believe ITC would be a proxy play on increasing consumer spending in India. We are initiating our coverage on the stock with BUY rating and expect 25% upside from the current market price.

Favourable demography and changing lifestyle trends to drive volume growth in cigarette business:

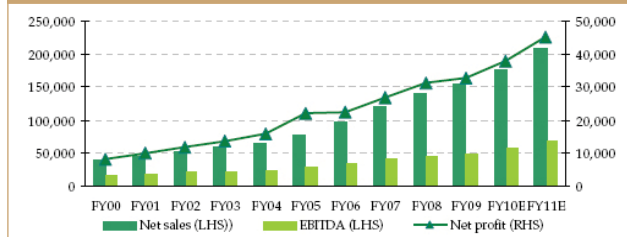
India is the only major country (besides China) that has shown volume growth in the cigarette market over the last six years. The volume grew at a CAGR of 3.6% over FY03-FY09. We believe that ITC—with its market dominance, pricing power, strong marketing presence (2 million+ outlets) and brand loyalty—has tremendous potential to exploit the current low penetration, rising income levels, favourable demographic trends and shift from non-filter to filter cigarettes. Going forward, we expect that cigarette volume would increase by 6% in FY10 and 7% in FY11 to 83,090mn and 88,966mn, respectively, and the topline of the cigarette business for FY10 and FY11 would grow by 16.6% Y/Y and 14.6% Y/Y, to Rs88,128 mn and Rs100,959 mn, respectively, resulting in EBIT expansion by 18.4% Y/Y and 16.5% Y/Y, to Rs49,555 mn and Rs57,743 mn, respectively.

Pricing power expected to drive cigarette sales growth: During FY08-09, ITC managed to increase its sales and profits in this business due to price hikes. The net sales increased by 12.6% Y/Y in FY08 and 14% Y/Y in

FY09 to Rs66,349.8 mn and Rs75,568.4 mn, respectively. During FY08 and FY09, the gross realisation of cigarettes increased by 8.5% Y/Y and 12.6% Y/Y, to Rs1,711.5 and Rs1,927 per 1000 sticks, due to imposition of VAT and increase in excise duty. This is despite regulatory restrictions causing a one-time de-growth in absolute unit sales. ITC is a big beneficiary of filtered Indian cigarette market portfolio due to the extraordinary increase in excise duties on non-filter cigarettes in FY09. We estimate that the gross realisation in FY10 and FY11 would advance by 10% and 7% to Rs2,120 and Rs2,268 per 1000 sticks, respectively, including an estimated 5% increase in excise duty over the respective year. The current excise duty and tax rate is pegged at 50% in FY09. Consequently, net sales from the cigarette business is expected to grow by 16.6% Y/Y and 14.6% Y/Y in FY10 and FY11, to Rs 88,128.5mn and Rs100,959mn, respectively.

Valuation: We are positive on the stock due to its stable earnings (topline CAGR of 16%, bottom-line CAGR of 17% and EBITDA margin expansion by 140 bps, over FY09-FY11E), strong cash flows (FCF/share of Rs5.4 in FY09 to Rs7.2 in FY11E) and high dividend payout history (39-42%). We have used SOTP valuation methodology to value the company due to diversified businesses. The stock is currently trading at a P/E of 22.7x on FY10E EPS of Rs10 and 19x on FY11E EPS of Rs12. Historically, the stock has traded on one-year forward P/E band

Exhibit 1: Sustainable earnings potential (Rs mn)



Source: Company and KSBL Research

of 12-28x. The stock justifies premium to its peers due to higher return ratios. Hence, we recommend a 'BUY' rating on the stock with a target price of Rs284 over the one-year investment perspective.

Investment positives

Sustainable earnings potential: Over the years, ITC has ruled the cigarette market in India by capturing 73%+ market share in volume terms and is a leading FMCG, paper and hotel player in India. Presently, ITC has a plethora of strong brands and a dominant market share. It has historically been regarded as a stable player considering the defensive nature of its business. Over the last ten years, ITC has shown stable performance on topline and bottom-line front by posting a healthy CAGR of 16.4% and 17%, respectively, during FY00-FY09. Despite strict regulatory restriction and higher taxation, the company has historically been able to pass on its taxation increases to consumers due to its strong pricing power in its core cigarette business.

We believe that net sales and net profit of the company would grow at a CAGR of 16.2% and 17.7%, respectively, during FY09-FY11E. For FY10E and FY11E, the net sales of the company are expected to improve by 14.2%

ITC Ltd (Standalone)	Y/E March (Rs mn)	FY07	FY08	FY09	FY10E	FY11E	
Reuters/ Bloomberg Code	ITC.BO/ ITC@IN	Net Sales	121,643	139,475	153,881	175,723	207,733
Market Cap. (Rsbn)	857.7	EBITDA	39,564	44,039	48,585	57,167	68,484
Market cap. (US\$m)	17,740.1	Net Profit	27,000	31,201	32,636	37,779	45,218
Shares Outstanding (mn)	3774.4	EPS (Rs)	7.2	8.3	8.6	10.0	12.0
52-week High/Low (Rs)	253/132	EPS Growth (%)	18.2	15.4	4.4	15.8	19.7
		EBITDA margin (%)	32.5	31.6	31.6	32.5	33.0
		PER (x)	31.7	27.4	26.3	22.7	19.0
Major Share Holders (%) (as on June 2009)		P/BV (x)	8.2	7.1	6.2	5.5	4.7
Majority (Foreign Corporate Bodies)	32.16	P/sales (x)	7.1	6.1	5.6	4.9	4.1
FII's	13.80	EV/EBITDA (x)	21.5	19.4	17.5	14.8	12.3
Banks/FI's/MF's	37.40	Dividend Yield (%)	1.4	1.5	1.6	1.8	2.1
Others	4.72	ROCE (%)	34.9	33.1	31.2	32.1	33.9
Public	11.87	ROE (%)	27.7	27.7	25.3	25.7	26.7

Source: Company and Karvy Estimates

FUNDAMENTALS

Market pulse

Bulk Deals

Company	Wt. Avg. Price (Rs.)	Traded Qty	Acquirer/Seller
Buy			
J&K Bank	450	584,266	Reliance Life Insurance Co
Sell			
Balrampur Chini	121.33	1,506,100	Morgan Stanley Investment Manage
Raj Oil Mills	130.03	240,000	IDFC MF
NDTV	172.28	910,372	Fidelity

Top Gainers (Weekly)

Company	14-Aug	07-Aug	%Change
Ranbaxy Labs	297.00	261.05	13.77
Tata Motors	467.50	414.70	12.73
HCL Tect	270.10	244.35	10.54
Unitech	92.95	85.95	8.14
DLF	395.50	367.10	7.74
Gail	342.90	318.90	7.53
ONGC	1220.50	1139.10	7.15
Idea	78.05	73.00	6.92
Hindalco	108.35	101.35	6.91
Axis Bank	870.10	814.65	6.81

Top Losers (Weekly)

Company	14-Aug	07-Aug	%Change
M&M	790.10	835.45	-5.43
Hindustan Unilev	256.90	269.60	-4.71
ACC Ltd	830.50	869.55	-4.49
Ambuja Cements	100.90	105.35	-4.22
Grasim	2637.65	2723.45	-3.15
NTPC Ltd	206.05	212.40	-2.99
HDFC	2316.00	2381.90	-2.77
Power Grid	111.90	112.80	-0.80
Hero Honda	1478.10	1479.25	-0.08
BPCL	522.45	522.10	0.07

FII Invt (Rs.cr)

MF (Rs.cr)

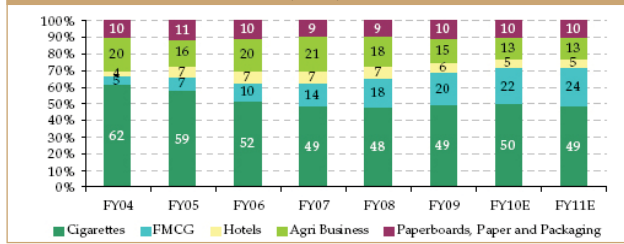
Date	Purchases	Sales	Purchases	Sales
7-Aug-09	2580.90	2827.40	755.90	1032.20
10-Aug-09	2141.80	2987.90	652.50	870.40
11-Aug-09	2972.80	3200.00	866.80	662.30
12-Aug-09	2894.10	2190.00	619.90	1114.20
13-Aug-09	2595.00	2705.50	1123.20	651.80
Total	13184.60	13910.80	4018.30	4330.90

Corporate Actions

Company	Date	Purpose
Simplex Projects	20-08-2009	AGM
Assam Co Ltd	18-08-2009	Audited Financial Results
Mphasis Ltd	19-08-2009	Audited Financial Results
Tata Power	28-08-2009	Unaudited Financial Results

(Compiled by Krishnaveni M)

Exhibit 2: Revenue Mix (Net)



Source: Company and KSBL Research

Y/Y and 18.2% Y/Y, to Rs175,723.5 mn and Rs207,733 mn, respectively.

Diversified business stream: ITC has diversified its revenue stream to segments like FMCG (branded packaged foods, lifestyle retailing, personal care, safety matches, incense sticks and stationary products), paperboards, paper & packaging, agri-business and hotels. Issues like direct government intervention owing to increased health consciousness, increasing anti-tobacco lobby, and pricing being solely driven by government policy framework, propelled the company to diversify the business to reduce its dependence on the cigarette business. The cigarette contribution to its revenue at net level has fallen from 58.5% in FY05 to 49% in FY09. The cigarette contribution to its revenue is expected to reach 50% and 48.6% in FY10 and FY11, respectively. The FMCG contribution to its revenue has increased from 7.4% in FY05 to 19.5% in FY09 and it is expected to increase to 22% and 23.7% in FY10 and FY11, respectively. The higher growth from personal care, stationary, biscuits and staples business would help to improve the revenue contribution. Paperboards, paper and packaging business, which contributed 10.5%

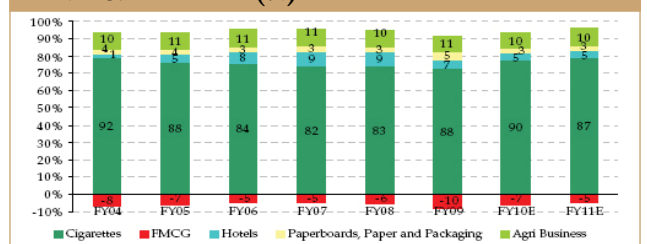
to its revenue in FY09, is expected to stay at a net level of 10% in FY10 and FY11. The contribution of the hotel business to its revenue at net level has fallen from 7% in FY05 to 6% in FY09. The current economic crisis and slowdown of tourist arrivals to India due to the terrorist threats has impacted the hotel business. Hotel business' contribution is expected to reach 4.6% and 5% in FY10 and FY11, respectively. On the other hand, the agri-business contribution in FY09 was at 14.8% and is expected to decrease to 13% in FY10 and FY11, respectively.

Strong balance sheet and high return ratios: ITC, being almost debt free, has a strong balance sheet as its net worth has increased at a CAGR of 16.5% over FY04-FY09, and is expected to show a healthy CAGR of 15% over FY09-FY11E.

This has helped the company to successfully carry out huge capex plans over the years with the balance sheet having a net cash balance. The company incurred Rs53-bn capex during FY07-09E, primarily in cigarettes (Rs17.6 bn), FMCG (Rs7.6 bn), hotels (Rs7.9 bn) and paperboard, paper and packaging business (Rs18.6 bn). Going ahead, we expect that a major chunk of the capex over FY10-11, would go to the high-growth potential segments of cigarettes (Rs8.1 bn), FMCG others (Rs5.9 bn), hotels (Rs8.7 bn) and paperboard, paper & packaging (Rs11.7 bn). Despite the huge capex, the FCF of the company posted a CAGR of 18.7% during FY05-09 and is expected to grow at a CAGR of 15.3% during FY09-11E.

Strong balance sheet and net cash position helps ITC to leverage its dominant position in the market and strong branding while venturing into new business avenues. ITC has continued to show high return ratios over the years due to increasing efficiencies in its

Exhibit 3: EBIT Mix (%)



Source: Company and KSBL Research

cigarette business. In FY09, the ROCE and ROE dipped by 192 and 243 basis points to 31.2% and 25.3%, respectively, primarily due to high capex and the loss-making FMCG business unit. However, we estimate that ROCE and ROE would improve by 89 and 177 basis points and 36 and 105 basis points to 32% and 34% and 25.7% and 26.7% in FY10 and FY11, respectively, as other business units would start contributing to earnings, besides moderation of losses in the FMCG business.

- Equity Research Desk

Mutual fund AUM for July 2009

(Rs. in Crore)

CATEGORY	SALES - ALL SCHEMES				REDEMPTIONS ALL SCHEMES		AVERAGE ASSETS UNDER MANAGEMENT FOR THE MONTH	
	From New Schemes #		From Existing Schemes	Total for the month	Cumulative April 2009 to July 2009	For the month		Cumulative April 2009 to July 2009
	No.	Amount	Amount					
A	BANK SPONSORED							
I	JOINT VENTURES - PREDOMINANTLY INDIAN (2)							42,012
II	JOINT VENTURES - PREDOMINANTLY FOREIGN (1)							4,017
III	OTHERS (1)							67,252
	TOTAL 'A' (I+II+III)							113,281
B	INSTITUTIONS (1)							35,094
C	PRIVATE SECTOR							
I	INDIAN (14)							222,328
II	FOREIGN (5)							47,840
III	JOINT VENTURES - PREDOMINANTLY INDIAN (5)							244,636
IV	JOINT VENTURES - PREDOMINANTLY FOREIGN (7) @@							26,767
	TOTAL 'C' (I+II+III+IV)							541,571
	GRAND TOTAL (A+B+C)							689,946
	Figures for corresponding period of previous year							529,631

Source: amfiindia.com Notes: 1. Data is provisional & hence subject to revision; 2. # Only New Schemes where allotment is completed. 3. @@ There has been an increase in the number of AMCs to 7, due to inclusion of a new AMC - Shinsei Asset Management (India) Pvt. Ltd.

Mutual Fund performance

Equity Diversified

Scheme Name	NAV	1 Year	3 Year	5 Year
IDFC Premier Equity - A (G)	21.58	11.90	107.70	--
Reliance RSF - Equity (G)	23.13	13.40	84.80	--
ICICI Pru Infrastructure (G)	25.89	2.90	79.20	--
DBS Chola Opportunities (G)	35.54	4.60	73.60	230.30
Tata Equity P/E Fund (G)	35.39	12.60	70.80	236.50
Sahara Infrastructure-VPO (G)	15.58	21.80	70.50	--
DSP-BR Top 100 Equity - RP (G)	78.60	14.30	69.30	286.10
Baroda Pioneer Growth (G)	43.49	15.80	68.60	263.90
HDFC Top 200 Fund (G)	154.70	20.20	67.90	305.80
Reliance Growth Fund - RP (G)	356.81	10.10	68.10	350.70

Balanced

Scheme Name	NAV	3 Mnts	1 Year	3 Years
Principal Child Benefit - CBP	72.83	0.20	9.50	64.80
Birla Sun Life 95 Fund (G)	236.54	21.10	12.40	59.70
Reliance RSF - Balanced (G)	17.04	26.30	34.00	55.40
DSP-BR Balanced Fund (G)	50.80	10.40	17.60	54.10
HDFC Prudence Fund (G)	144.73	20.20	12.80	51.40
Tata Balanced Fund (G)	62.27	12.80	11.20	49.10
FT India Balanced Fund (G)	40.53	11.80	10.60	45.50
SBI Magnum Balanced Fund (G)	42.27	11.40	8.80	40.00
Sundaram Balanced - RP (G)	39.12	10.30	10.10	38.50
Templeton (I) CAP- Gift (G)	36.28	11.30	7.50	38.20

Source: moneycontrol.com; Note: All NAV as of August 13, 2009

ELSS

Scheme Name	NAV	1 Year	2 Year	3 Year
Can Robeco Equity TaxSaver (G)	18.67	30.10	21.60	79.80
Taurus Tax Shield (G)	27.68	10.50	35.80	78.90
Sundaram Tax Saver (G)	37.03	16.20	24.40	68.30
Sahara Taxgain (G)	28.24	21.80	22.30	59.00
Fidelity Tax Advantage (G)	15.33	11.00	5.30	50.20
Principal Personal Tax Saver	76.84	-6.00	-12.30	43.40
Franklin India Tax Shield (G)	151.94	10.50	7.50	40.60
SBI Magnum Tax Gain (G)	48.96	5.70	-0.10	39.40
Tata Tax Advantage Fund-1(G)	12.16	7.10	7.40	32.80
HDFC Tax Saver (G)	160.75	13.50	0.40	31.60

Income

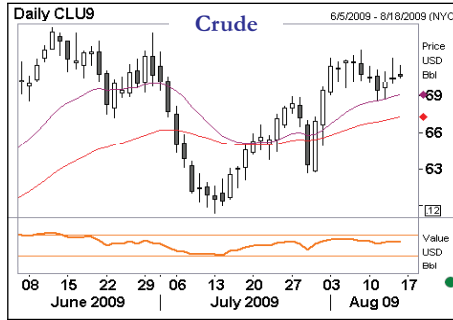
Scheme Name	NAV	1 Year	2 Year	3 Year
ICICI Pru Gilt (IP) (G)	31.52	29.50	35.60	49.30
JM G-Sec Fund (RP) (G)	28.90	27.60	34.50	39.50
DSP-BR Govt. Securities (G)	31.25	26.60	31.80	40.20
ICICI Pru Income (G)	29.44	24.70	31.70	42.00
Birla Sun Life GSec - LTF (G)	24.78	22.90	22.10	28.80
Escorts Gilt Fund (G)	20.26	21.40	34.70	41.20
Templeton (I) G-Sec - LTP (G)	22.55	20.70	34.60	42.90
ICICI Pru Gilt (TP) (G)	23.85	20.00	28.40	36.60
DWS Premier Bond - RP (G)	14.94	19.60	20.90	26.70
Templeton (I) Govt Sec -CP (G)	32.37	19.50	31.80	38.10

(Compiled by Amit Chopra)

Commodities review

Energy review

Crude oil: Last week, the OPEC (Organization of Petroleum Exporting Countries) President stated that he would be comfortable with oil prices hovering above US\$70 a barrel. The OPEC has kept output quotas unchanged in its last two meetings while forecasting a rise in non-OPEC output next year. Crude oil prices fell in the beginning of last week, responding to a decline in US stock indices. According to the US Department of Energy, oil and distillate inventories increased by 2.519 million and 786,000 barrels while gasoline inventories fell by 927,000 barrels last week. This is the third consecutive week that crude oil inventories have been rising. According to the US Energy Department, the total daily fuel use averaged 18.9 million barrels in the past four weeks, down 3% from a year earlier. It reduced its forecast for oil demand this year to 83.76 million barrels a day, down 90,000 barrels a day from last month's estimate. It also lowered the 2010 demand forecast by 90,000 barrels a day to 84.7 million barrels. However, according to the IEA, the world will need 85.25 million barrels of oil a day next year, 70,000 barrels more than previously estimated. Industrial production data for China and Europe released last week was below market expectations while the data for the US was positive for the economy. During the week, NYMEX crude oil traded in the range of \$68.71-72.21 per barrel. For the week ahead, we expect continuation of the uptrend. However, the industrial production data scheduled for Friday will decide the price trend this week.



Base metals review

Base metals complex witnessed another spectacular week wherein most metals staged a strong rally during the week. In the first half of the week, prices witnessed a smart correction on the penultimate week's rally. However, later, a weak dollar and buoyant global equity markets prompted a U-turn in prices. Nickel was the top performer, gaining 5% over the penultimate week, followed by copper, rising 3.76%. Lead, zinc and aluminum gained 1.84%, 0.53% and 1.98%, respectively. The inventory maintained by LME reported minimal changes. The US Federal Reserve decided to maintain interest rates at 0.25%, keeping it "unanimously low" for an "extended period". The Federal Reserve's comments on the easing US recession triggered buoyancy in the markets, with confidence that demand will strengthen in the near future. Moreover, the weakening of the Dollar Index by 0.70% against the majors increased the appeal of dollar-denominated commodities.

The red metal has risen about 100% this year as improving economic sentiment coupled with Chinese buying boosted the market. Nickel witnessed a speculative price rise on the back of mine workers striking work following

job cuts by major mining companies and slowing mining projects. On the economic front, the US non-farm productivity and labor costs in Q2 showed a sharp improvement and indicate favorable profit for many companies despite the recession. Productivity posted a sharp gain of 6.4% annualized, following a revised 0.3% rise in the first quarter. The US trade balance that came in at -\$27.0 billion supported the metals rally. Further the Euro-zone GDP for the second quarter came in better at -0.1%, thereby signaling a steady economic recovery.

China's refined zinc production is expected to reach an all-time record in 3QFY09-10 following the startup of 300,000 tonnes of new annual capacity and greater use of existing capacity due to high prices. Further, China's Bosai Group is doubling capacity of alumina and aluminium in H1 2010, adding production to the world's top aluminum-producing nation.

For the week ahead, we expect prices to take a slight correction as the market is overbought. However, data releases from the US, such as Housing Starts, Building Permits and Empire Manufacturing will dictate the price trend.



- Commodities Research Desk

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Life Maker Platinum

Life Maker Platinum is a unit linked insurance policy from Max New York Life Insurance Company Limited.

Unique features

Increasing insurance cover: The death benefit available under the policy comprises of both the policy sum assured and the fund value. Hence, the insurance cover under the policy keeps on increasing with an increase in the fund value.

Persistency units: The policy provides persistency units on continuation of the policy and the premium payments are being made as per the policy schedule. The persistency units are in addition to those which are credited to the investment fund(s) in the normal course of the policy. The persistency units are credited to the chosen investment fund(s) during the last policy year and will be equal to 2.5% of the annualised premium value multiplied by the policy term. This value is, however, subject to the value of the units not exceeding the amount of one annualised premium.

Option to increase the sum assured value: The policy holder has the option to increase the sum assured value any time during the policy term, subject to the underwriting guidelines and policy conditions. An increase in the sum assured value will result in an increase of the premium payable under the policy.

Here, the premium allocation charges and all applicable charges for the increased portion of the premium payable for the corresponding increase in the sum assured value shall be the same as for a new policy.

Top up premium: The top up premium can be paid to enhance the investment fund value. The minimum top up premium payable is Rs2,500. This premium will, however, not effect the life assurance cover (or sum assured) value. Moreover, the cumulative top up premium amount should not exceed 25% of the cumulative top up premium paid till date.

Policy benefits

Death benefit: In the unfortunate event of death of the life assured during the policy term, the nominee / beneficiary will receive both the sum assured value and the investment fund value.

Maturity benefit: If the life assured survives at the end of the policy term, the policy holder will receive the investment fund value which

is inclusive of the persistency units. The maturity benefit can be received by the policy holder as either a lump sum or in instalments spread up to 5 years from maturity.

Eligibility parameters

Age at entry: minimum – 12 years; maximum – 60 years

Maximum age at maturity: 70 years

Policy term available: minimum – 10 years; maximum – 58 years

Minimum annual premium amount: Rs.10,000

The premium payable under the policy is calculated on the basis of the choice of the sum assured and the policy term.

Minimum sum assured value: Rs.50,000

Policy charges

Premium allocation charge: This charge is levied as a percentage of the premium amount and depends on the policy term chosen. The details for this charge are:

Policy years	Premium allocation charge as a % of the premium for policy term of		
	10 year to 14 years	15 years to 19 years	20 years & above
Year 1	55%	60%	65%
Year 2	20%	20%	20%
Year 3 and thereafter	5%	5%	5%

Premium allocation charge for top up premiums is 3%.

Mortality charge: This charge is levied for the provision of the life insurance cover under the policy. This is levied at the beginning of the policy month by cancellation of units from the investment fund(s). It will be levied on the net 'sum at risk' which is equal to sum assured minus the fund value (as on the relevant policy month-anniversary). The mortality rates are guaranteed during the policy period.

Fund management charge: This charge is levied for the management of the investment value under the chosen investment fund(s) and is appropriated on a daily basis. The details are:

Fund Name	Growth Fund	Balanced Fund	Conservative Fund	Secure Fund
Fund Management Charge	1.25% p.a.	1.10% p.a.	0.90% p.a.	0.90% p.a.

This charge is subject to increase to a maximum of 2% p.a. subject to prior approval of IRDA.

Investment fund choice: The policy provides an option to invest in one or more of the four investment funds. The details of these funds are-

Fund Name	Investment Objective	Risk Return Profile	Asset Allocation in			
			Equities	Money Market Instruments / Cash	Corporate Bonds	Government Securities
Growth Fund	To provide potentially higher returns by investing primarily in Equities	High	20% to 70%	0% to 20%	0% to 30%	0% to 30%
Balanced Fund	To provide balanced returns from investments in both fixed income securities and equities	Moderate	10% to 40%	0% to 20%	20% to 40%	20% to 50%
Conservative Fund	To provide stable returns by investing in assets of relatively low to moderate level of risk.	Low	0% to 15%	0% to 20%	0% to 50%	50% to 80%
Secure Fund	To provide stable returns by investing in relatively low risk assets.	Very Low	0%	0% to 20%	0% to 50%	50% to 100%

The policy provides the facility to switch the investment value from one fund to the other. The minimum switching amount is Rs5,000. There are 6 free-of-charge switches in a policy year.

The policy also provides the facility for re-direction of the future premiums in order to change the asset allocation of the investment funds as per the changing investment requirements of the policy holder. There are 3 free-of-charge premium re-directions available in a policy year.

INSURANCE

Policy administration charge: This charge is fixed at Rs50 per month and is levied at the beginning of each month by cancellation of the units from the chosen investment fund(s). This charge will increase every year at the rate of 5% p.a., compounded annually.

Rider premium charge: If the policy holder has opted for the Dread Disease rider and/or Personal Accident Benefit rider, then the rider charges, i.e. mortality or morbidity charges as the case may be and subject to policy conditions, will be deducted by cancellation of units from the chosen investment fund(s) at each month.

Switching charge: Every subsequent switch after the 6 free-of-charge switches in a policy year will be subject to a charge of Rs500/switch.

This charge can be increased to maximum of Rs.1,000 / switch with prior approval from IRDA.

Partial withdrawal charge: Every subsequent partial withdrawal after the 3 free-of-charge partial withdrawals in a policy year will be subject to a charge of Rs1,000 / partial withdrawal.

This charge can be increased to maximum of Rs.2,000 / partial withdrawal with prior approval from IRDA.

Premium re-direction charge: Every subsequent premium re-direction after the 3 free-of-charge premium re-directions in a policy year will be subject to a charge of Rs1,000 / premium re-direction.

This charge can be increased to maximum of Rs.2,000 / premium re-direction with prior approval from IRDA.

Surrender charge: A charge of 5% of the fund value will be applicable

if the policy is surrendered before premiums equivalent to four annualised regular premiums have been paid.

Partial withdrawals

The partial withdrawal facility is available after the first three policy years. The withdrawals can be made up to 50% of the fund value in any policy from a chosen investment fund account. The minimum value of partial withdrawal should be Rs10,000/- and the minimum fund value remaining in a fund account after any partial withdrawal should not be less than the value of one annualised regular premium.

Policy surrender

The policy surrender option is available under the policy after the first 3 policy years. A policy will not acquire a surrender value unless a premium value equivalent to 3 annualised regular premiums has been paid in the first 3 policy years.

Tax benefits

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

If, however, the premium paid (regular premium plus top up premium) in a financial year exceeds 20% of the sum assured value, then both the above tax benefits will not be available under the current tax laws.

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

- Atul Stanley Hermit

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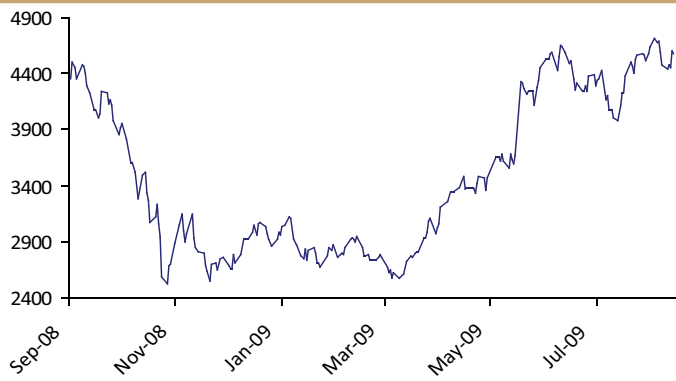
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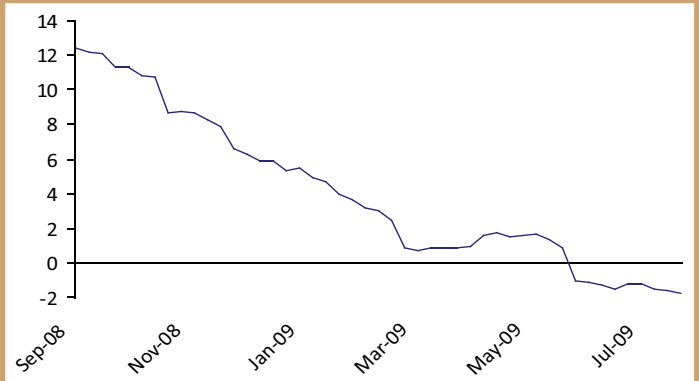


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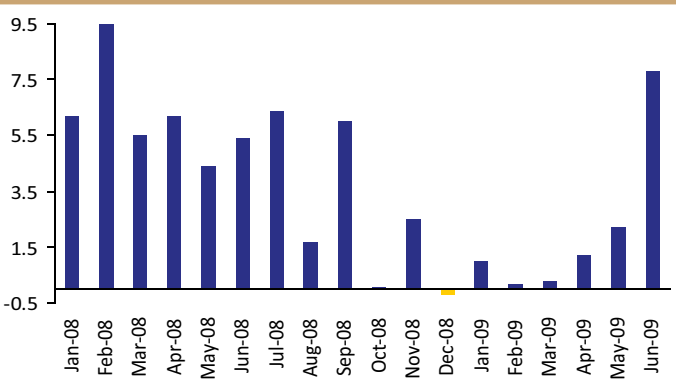
Nifty movement



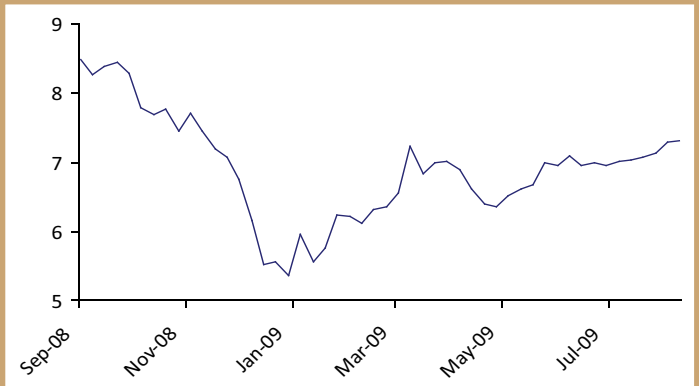
Inflation is at -1.74%



Index of Industrial Production (%)



10-year bond yield (%)



Global indices: Weekly performance

	Close (Aug 14)	Close (Aug 07)	Weekly (%)	6M (%)	12M (%)	PE Ratio
ASIA						
Hang Seng	20893.33	20375.37	2.54	54.14	-2.33	21.69
STI	2631.51	2549.35	3.22	54.28	-6.57	21.34
S. Korea	1591.41	1576.00	0.98	33.46	1.22	34.09
Nikkei 225	10597.33	10412.09	1.78	36.22	-18.21	-
AMERICA (closing as on Aug 13)						
Dow Jones	9398.19	9370.07	0.30	19.72	-19.09	13.52
S&P 500	1012.73	1010.48	0.22	22.48	-21.67	18.65
NASDAQ	2009.35	2000.25	0.45	30.96	-18.11	32.91
Brazil Bovespa	57047.98	56329.51	1.28	36.89	3.46	23.79
EUROPE (closing as on Aug 13)						
FTSE-100	4755.46	4731.56	0.51	13.78	-13.29	61.31
DAX 30	5401.11	5458.96	-1.06	22.67	-15.96	42.58
CAC 40	3524.39	3521.14	0.09	18.06	-19.94	13.34

Source: Bloomberg

Domestic indices: Weekly performance

	Close (Aug 14)	Close (Aug 07)	Weekly (%)	6M (%)	12M (%)	PE Ratio
Sensex	15411.63	15160.24	1.66	59.96	4.67	18.55
Nifty	4580.05	4481.40	2.20	55.34	3.37	18.71
BSE 500	5887.76	5759.16	2.23	67.79	3.19	18.34
BSE Auto	5569.22	5457.09	2.05	113.20	41.60	38.92
BSE Bankex	8285.99	8110.08	2.17	64.90	20.04	13.15
BSE Capital Goods	12347.40	12157.02	1.57	88.58	1.72	29.95
BSE Consumer Durables	3104.17	3013.23	3.02	82.84	-19.83	10.45
BSE FMCG	2552.80	2554.52	-0.07	25.29	16.38	25.26
BSE Healthcare	3886.07	3771.73	3.03	43.32	-9.25	43.11
BSE IT	3977.73	3919.12	1.50	83.00	2.07	18.78
BSE Oil & Gas	9869.21	9558.58	3.25	50.87	-3.22	16.98
BSE Metal	12720.84	12141.71	4.77	140.83	1.01	14.19
BSE Realty	3963.06	3676.95	7.78	148.88	-23.25	18.53
BSE PSU	8325.15	8216.61	1.32	57.20	19.16	58.92
BSE Power	2896.93	2848.15	1.71	56.36	9.38	29.19
BSE Tech	2920.82	2844.72	2.68	60.19	-4.44	18.71

(Compiled by Amit Chopra)

Head Office:

S. Gopichand, Editor, Karvy Stock Broking Ltd.,
529, Road No.10, Banjara Hills, Hyderabad - 500 034.
Ph: 040-2339 5894.

For further details on Karvy network visit: www.karvy.com

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