



# KARVY BAZAAR BAATEIN

A Weekly Investment Newsletter From **KARVY**  
A Research Product of Karvy The Finapolis

24 Aug 2009 to 30 Aug 2009

Volume 3 : Issue 21

URL: <http://www.karvy.com/market/docs/mktnews.pdf>

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**NSE**  
52 Wk H/L : 4731.45/2252.75  
**Mcap** : Rs47,77,197 cr.  
**BSE**  
52 Wk H/L : 16002.46/7697.39

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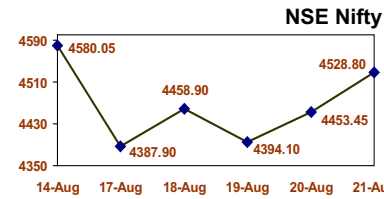
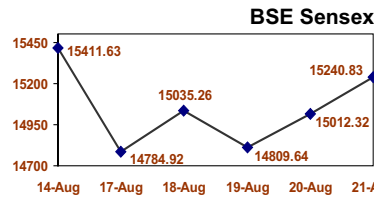
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Published from Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad-500034.  
Printed at Harshitha Printers, 6-2-985/G, Yusuf Building, Adj. Railway Gate, Khairatabad, Hyderabad- 500 004.

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

Editor: **S. Gopichand**

RNI Regn. No.APENG/2007/20423



### Smart comeback...

The Asian stock markets opened on an extremely negative note on Monday on the back of lower-than-expected decline in US consumer confidence levels and lower-than-expected Japanese quarterly GDP growth levels. While China's Shanghai Composite fell nearly 6%, the other Asian majors fell more than 3%. The Indian indices were not spared either, with the BSE Sensex falling more than 4% on Monday. Thereafter, the indices witnessed some stability and remained range-bound before short covering helped the Sensex and Nifty to recover smartly and close the week with only a marginal decline.

As we go to press on Friday, the S&P 500 has touched its highest levels since last October after Existing Home Sales for July came in far better than expectations, recording its best figures in almost two years. So, are we in the throes of a bull market? Well, despite confusing data-points from the US, economists are of the view that US economy has turned the corner, although the recovery would be quite slow from here.

Meanwhile, in India, the monsoons, or should we say the lack of it, continues to dominate headlines, with analysts expressing fears of a slowdown in rural demand. Will the monsoon really affect the Indian economy as anticipated or is the issue being blown out of proportion? Undoubtedly, monsoons have a significant role to play in our economy, with more than two-thirds of the people living in the villages and 60% of the farm land depending on annual rains. However, there are reasons to believe that the farming fraternity will react rather differently today than it did in 2002, particularly considering the huge government waivers and higher minimum support prices (MSPs), besides the benefits of good monsoons over the last six years. Therefore, while it is still too early to determine the impact of deficient rainfall on GDP growth, it may remain marginal, to say the least. This week, the Nifty is likely to trade in a range of 4400-4700 levels.

### KBB weekly recommendations for the week beginning 24<sup>th</sup> Aug.

Scrip	Action	CMP	Entry	Stop Loss	Target	Time Frame
ICICI Bank	Buy	745.40	740-744	732.00	778-780	5-6 Days
Unitech	Buy	85.75	Above 87	84.00	95-96	5-6 Days
Dish TV	Buy	46.25	44-46	41.80	52-53	5-6 Days
IVRCL	Buy	345.30	Above 352	345.00	378-380	5-6 Days
IDEA	Buy	82.80	Above 83	80.00	91-92	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
Areva T&D	Buy	289-292	282.00	325-327	509	2,797.69	1.89%	CMP
NIIT Ltd	Buy	62-65	60.00	75-76	2327	4,654.14	3.15%	CMP
Tata Comm	Buy	495-498	487.00	528-530	298	-2,827.40	-1.91%	SL
Videocon Ind	Buy	202-204	198.00	223-225	728	-3,639.63	-2.46%	SL
HCL Tech	Buy	263-265	258.00	280-282	560	-3,358.39	-2.27%	SL
Total						-2,373.59		

Balance on inception (26-Jan-09)	Balance last week (14-Aug-09)	Balance current week (21-Aug-09)	Abs. returns WoW (%)	Abs. returns since Jan 26, 2009(%)
5,00,000	7,38,847	7,36,473	(0.32)	47.29

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

**Maruti** **CMP: 1388.20**

Maruti outperformed the market amidst increased market volatility backed by positive news flow in terms of significant increase in sales numbers. The stock registered an all-time high at the start of the month of 1515, and thereafter witnessed a sharp correction. There was significant profit-taking in the stock that guided it to the lower support of 1200 levels where the 50-day EMA is currently placed. However, in Friday's session, the stock bounced back strongly after it found support around its short-term moving averages of 8-day and 21-day EMAs. The volumes remained high during declines, indicating heavy closure of positions, and volumes picked up gradually once the stock stabilized around its support, indicating rising interest in the scrip. The 14-day RSI is around the 60 levels of the 100 scale and continues to trigger a buy signal from current levels. The immediate support is placed around 1325 and 1230 levels where the 21-day and 50-day EMAs are placed, respectively. A sustained move in the stock will see fresh buying interest that will guide it to test higher levels of 1500 and 1650 in the short-term scenario. Investors are advised to assume long

positions in the stock above 1400 levels and average the same, if available, at 1250 levels for an upside target of 1500 and 1650 levels in the short term. All long positions in the stock should be protected with a stop loss placed below 1200 levels on a closing basis.

**Corporation Bank** **CMP: 384.45**

Corporation Bank has been on a rising trend since the gap-up opening following the election results. It surged significantly coupled with average volumes. Historically, the stock trades on very thin volumes and, only on a few trading days, the volumes witnessed significant spikes. The stock is hovering above all the moving averages and has continuously found support around the 21-day EMA which a positive takeaway in the near term. The stock broke past the 340 levels and surged to a high of 395 levels in the penultimate week. The 14-day RSI is currently hovering around 63 levels and has the steam to surpass the overbought territory. The stock may as well witness profit-taking from the highs of 410 levels. It has immediate support placed around 350 and 310 levels that needs to be observed closely. The RSI trigger line would find support around the 60 levels of the scale. The money flow index had touched the 95 levels and reverted. Investors are advised to

assume long positions in the stock in the range of 360-370 levels for a short-term target of 450 levels. All long positions in the stock should be protected with a stop loss placed below 310 levels on a closing basis.

**Bhusan Steel** **CMP: 973.40**

Bhusan Steel witnessed significant movement in the last one month, registering a high of 1000 levels in last Thursday's session, thus staging a breakout. The stock faced stiff resistance around the 880-900 levels and broke past that range at the start of the month. The stock has formed a rounding bottom in the daily and weekly charts, and the breakout of the same is above the 980 levels. The momentum is expected to skyrocket above this level. The immediate supports are placed around 920 and 845 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 1020 levels. Investors are advised to assume long positions in the stock in the range of 950-970 levels for an upside target of 1080 and 1150 levels in the short term. All long positions in the stock should be protected with a stop loss placed below 900 levels on a closing basis.

- Kalyan C. Reddy

### Fundamental view

#### Cement sector update

**Increase in royalty on limestone by Rs18/tonne to Rs63/tonne:** The government, in its notification dated August 17, 2009, has increased the royalty on limestone by Rs18/tonne. This would increase the cost of cement production by Rs22/tonne (Rs1.1/bag). One tonne of clinker production requires around 1.5 tonnes of limestone, or an incremental cost of Rs27/tonne. If we take a conversion factor of 1.25x for clinker to cement, then the cost of production of cement would increase by Rs22/tonne. We believe this move has a marginally negative impact on the profitability of the cement companies.

**Cement price on sliding trend:** During August 2009, most regions reduced their cement prices and increased the discount due to sluggish demand from the monsoon season. However, prices may remain flat in the northern region, mainly driven by continued construction activity for the Commonwealth Games and the metro projects given the delayed monsoon in the region. In the western region, cement prices fell by Rs3-5/bag and the discount increased

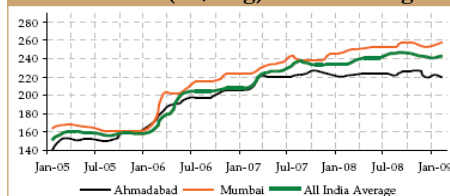
to Rs8/bag, while in the southern region, prices declined by Rs5/bag and discount rose to Rs10-12/bag. We expect prices to further decline by Rs3-5/bag due to sluggish demand. Going forward, we believe that cement prices would go down in Q4FY10 due to incremental supply which would be higher than our cement consumption.

**Outlook:** The cement industry is currently going through the best phase in its cycle due to high cement prices, benefits of cost reduction, and robust demand. However, we believe that most of the positives have been factored and

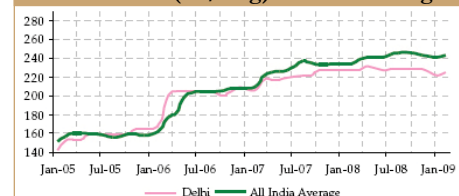
the current valuations appear stretched. The impact of over-supply would be factored in the next six months. Hence, we maintain our 'Underperformer' rating on the sector.

Companies	CMP (Rs.)	Target Price	Recommendation
ACC Limited	799	622	Underperformer
Ambuja Cements	101	78	Underperformer
Grasim Industries	2,575	2,303	Underperformer
UltraTech Cement	712	665	Underperformer
India Cement	132	117	Underperformer
Shree Cement	1,482	1,376	Underperformer

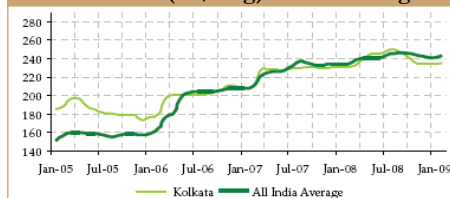
Cement Prices (Rs/Bag) - Western Region



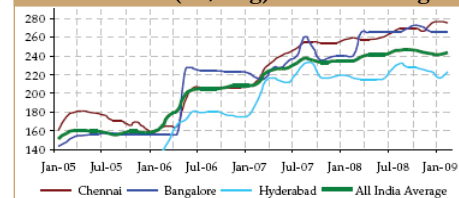
Cement Prices (Rs/Bag) - Northern Region



Cement Prices (Rs/Bag) - Eastern Region



Cement Prices (Rs/Bag) - Southern Region



### Market pulse

#### Bulk Deals

Company	Wt. Avg. Price (Rs.)	Traded Qty	Acquirer/Seller
<b>Buy</b>			
NIIT Technologies	138.83	300000	Sundaram BNP Paribas Equity Multiplier Fund
RIBA Textile	47.90	65002	SB Liquor Distributors
<b>Sell</b>			
Eveready Industries	57.68	500,000	HDFC Trustee Co Ltd
Northgate	37.55	329883	Copthall Mauritius Investment Limited

#### Top Gainers (Weekly)

Company	21-Aug	14-Aug	%Change
Idea	82.8	78.05	6.09
HDFC	2440.70	2316.00	5.38
Ranbaxy	311.65	297	4.93
BHEL	2301.80	2200.60	4.60
Nalco	331.3	317.2	4.45
ABB	705.20	678.05	4.00
HCL Tech	279.50	270.10	3.48
Maruti	1388.2	1349.25	2.89
HDFC Bank	1465.95	1427.30	2.71
Siemens	464.85	454.7	2.23

#### Top Losers (Weekly)

Company	21-Aug	14-Aug	%Change
Cipla	259.15	282.20	-8.17
Unitech	85.75	92.95	-7.75
Tata Motors	432.85	467.50	-7.41
Rel Infra	1107.3	1188.15	-6.80
ACC Ltd	776.70	830.50	-6.48
Rel Capital	805.8	855.80	-5.84
Sterlite	629.3	665.05	-5.38
Tata Steel	444.95	469.95	-5.32
Reliance	1928.8	2036.45	-5.29
SAIL	162.30	169.90	-4.47

#### FII Invt (Rs.cr)

#### MF (Rs.cr)

Date	Purchases	Sales	Purchases	Sales
14-Aug-09	2954.80	2017.60	883.70	625.20
17-Aug-09	2639.90	1609.20	499.60	1181.40
18-Aug-09	1766.40	2740.20	754.20	618.10
19-Aug-09	1644.30	1639.80	453.10	645.00
20-Aug-09	2288.70	3160.80	897.30	560.40
21-Aug-09	1777.60	2079.00	-	-
<b>Total</b>	<b>13071.70</b>	<b>13246.60</b>	<b>3487.90</b>	<b>3630.10</b>

#### Corporate Actions

Company	Date	Purpose
Jain Irrigation	24-08-2009	Audited Accounts/Divi
HCL Tech	25-08-2009	Audited Results/Dividend
Oracle Financial Services Software	25-08-2009	Allotment of Shares
Maharashtra Seamless	28-08-2009	Audited Results/Dividend
Tata Power	28-08-2009	Unaudited Results

(Compiled by Krishnaveni M)

### Everest Kanto Cylinder (Rs185)

We recently met the management of Everest Kanto Cylinder (EKC) to get the latest update on the demand scenario for CNG cylinders. EKC indicated that although the situation has improved for the Indian operations, Dubai, the US, and Chinese operations would improve only from 2HFY10 onwards.

In regard to the Indian operations, EKC witnessed improvement in demand in the OEM space where the company is the major supplier of CNG cylinders. The company's major clients (Tata Motors, Ashok Leyland and Bajaj Auto) have increased their cylinder off-take over the past few months. Recently, the company added Maruti Suzuki to its client list which we believe would be positive for the company in the long term. Furthermore, with improvement in gas infrastructure, the demand for cascades and jumbo cylinders from gas companies like GAIL, Indraprastha Gas and Mahanagar Gas are expected to help the company grow its topline and bottom-line. EKC has already secured a US\$5-mn order for supply of jumbo cylinders from its new plant at Gandhidham. Overall, the demand from the Indian operations has shown signs of improvement and we expect the company to report sequential growth over the remaining three quarters of FY10.

During 2QFY10, EKC's US operations are expected to face marginal pressure due to execution of low value order and higher value inventories. Management expects the situation to improve during 2HFY10 due to fresh raw material purchases at lower prices coupled with execution of high-value orders. EKC's US subsidiary has an order book for the next 4-6 months. The company continues to export semi-finished cylinders from its

Chinese plant due to lack of demand from the local market. However, the company is in talks with some OEMs in China, and if they are able to secure the order from local players, then we can expect the company to sell finished cylinders in the local market from 3QFY10.

EKC's 1QFY10 sales were hampered due to poor performance from its Dubai plant. The company's Dubai plant exports 100% of its output, with Iran being the major market. Due to political reasons, EKC's sales to Iran were severely impacted during 1QFY10 and the situation has still not improved. Management expects normalcy to be restored by the end of 2QFY10. If the situation related to Iran does not improve as expected, then EKC would look for newer markets to sell cylinders manufactured at its Dubai plant. Therefore, we expect that sales from the Dubai plant would return to normalcy during 2HFY10.

Although EKC's three new plants are expected to go on-stream during FY10, the full benefit of new capacities would be available during FY11E. We, therefore, view FY10 as a year of consolidation and expect a flat net profit growth for that financial year. However, we expect profit in FY11 to grow by 49% due to new capacities and lower base (given expected flat net profit in FY10E). Moreover, we expect significant reduction in raw material costs from 2HFY10 onwards due to liquidation of high-cost raw material inventory during 1HFY10. We believe the slump in demand would be short-term in nature, and, therefore, remain positive on the CNG cylinder demand from a long term perspective. We maintain our 12-month price target of Rs233 on the stock and we rate the stock as a 'Buy' at the CMP of Rs185.

EKC	Y/E March (Rs Mn)	FY07	FY08	FY09	FY10E	FY11E
Reuters/ Bloomberg code	EKCL.BO/ EKCL IN					
Net Sales		4,251	5,287	8,566	9,786	12,691
Market cap. (Rsbn)	19	1,159	1,553	2,516	2,495	3,382
Market cap. (US\$m)	382	717	1,043	1,375	1,402	2,085
Shares outstanding (mn)	101	7.3	10.3	13.6	13.0	19.4
52-week High/Low (Rs)	323/84	9.2	12.4	20.4	20.1	26.7
CEPS (Rs)		93	40	32	(4)	49
EPS growth (%)		27.3	29.4	29.4	25.5	26.7
EBITDA Margin (%)		25.2	17.9	13.6	14.2	9.5
PER (x)		15.8	13.2	9.8	9.6	6.7
EV/EBITDA (x)		4.2	3.5	2.2	2.0	1.6
Major shareholders (%)		6.1	3.9	3.0	2.2	1.8
Promoter/Majority	59.8	4.1	35.4	25.5	18.5	13.4
FII's	19.4	16.7	32.0	27.7	26.2	18.4
Banks/FIs/MFs	4.1					
Others and Public	16.7					
RoCE (%)						

Source: Company & KSBL Research

- Equity Research Desk

### Mutual fund performance

#### Equity diversified

Scheme name	NAV	1 Year	2 Year	3 Year
IDFC Premier Equity - A (G)	21.06	12.40	30.30	98.50
Reliance RSF - Equity (G)	22.66	13.80	39.80	76.40
ICICI Pru Infrastructure (G)	25.48	3.60	22.20	72.90
DBS Chola Opportunities (G)	34.85	4.80	17.90	67.10
Sahara Infrastructure-VPO (G)	15.44	23.60	25.10	66.00
Tata Equity P/E Fund (G)	34.95	13.30	20.50	65.70
Sahara Infrastructure-FPO (G)	15.08	22.70	23.40	62.50
DSP-BR Top 100 Equity - RP (G)	76.61	14.40	24.60	61.80
Baroda Pioneer Growth (G)	42.24	15.60	32.60	61.50
HDFC Top 200 Fund (G)	151.56	20.90	30.50	61.30

#### ELSS

Scheme name	NAV	1 Year	2 Year	3 Year
Can Robeco Equity TaxSaver (G)	18.69	33.80	29.60	77.80
Taurus Tax Shield (G)	27.20	10.60	46.80	72.60
Sundaram Tax Saver (G)	35.78	14.50	27.80	59.60
Sahara Taxgain (G)	27.71	22.80	30.20	54.10
Fidelity Tax Advantage (G)	15.01	11.70	10.10	44.00
Principal Personal Tax Saver	75.23	-5.70	-8.90	39.90
SBI Magnum Tax Gain (G)	47.81	6.30	3.90	34.90
Franklin India Tax Shield (G)	148.55	10.60	12.60	34.60
HDFC Tax Saver (G)	157.85	13.80	5.20	26.70
Tata Tax Advantage Fund-1(G)	11.89	6.90	12.10	26.60

#### Balanced

Scheme name	NAV	1 Year	2 Year	3 Year
Principal Child Benefit - CBP	71.89	0.10	11.50	60.50
Birla Sun Life 95 Fund (G)	233.13	21.90	16.40	54.30
Reliance RSF - Balanced (G)	16.61	26.00	37.80	51.20
DSP-BR Balanced Fund (G)	50.19	10.90	21.40	49.90
HDFC Prudence Fund (G)	142.63	20.10	16.80	48.00
Tata Balanced Fund (G)	61.50	13.40	15.50	45.00
FT India Balanced Fund (G)	39.80	12.00	13.50	41.00
SBI Magnum Balanced Fund (G)	41.73	12.60	12.90	36.60
UTI Mahila Unit Scheme (G)	35.25	13.20	22.90	35.40
Templeton (I) CAP- Gift (G)	35.63	11.40	9.20	33.70

#### MIP

Scheme name	NAV	1 Year	2 Year	3 Year
Reliance MIP (G)	18.41	27.20	34.40	41.30
HDFC MIP - LTP (G)	19.32	21.60	25.00	39.80
Birla SL MIP II-Wealth 25 (G)	15.78	16.90	11.80	23.80
Birla SL Monthly Income-A (G)	31.96	16.80	18.90	34.20
UTI MIS - Advantage Plan (G)	17.71	16.60	21.70	34.20
ICICI Pru MIP (G)	23.05	15.00	17.90	28.20
HSBC MIP - Savings Plan (G)	16.84	14.90	19.00	35.60
Birla SL MIP II-Savings 5 (G)	15.96	14.70	32.00	42.80
HSBC MIP - Regular Plan (G)	15.44	13.80	18.50	31.30
Principal MIP (G)	19.68	13.00	24.00	35.40

#### Debt (long-term)

Scheme name	NAV	1 year	2 year	3 year
ICICI Pru Gilt Inv Plan - PF	18.06	39.30	47.10	61.90
ICICI Pru Gilt (IP) (G)	31.26	28.20	34.00	47.50
JM G-Sec Fund (RP) (G)	28.79	26.80	33.90	38.80
DSP-BR Govt. Securities (G)	31.09	26.00	30.90	38.90
ICICI Pru Income (G)	29.41	24.60	31.30	41.50
Birla Sun Life GSec - LTF (G)	24.78	22.70	22.00	28.70
Escorts Gilt Fund (G)	20.24	21.60	34.40	40.40
Templeton (I) G-Sec - LTP (G)	22.39	19.90	32.90	41.40
ICICI Pru Gilt (TP) (G)	23.79	19.50	27.90	36.00
DWS Premier Bond - RP (G)	14.85	18.80	20.20	25.70

#### Debt (short-term)

Scheme name	NAV	3 mnts	6 mnts	1 year
Can Robeco Income (G)	19.02	0.50	4.90	25.10
ICICI Pru Income Opp. - RP (G)	12.42	0.40	9.50	24.00
Fortis Flexi Debt Fund -RP (G)	15.48	1.00	6.90	18.90
ING Gilt - Regular (G)	15.59	0.10	5.00	18.80
Kotak Bond (Regular) (G)	25.41	-0.50	3.10	17.40
JM Short Term Plan (G)	17.40	0.80	3.00	17.00
IDFC Dynamic Bond - RP A (G)	17.91	-1.00	2.30	16.60
Fidelity Flexi Gilt Fund (G)	11.58	-1.60	-0.20	16.20
Sahara Income Fund (G)	17.11	2.20	3.10	16.10
ICICI Pru Short Term Plan (G)	18.43	0.70	3.80	15.70

Source: moneycontrol.com; Note: All NAV as of August 20, 2009, all returns are expressed in percentage terms.

(Compiled by Amit Chopra)

### Commodities review

#### Energy review

**Crude oil:** Crude oil futures prices fell below US\$70/bbl early last week, recording a two-week low on speculation that rising inventories, falling equity markets and low demand will pressurise prices. The month of August has already witnessed three tropical storms until now. Although tropical storms Ana and Claudette dissipated without making any significant impact, Hurricane Bill strengthened during the week. The US DOE reported that oil, gasoline and distillate inventories had declined by 8.397 million, 2.177 million and 6,50,000 barrels, respectively. The fall in oil inventories can be attributed to the slump in US oil imports by 1.41 million barrels a day to 8.11 million—the biggest drop since September 2008 when hurricanes struck the Gulf of Mexico. The total supply of all products in the last four weeks averaged 19 million barrels, down 2.2% compared to the same period last year.

Barring the Empire Manufacturing Index, all other data, including Leading Indicator Index, Housing Starts and Jobless Claims were below expectations. However, the negative impact on price was neutralized by the unexpected and steep drop in inventories. Moreover, recovery in equity markets cushioned the prices.

In the previous week, crude oil on NYMEX traded in the range of \$65.23-73.43 per barrel. At the time of writing this report, crude oil was trading at \$72.43 per barrel as the Eurozone PMI data and the US Home Sales data are expected to be positive for prices. The

dollar index fell during the week by 0.58% while crude oil prices registered a weekly gain of 7.38%.

Prices for the week are expected to remain steady at current levels with a positive bias considering the recent drop in inventories that has raised hopes of a demand rebound. Nevertheless, equity markets continue to play a critical role in the bullish trend expected from oil prices. However, the economic releases should limit the gains as overall surveys indicate that the economy may not have recovered to the extent imagined.

#### Base metals review

Last week, base metals reversed its previous two-weeks' rally due to profit booking at higher levels. The rise in crude oil prices by 7.38% and the 0.58% fall in the dollar index failed to provide support to prices. Aluminium prices fell the most by 4.22% while, nickel, copper, lead and zinc fell 3.45%, 3.14%, 1.73%, and 1.15%, respectively.

As far as inventories are concerned, aluminium added a whopping 69,250 tonnes last week, aggregating 4.562 million tonnes. According to the International Lead and Zinc Study Group, the global refined lead and zinc were in surplus of 37,000 tonnes and 2,73,000 tonnes, respectively, between January and June 2009. The World Bureau of Metal Statistics reported a huge amount of stock surplus for the period January-June 2009 for all industrial metals compared to the same period last year.

The US economic indicators were mostly mixed for the week. Industrial Production rose

by 0.5%, Empire Manufacturing Index rose to 12.08%, and Philadelphia Fed's Business Outlook Survey Index rose substantially to 4.2 against the expected level of -7.5. The net Long-term Treasury International Capital (TIC) inflows showed a big jump of US\$90.7 billion in June against -US\$19.4 billion in May.

However, the disappointing data that emanated from the US markets include the fall in Building Permits by 1.8% in July 2009 to 5,60,000 units, reduction in Housing Starts by 1.0% to 5,81,000 units, and rise in jobless claims by 15,000 to 576,000. These negatives overshadowed the positive ones, supplementing the metals fall.

In regard to the production numbers, United Company Rusal, the world's largest aluminium producer, has been temporarily shut due to an accident at a large Siberian hydroelectric power station. As a result, aluminium supply could fall in the near-term due to production cuts of more than 5,00,000 tonnes.

This week, the major US economic indicators to be watched include the Durable Goods Order, New Home Sales, US GDP, Personal Consumption, and Consumer Confidence. Except for the GDP, which is expected to fall to -1.40%, all others provide a better picture for the metals complex. Moreover, the global equity markets and the dollar index are likely to maintain higher momentum in the market. Metals are expected to consolidate this week with an initial correction.

- Commodities Research Desk

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### Aviva Young Scholar

Young Scholar is a unit-linked child policy from Aviva Life Insurance. In this policy, the parent is the life assured and the child is the beneficiary.

#### Unique features

**Loyalty additions:** Regular loyalty additions are paid to the investment fund(s) after every 5th policy year. These are in the form of additional units and are expressed as a percentage of units of regular premium.

The details of the loyalty additions are:

End of policy year	Loyalty additions as % of units of regular premium
5 <sup>th</sup> year	0.50%
10 <sup>th</sup> year	1.00%
15 <sup>th</sup> year	1.50%
20 <sup>th</sup> year	2.00%
25 <sup>th</sup> year	2.50%

However, increased premium is not eligible for loyalty additions. Loyalty additions are subject to all due premiums which have been paid by the policyholder.

**Complete protection for the child:** The policy assures a complete financial protection of the child in the case of an unfortunate death of the parent. Furthermore, if the Income Benefit Rider has been opted for, then the child not only receives the sum assured at the time of death, but also a regular income until the age of maturity. All future premium payments are waived off and the insurance company credits these premiums as a lump sum amount in the investment fund for the future benefit of the child to secure his/her education.

**Top-up premium:** The policy provides an option for top-up premium payment. The minimum amount of top-up premium is Rs1,000 and the total top-up premium amount should not exceed 25% of the investment fund value.

#### Policy benefits

**Death benefit:** In the unfortunate event of death of the parent (who is the life assured under the policy) during the policy term, the value of sum assured will be immediately paid to the nominee of the child. In addition, all future premiums are waived-off and credited as a lumpsum amount in the chosen investment fund through the built-in waiver of premium feature. Moreover, if the Income Benefit Rider was opted for and the death of the parent occurs when the child is still a minor, the policy provides for a regular income until the age of maturity of the child.

In case of death of the beneficiary (child) during the policy term and before the death of the life assured (parent), the parent can nominate another beneficiary (another child) to the policy. If the deceased beneficiary was the only child, the new beneficiary can be anyone, subject to application of insurable interest. However, if the child dies after the parent's death but during the policy term, then the policy will terminate with the payment of the investment fund value.

**Maturity benefit:** At the end of the policy term, the investment fund value (for both regular premium as well as top-up premium, if any) is payable as the maturity benefit. The maturity benefit can also be

received as structured payouts up to a period of five years under the settlement option.

#### Eligibility parameters

**Age at entry:** minimum – 18 years; maximum – 50 years

**Age at entry for children:** Minimum – 0 years; maximum – 17 years

**Policy term:** minimum – 10 years; maximum – 25 years. The policy term is subject to the maximum maturity age of 70 years for the parent

**Premium payment term (PPT):** 3 years or 5 years or equivalent of the policy term

**Regular premium amount:** Minimum – Rs15,000 where PPT is equal to the policy term (Rs50,000 where PPT is 3 years or 5 years); maximum – no limit

**Value of sum assured:** Minimum – 5 times APE or annualized premium; maximum – 1.5 times of APE multiplied by the policy term

#### Investment funds

The policy provides a choice of five investment funds. These are Enhancer Fund, Growth Fund, Balanced Fund, Protector Fund and Bond Fund. The policy provides with the facility of switching from one fund to the other. There are four free-of-charge switches available in a policy year and the minimum switching amount is Rs5,000.

The **premium re-direction** facility provides for the change of allocation—proportional to future premiums—at anytime and free of charge. Premium re-direction is allowed up to two times a year and the minimum allocation in each selected fund must be 10% of the allocated premium.

The facility for **systematic transfer plan (STP)** is available on a weekly or a monthly basis. STP is allowed at any policy anniversary, only for annual premium frequency policies. Systematic switches from Protector Fund to Enhancer Fund will be carried out free of charge. No other switches into or from Protector Fund are allowed during this period. The option to close and restart STP is available on policy anniversaries. In the last two policy years, reverse STP will be activated to switch the investment value from Enhancer Fund to Protector Fund on monthly basis. STP cannot be opted along with Automatic Asset Allocation (AAA)

The **Automatic Asset Allocation (AAA)** option is allowed at inception for policies with annual premium frequency. AAA provides for automatic decrease in equity exposure and increase in debt instruments over time with the objective of leveraging the returns from equity market and booking profits.

Under this option, the automatic switching and redirection of future premiums happens by a fixed percentage between Enhancer and Bond Funds, such that at the end of the policy term, 100% of the money is in Bond Fund. The initial allocation in Enhancer and Bond Funds has to be chosen by the policyholder.

No other switches into or from Bond and Enhancer Funds are allowed during AAA period. There is an option to stop AAA on any policy anniversary. On opting out of AAA, all five fund options will be available to the policyholder. AAA cannot be opted along with STP.

### Policy charges

**Premium allocation charge:** The charge details for policies with premium payment term equal to the policy term are:

Annual premium value	Premium allocation charge in				
	Year 1	Year 2	Year 3 & 4	Year 5	Year 6 & thereafter
Less than Rs50,000	20%				
Equal to or more than Rs50,000 but less than Rs1,00,000	10%	5%	2%	1%	18%
Equal to or more than Rs1,00,000	16%				

**Policy administration charge:** This charge is levied for administration of policy and is a fixed charge of Rs55 per month. It is subject to increase at the rate of 5% on 1st January every year.

**Fund management charge:** This charge is levied for management of investment value under the policy. The details for the charge are:

	Enhancer Fund	Growth Fund	Balanced Fund	Protector Fund	Bond Fund
Fund management charge	1.75% p.a.	1.50% p.a.	1.25% p.a.	1.00% p.a.	1.00% p.a.

**Mortality charge:** This charge is applicable for provision of life assurance cover for the parent.

### Partial withdrawals

Partial withdrawals from the regular premium account are available after the completion of five policy years. The minimum partial withdrawal amount is Rs5,000 and maximum amount is 25% of the fund value. This upper limit is not applicable in the last two policy years.

### Riders available

The riders available at the time of inception of the policy only, are:

**Waiver of Premium Rider:** This is the only built-in rider and provides for the waiver of premium payment in case of death of the parent (i.e., life assured) during the policy term.

**Income Benefit (IB) Rider:** If the parent dies during the policy term and if the child is still a minor, this policy rider (if opted for) provides for a regular income (10% of the rider sum assured) until the age of maturity of the child

**Comprehensive Health Benefit (CHB) Rider:** This rider (if opted for) provides coverage against 18 illnesses, including coma, paralysis and multiple sclerosis along with permanent total disability. The rider pays the sum assured value as lump sum in the event of permanent total disability or any of the critical illnesses covered. Furthermore, the rider pays future premiums which get credited to investment fund account(s) as a lump sum (subject to a maximum of Rs25lakhs).

**Accidental Death Benefit (ADB) Rider:** This rider (if opted for) provides for the additional payment of the rider sum assured in the event of death of the life assured caused due to an accident.

The IB, CHB and ADB rider covers are available up to the age (for parent) of 60 years.

### Tax benefits

Premium paid under the 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 the provisions of Section 10(10D) of the Act.

- Atul Stanley Hermit

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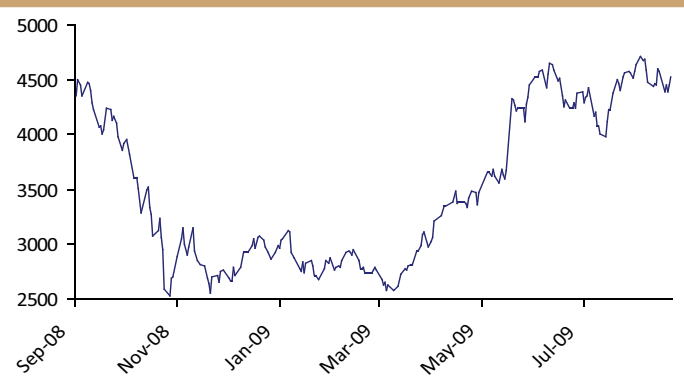
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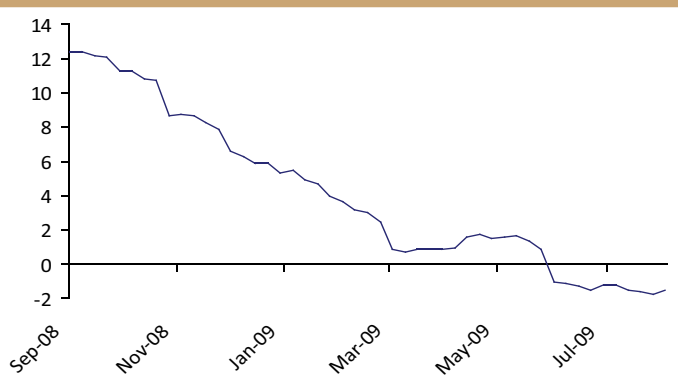


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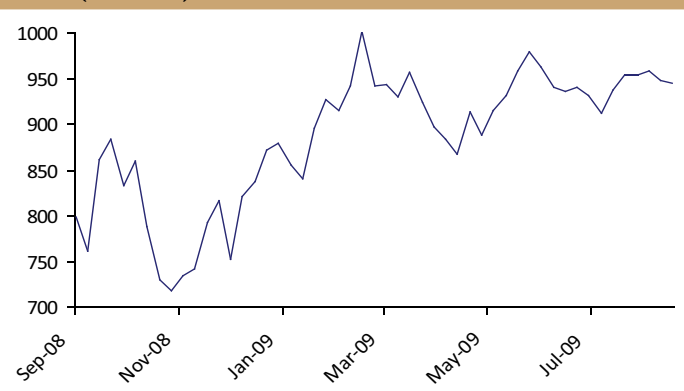
**Nifty movement**



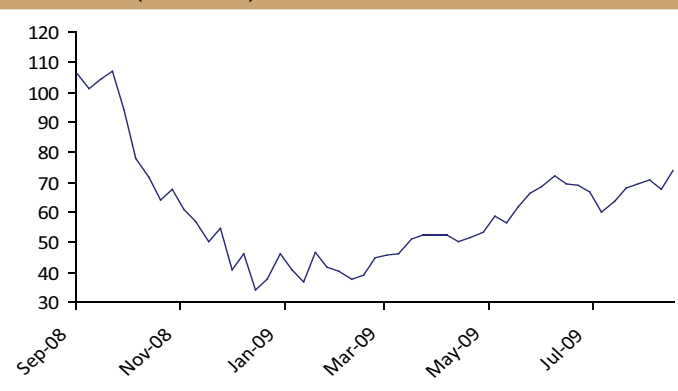
**Inflation is at -1.53%**



**Gold (US\$/oz)**



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



**Global indices: Weekly performance**

	Close (Aug 21)	Close (Aug 14)	Weekly (%)	6M (%)	12M (%)	PE Ratio
<b>ASIA</b>						
Hang Seng	20199.02	20893.33	-3.32	59.06	-0.95	21.14
STI	2544.86	2631.51	-3.29	59.56	-6.21	19.77
S. Korea	1580.98	1591.41	-0.66	48.32	4.52	34.16
Nikkei 225	10238.20	10597.33	-3.39	38.05	-19.71	-
<b>AMERICA</b> (closing as on Aug 20)						
Dow Jones	9350.05	9321.40	0.31	26.94	-18.20	13.43
S&P 500	1007.37	1004.09	0.33	30.82	-21.16	18.58
NASDAQ	1989.22	1985.52	0.19	38.02	-16.43	32.76
Brazil Bovespa	56831.48	56638.00	0.34	46.80	1.60	23.64
<b>EUROPE</b> (closing as on Aug 20)						
FTSE-100	4756.58	4713.97	0.90	23.56	-10.52	60.40
DAX 30	5311.06	5309.11	0.04	34.62	-13.35	46.06
CAC 40	3505.32	3495.27	0.29	29.50	-17.25	13.46

Source: Bloomberg

**Domestic indices: Weekly performance**

	Close (Aug 21)	Close (Aug 14)	Weekly (%)	6M (%)	12M (%)	PE Ratio
Sensex	15240.83	15411.63	-1.11	72.35	7.00	18.35
Nifty	4528.80	4580.05	-1.12	65.50	5.72	18.50
BSE 500	5822.52	5887.76	-1.11	80.04	5.34	18.17
BSE Auto	5537.94	5569.22	-0.56	117.65	45.73	38.81
BSE Bankex	8287.61	8285.99	0.02	92.78	25.99	13.15
BSE Capital Goods	12481.76	12347.40	1.09	109.67	4.82	30.45
BSE Consumer Durables	3049.95	3104.17	-1.75	94.99	-18.80	10.27
BSE FMCG	2529.47	2552.80	-0.91	25.93	18.18	24.64
BSE Healthcare	3789.50	3886.07	-2.49	45.96	-11.28	42.18
BSE IT	3954.18	3977.73	-0.59	93.97	3.45	18.72
BSE Oil & Gas	9500.59	9869.21	-3.74	57.73	-3.43	16.35
BSE Metal	12225.72	12720.84	-3.89	160.54	0.48	13.64
BSE Realty	3868.14	3963.06	-2.40	166.09	-21.77	18.06
BSE PSU	8221.13	8325.15	-1.25	65.53	22.39	15.53
BSE Power	2899.77	2896.93	0.10	68.15	12.69	29.26
BSE Teck	2908.49	2920.82	-0.42	69.27	-2.35	18.66

(Compiled by Amit Chopra)

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