

# KARVY BAZAAR BAATEIN

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

28 Dec 2009 to 03 Jan 2010

Volume 3 : Issue 39

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

## CONTENTS

□ Editorial	: 1
□ Weekly recommendations	: 1
□ Performance monitor	: 1
□ Technicals	: 2
□ Fundamentals	: 2-3
□ Market pulse	: 3
□ Insurance	: 4
□ Mutual funds	: 5
□ Alternative Investments	: 6-7
□ Market data	: 8

<b>NSE</b>	
52 Wk H/L	: 5197.90/2539.45
Mcap	: Rs56,56,019 cr.
<b>BSE</b>	
52 Wk H/L	: 17493.17/8047.17

**Editor : S. Gopichand**

**Managing Editor : Satyan Nair**

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

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

**Production : Amit Chopra, Vijayendra Kumar Ch, Raju.A.**

For subscription enquiries please contact

**Aswin Panda ☎:040-44507254**

For advertising enquiries please contact

**Pavan Katta ☎:040-23312454 ext:152**

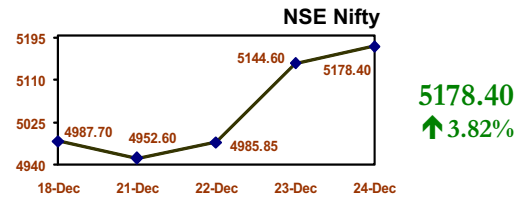
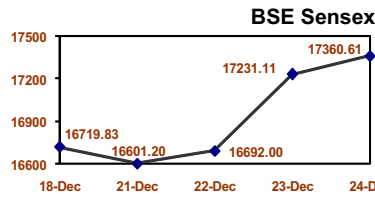
Published from Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad-500034.

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



### Ho, ho, ho and the season of cheer...

If market participants were expecting a quiet December, they were clearly in for a surprise. Contrary to expectations, the markets rallied spectacularly last week, rising nearly 4% W/W. This was driven by optimism in regard to the overall economic growth scenario in the country, besides the positive global cues. The markets may well be signing off 2009 in style, having closed at a 20-month high of 5178.40 on Thursday. So far this year, the benchmark indices have jumped more than 75%, and since the start of the rally this year, on March 9, both indices have risen a staggering 100%. Clearly, this is turning out to be a season of cheer and goodwill, and a far cry from last year when there was nothing but a feeling of doom all around.

The year 2009 started on a gloomy note, and few investors were prepared to look at equity, even for the long term. Apparently, as fear reverberated across financial markets, no one was willing to consider equity while these were quoting at rock-bottom valuations. In fact, many investors exited in October 2008, but those who patiently held on to their investments have recovered most of their losses as 2009 draws to a close. With markets rising more than 75% this year, the gloom and fear are now being gradually replaced by greed, and many investors expect an encore in 2010 despite the current valuations. While there may be reasons for new highs in 2010, we believe investors should also be increasingly cautious and ensure that they do not get ensnared in any form of market euphoria. We also believe the India growth story will continue to remain intact over the long term.

Metal stocks were the top performers last week, with the BSE Metal Index gaining 6.82%. FIIs continued to be net buyers, pumping in around Rs2,000 crore into the cash market last week. This week, buying is expected in metals and technology stocks. While realty stocks are likely to witness further short covering, auto stocks could see rollover of long positions into the January series. Overall, the Nifty is likely to trade in a range of 5100-5300 levels this week, with 5180 levels being a crucial intermediate resistance.

### KBB weekly recommendations for the week beginning 28<sup>th</sup> Dec.

Scrip	Action	CMP	Entry	Stop Loss	Target	Time Frame
MC Dowell	Buy	1295.85	1290-1295	1265	1330-1335	5-6 Days
Voltas	Buy	170.60	168-170	163	181-182	5-6 Days
PFC	Buy	256.20	Above 260	255	273-275	5-6 Days
Aditya Birla nuvo	Buy	910.95	905-910	890	945-950	5-6 Days
Sesa Goa	Buy	403.85	400-404	395	428-430	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
TCS	Buy	715-720	705.00	745-750	-	-	-	NI
KFA	Buy	53-55	50.00	65-66	-	-	-	NI
LITL	Buy	525-530	514.00	570-572	-	-	-	NI
Mphasis	Buy	715-720	705.00	752-755	955	13,085.42	1.91%	CMP
KRBL	Buy	197-200	192.00	218-220	-	-	-	NI
Total						13,085.42		

Balance on inception (26-Jan-09)	Balance last week (18-Dec-09)	Balance current week (24-Dec-09)	Abs. returns WoW (%)	Abs. returns since Jan 26, 2009(%)
5,00,000	6,85,313	6,98,398	1.91	39.68

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

#### ONGC

**CMP: 1197.45**

ONGC witnessed a sharp rally last week prior to which the stock had underperformed the broader index. The stock faced stiff resistance around the 1250 levels, which it failed to breach and sustain despite multiple attempts. It recently found support around the 100-day EMA levels and bounced back. The recent surge can be attributed to a couple of factors, such as short covering in the F&O segment and also the latest news of de-regularization of oil prices, inducing significant buying interest in the stock. It rallied in Thursday's session on the back of significant increase in volumes. The stock has climbed above all its moving averages, which is a positive takeaway. The 8-day EMA will prove to be a critical point of support, currently placed at 1184 levels. The 14-day RSI found support from 42 levels and surged above 52 levels, triggering a fresh buying signal. The stock has crucial support around 1175 and 1150 levels, respectively, where the 50-day and 100-day EMAs are currently placed. Investors are advised to assume long

positions in the stock in the range of 1180-1200 levels for a short-term target of 1250 and 1320 levels. All long positions in the stock should be protected with a stop loss below 1150 levels on a closing basis.

#### Reliance Infra

**CMP: 1102.65**

Reliance Infra has largely underperformed the broader index. The stock repeatedly declined below the 200-day EMA and bounced back. The stock registered a triple-bottom around the 985 levels, reflecting the stubbornness of the support. In Thursday's session, it broke past the consolidation resistance of 1080. It surged significantly on the back of rising volumes, indicating buying interest creeping into the stock. The stock has closed near its 50-day and 100-day EMA levels, which will remain decisive in the near term. It had been consolidating above the 200-day EMA constantly and has risen sharply. However, the 14-day RSI is hovering around the 60 levels on the scale and continues to trigger a buy signal from current levels. The stock has a crucial support placed around 1050 levels, which will be the critical point of observation. Investors are advised to assume long positions in the

stock in the range of 1090-1100 levels for a short-term target of 1175 and 1200 levels. All long positions in the stock should be protected with a stop loss below 1050 levels on a closing basis.

#### IFCI

**CMP: 54.85**

IFCI has been moving sideways since the highs it made in September. Since then, the stock has struggled to sustain and fell significantly. It recently staged a strong uptrend above all the moving averages. On the weekly charts, there is a flag formation, and a further up-move will be confirmed following a breakout above 58-60 levels on a closing basis. The stock has its 21-day EMA at 52 levels, which needs to be observed closely in the near term. It has an immediate resistance around the highs of 60 levels beyond which the stock could move up to 70 levels in the short term. Investors are advised to assume long positions in the stock in the range of 53-55 levels for an upside target of 60 and 70 levels in the short-term scenario. All long positions in the stock should be protected with a stop loss below 50 levels on a closing basis.

- A Kalyan C. Reddy

### Fundamental view

#### Telangana effect on Hyderabad real estate and Andhra Pradesh

##### Real estate prices expected to decline

We believe that growth prospects of Hyderabad's real estate will be severely hampered with the recent turn of events. Irrespective of whether a separate Telangana state is formed or not, the negative sentiments will ensure that no fresh investments are made in Hyderabad as investors will go in a wait-and-watch mode. We expect a 20-30% price decline on Hyderabad's outskirts and 10-15% within Hyderabad. We expect a substantial decline in real estate transactions across greater Hyderabad.

##### Major reasons for decline

- ✓ MNC operations have been severely impacted due to the law-and-order breakdown. This is expected to detract MNCs and Indian companies from making further investments.
- ✓ The NRI community and the rich business class of coastal Andhra are invested heavily in real estate in and around Hyderabad. According to industry sources, Andhra Pradesh gets the highest NRI remittance in the country, constituting more than 22% of

the NRI remittances in 2008, amounting to Rs9 bn.

✓ In a scenario of uncertainty for a separate Telangana, the growth of the state may decline and it may move five years behind. Moreover, the people from coastal Andhra may move their capital and exit most of their investments. Therefore, a lot of supply is expected to come into the market and land prices are expected to fall.

✓ Furthermore, the projects under construction are expected to be stalled due to lack of funds on account of the above-mentioned factors. We believe that this will have a significant impact on the real economy of Andhra Pradesh, thereby impacting government revenues as well as the development and growth in the region. We believe that the major companies that will be adversely impacted from the fall in Hyderabad's real estate are GMR Infrastructure, Lanco Infratech and IVR Prime Urban Developers.

##### Slowdown in business and infrastructure growth

The growth of Hyderabad as a business hub will slow down, leading to decline in migration of people and the lower multiplier effect. Companies will prefer places like Vizag and Vijayawada for further expansion to diversify as well as reduce the geographic risk

from the impending Telangana formation. Companies that have entered into agreements may go back on the deals.

Apart from private investment, Hyderabad is expected to suffer in terms of public expenditure as well.

On the whole, we believe that Hyderabad stands to lose in this political drama wherein further investment may reduce from all sources (private and public), leading to a slowdown in growth of India's fifth-largest metro city. As a result, the real estate prices in greater Hyderabad will be negatively impacted and may not move in line with other prominent realty markets.

Prima facie, the listed companies that will get impacted due to direct investments in AP infrastructure are IVRCL Infra, Patel Engineering, Nagarjuna Constructions, Hindustan Construction Company and Gayatri Projects. Approximately 25-30% of the total order book of these companies comes from irrigation projects. Furthermore, 80-90% of the irrigation projects are located in Andhra Pradesh. These companies will suffer on account of the following factors: (1) Delay in payments for projects; (2) slowdown in construction work; (3) delay in cash flows; (4) decline in expected growth; and (5) fall in incremental order inflow expected from Andhra Pradesh.

### Market pulse

#### Bulk Deals

Company	Wt. Avg. Price (Rs.)	Traded Qty	Acquirer/Seller
<b>Buy</b>			
Amar Remedies	56.58	161988	Blue Peacock Secu.
Nucleus Software	142.43	234559	Goldman Sachs Invest Mauritius
Gammon Infra	18.52	6000000	Emerging India Focus Funds
<b>Sell</b>			
Northgate Techno	28.49	184733	Swiss Finance Corp (Mauritius)
Zandu Pharma	6310.93	38406	EMAMI Ltd

#### Top Gainers (Weekly)

Company	24-Dec	18-Dec	%Change
SAIL	237.20	213.10	11.31
NTPC	229.95	207.30	10.93
Hindalco	158.15	142.85	10.71
Tata Steel	615.60	563.25	9.29
Suzlon Energy	88.20	82.25	7.23
Reliance Infra	1102.65	1029.00	7.16
ICICI Bank	864.90	809.35	6.86
Reliance	1076.30	1007.65	6.81
Tata Motors	779.80	733.95	6.25
Axis Bank	987.35	934.30	5.68

#### Top Losers (Weekly)

Company	24-Dec	18-Dec	%Change
Cipla	345.70	356.55	-3.04
Jaiprakash Associates	144.30	147.40	-2.10
Ranbaxy Laboratories	520.00	530.35	-1.95
ACC	860.95	861.65	-0.08

#### FII Invt (Rs.cr)

#### MF (Rs.cr)

Date	FII Invt (Rs.cr)		MF (Rs.cr)	
	Purchases	Sales	Purchases	Sales
21-Dec-09	2228.30	2317.90	415.10	589.10
22-Dec-09	1836.40	2078.10	718.80	501.70
23-Dec-09	1217.30	1164.20	823.70	722.70
24-Dec-09	1908.80	1113.00	-	-
<b>Total</b>	<b>7190.80</b>	<b>6673.20</b>	<b>1957.60</b>	<b>1813.50</b>

#### Corporate Actions

Company	Date	Purpose
Deccan Chronicle Holdings	28-Dec-09	Amalgamation
Zee Entertainment Enterprises	29-Dec-09	Scheme of Arrangement
LML Ltd	30-Dec-09	Audited Financial Results

(Compiled by Krishnaveni M)

### HCC (Rs136)

HCC, one of the largest and oldest construction companies, is in a sweet spot with the core construction business on a growth trajectory, driven by improving visibility for new order inflows and a 135% rise in infrastructure investments in the 11th Five-Year Plan. We expect the order book to show a 19% CAGR over the next two years, to Rs233 bn. Thus, HCC's revenue will show a 26% CAGR over FY10-11E and it would be able to sustain margins at a higher level. Moreover, value unlocking from its foray into real estate, primarily Lavasa Corporation, would add significant value to its shareholders.

**Visibility for new order inflows:** The government plans to increase infrastructure spending by 135% in the 11th Five-Year Plan to US\$437bn, enhancing the opportunity for construction companies. However, due to elections at the Centre and some states and slowdown in the economy, new project announcements were put on hold or deferred in the last two years. We believe that post the continuation of the Congress-led government at the Centre with a higher majority and signs of improvement in the macro environment, the order inflow of construction companies will show a CAGR of 24% in FY10-12E.

**Order backlog of Rs233 bn by FY11:** HCC had an order book position of Rs155.5 bn as on September 2009, representing 4.7x FY09 revenue and providing strong revenue visibility for the next four years. The company is an L1 bidder for Rs10-bn worth of projects and has submitted bids worth Rs150 bn; accordingly, we expect the order backlog to show a CAGR of 19% in the next two years, to Rs233 bn. We expect the order book of the company to be skewed towards hydro-power projects, which would sustain margins at higher levels.

**Real estate would unlock value:** HCC Real Estate Ltd (HCCREL)—a 100% owned subsidiary of HCC, having a land bank of

14,038 acres and total developable area of 186 mn sq ft—is in the process of developing two major projects, Lavasa Corporation Ltd. (LCL) and Vikhroli Corporate Park. During the last year, financial investors and private institutions have invested Rs6.56 bn for a 6.56% stake in LCL, valuing the project at Rs100 bn (Rs 214 per share of HCC). We believe the company would unlock value in its real estate business through a stake-sale to private equity players or through listing in FY11. This will help to benchmark the valuation of the real estate business and would add significant value to HCC's shareholders.

**Valuation:** We initiate coverage on the stock with a 'BUY' rating and price target of Rs171 based on SOTP valuation method. The core construction business—valued at a P/E of 15x—contributes Rs105 to our target price. The real estate business is valued on DCF basis of the developed value and raw land, at 40% discount. Lavasa (HCC's marquee project) and Vikhroli IT Park contribute Rs38 and Rs19, respectively, to our target price. Moreover, our P/BV valuation method for the two BOT projects results in a value of Rs8 per share. We have not included contribution from real estate projects that are in the early stages of development and BOT projects that have not achieved financial closure. At the current market price of Rs136 per share, the stock is trading at a P/E multiple of 20x and an EV/EBIDTA multiple of 8.9x FY11E earnings. If we adjust the value of other businesses in the current market price, the company is trading at a P/E of 10x FY11E diluted earnings. We believe HCC provides good investment opportunity for long-term investors.

**Risks and concerns:** 1) Exercise of put options would impact the financial condition; 2) rise in interest rates may negatively impact our earnings estimates; 3) delay in the Lavasa project; and 4) impact of agitation for a separate Telangana state.

HCC (Standalone)		In Rs. Mn	FY07	FY08	FY09	FY10E	FY11E
Reuters/Bloomberg Code	HCNS.BO/HCCIB	Net Sales	23,576	30,828	33,137	43,280	52,881
Market Cap. (Rsbn)	40.9	EBIDTA	2,153	3,667	4,314	5,653	6,907
Market cap. (US\$m)	835.6	Adj. Net Profit	793	1,088	1,254	1,631	2,049
Shares Outstanding (mn)	303.3	Adj. EPS	3.1	4.2	4.9	5.4	6.8
52-week High/Low (Rs)	150/30	EPS Growth %	-4.4	37.2	15.3	9.9	25.6
		EBIDTAM%	9.1	11.9	13	13.1	13.1
		NPM%	3.3	3.5	3.7	3.8	3.9
		PER (x)	94.1	25.4	27.6	30.7	20
		P/BV (x)	3.8	3.4	3.4	2.6	2.3
		Price/sales (x)	1.5	1.1	1.0	0.9	0.8
		EV/EBIDTA	22.3	13.7	13.0	10.0	8.9
		DPS	0.8	0.8	0.8	0.9	0.9
		ROCE (%)	9.2	13.3	13.5	15.7	17.6
		ROE (%)	4.1	14.3	12.5	10.3	12.2

Source: Company and Karvy Estimates

- Karvy Equity Desk

### Bright Stars

Bright Stars is a unit-linked insurance policy from Bharti AXA Life Insurance Company Limited. The policy aims at wealth creation with an additional lumpsum amount to take care of the financial requirements at the key stages of a child's life. The policy provides a life assurance cover on the life of the parent. This is a non-participating policy.

#### Unique features

**Jumpstart benefit:** The maturity benefit under the policy comprises jumpstart benefit, which is equal to 5% of the average of the policy fund value(s) as on the end of each preceding 36 policy months.

**Top-up premium:** Top-up premium can be paid any time after the first policy year and the minimum amount of top-up premium is Rs2,500. The total amount of top-up in a policy year cannot be more than 25% of the total regular premiums paid until that date.

#### Policy benefits

**Death benefit:** In the unfortunate event of death of the parent (the life assured) during the policy term, the sum assured amount will be paid to the child / nominee. Furthermore, the insurance company will pay all the future premiums into the chosen investment fund(s) to ensure wealth creation over the entire policy tenure as initially planned. The policy will, therefore, continue for the entire tenure.

**Maturity benefit:** At the end of the policy term, the sum assured and the jumpstart benefit amount will be paid to the policyholder / child. The maturity benefits can be taken as a lumpsum or in installments under the settlement option available under the policy.

#### Eligibility parameters

**Age at entry:** Min-18 years; max-70 years less the chosen policy term

**Maximum age at maturity:** 70 years

**Policy term options:** 7 years, 10 years, 15 years, 17 years and 20 years

**Premium payment frequency:** Annual, semi-annual and monthly (through ECS only)

**Minimum annual premium:** Rs15,000 for annual and semi-annual premium payments and Rs18,000 for monthly premium payments

#### Policy charges

**Premium allocation charge:** This charge is levied as a percentage of the regular premium amount and varies depending on the premium amount and the policy term.

Premium Band 1 is equal to annualized regular premium between Rs15,000 and Rs99,999. Premium Band 2 is equal to annualized

**Investment fund choice:** The policyholder can choose from any one or more of the 4 investments funds available under the policy. The details for these funds are:

Fund name	Investment objective	Risk return profile	Asset allocation in			
			Listed equities	Cash & money market instruments	Corporate bonds	Govt bond & securities
Growth Opportunities Fund	Long-term capital appreciation by investing in stocks of all market capitalization ranges (large, medium or small)	High	80% to 100%	0% to 40%	0%	0%
Grow Money Fund	Long-term capital appreciation through investing across diversified high-quality equity portfolio.	High	80% to 100%	0% to 40%	0%	0%
Save'n'grow Money Fund	Steady accumulation of income in medium to long term by investing in high-quality debt paper and government securities, with a limited opportunity of capital appreciation.	Moderate	0% to 60%	0% to 40%	0% to 50%	0% to 40%
Steady Money Fund	Steady accumulation of income in medium to long term by investing in high-quality debt paper and government securities.	Low	0%	0% to 40%	20% to 80%	20% to 80%

The policy provides for the premium re-direction facility to change the allocation for future premiums. This facility is available after the first policy year and can be availed of any number of times free of charge. The minimum allocation in any chosen investment fund should be 5%. The policy also provides the option of switching between the funds. Four switches are available free-of-charge in a policy year. The minimum value of a switch should be Rs2,500.

Policy year	Premium band	Premium allocation charge (% of premium for policy term of)				
		7 years	10 years	15 years	17 years	20 years
1	1	35%	35%	38%	40%	45%
	2	32%	32%	32%	34%	39%
2	1 & 2	10%	15%	25%	25%	25%
3	1 & 2	8%	8%	8%	8%	8%
4 & 5	1 & 2	2%	2%	2%	2%	2%
6 & onwards	1 & 2	0%	0%	0%	0%	0%

regular premium of Rs1,00,000 and above. For top-up premium, the premium allocation charge is 1.50%.

**Mortality charge:** This charge is levied for providing life assurance cover and depends on the age of entry of the life assured. This charge is deducted on a monthly basis and will remain the same throughout the policy term.

**Policy administration charge:** This is a fixed charge and is deducted on a monthly basis. This charge is Rs65 per month for policies where the premium is paid annually and semi-annually, and is Rs80 per month for policies where the premium is paid every month.

**Fund management charge:** This charge is levied on the fund value being managed under each of the chosen investment fund(s) and gets calculated on a daily basis. The charge details are:

**Switching charge:** A switch subsequent to four free-of-charge switches in a policy year is to be charged at Rs100 per switch.

**Partial withdrawal facility:** The partial withdrawal facility is available anytime after completion of three policy years. The minimum partial withdrawal is Rs5,000 and is subject to the policy fund value of becoming less than 120% of the annualized regular premium remaining post the withdrawal. Four partial withdrawals are free of charge in a policy year.

**Policy surrender:** The policy can be surrendered at any time during the policy term. If the surrender happens within the first three policy years, then the surrender value as on the date of intimation of surrender will be paid only after the completion of three policy years. The surrender value paid is subject to deduction of the surrender charges as detailed in the policy charges section.

**Rider available:** Critical Illness Benefit Rider: The critical illnesses covered are cancer, coronary artery bypass surgery, heart attack, kidney failure, major organ transplant, and stroke.

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

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

### Mutual fund performance

#### Equity Diversified

Scheme Name	NAV (Rs)	3 Mnts	1 Year	3 Yrs	5 Yrs
Principal Emerging Bluechip(G)	27.52	11.92	149.73	-	-
ICICI Pru Discovery-Inst -1(G)	17.59	11.19	139.97	16.24	-
JM Mid Cap(G)	25.89	6.33	139.01	5.57	15.84
ICICI Pru Discovery(G)	39.92	10.86	137.05	14.74	26.02
Tata Life Science & Tech(G)	62.25	6.94	128.55	10.03	21.75
UTI Transportation & Logistics(G)	22.38	7.96	126.98	5.43	-
Sundaram BNPP S.M.I.L.L.E(G)	31.38	9.94	122.65	19.95	-
Principal Pnb LT Equity-3Y-II(G)	10.35	12.38	119.75	-	-
DSPBR Small & Mid Cap-Reg(G)	14.44	14.62	119.46	11.89	-
Sundaram BNPP Select Midcap(G)	133.03	12.75	118.24	14.12	30.88

#### Balanced Funds

Scheme Name	NAV (Rs)	3 Mnts	1 Year	3 Yrs	5 Yrs
Kotak Dynamic Asset Alloc(G)	13.92	3.86	85.79	-	-
HDFC Prudence(G)	172.24	9.05	85.37	15.61	24.89
Reliance Reg Savings-Balanced(G)	19.21	7.53	76.94	18.75	-
Tata Balanced(G)	73.73	9.56	75.35	15.03	22.12
Birla SL '95(G)	267.01	5.35	72.20	16.10	21.32
HDFC Balanced(G)	44.33	9.92	71.63	11.97	17.89
Sundaram BNPP Balanced(G)	45.03	6.96	69.34	12.62	17.59
HDFC Children's Gift - Investment	32.38	9.50	68.25	10.14	15.12
SBI Magnum NRI Inv-FlexiAsset(G)	27.71	5.27	65.75	6.60	19.99
Tata SIP-II(G)	12.90	10.42	65.16	-	-

#### Income Funds

Scheme Name	NAV (Rs)	3 Mnts	1 Year	3 Yrs	5 Yrs
ICICI Pru Income Opp-Reg(G)	12.69	0.21	12.82	-	-
Templeton India ST Income(G)	1813.84	2.47	12.18	10.34	8.64
UTI ST Income(G)	15.54	2.36	9.58	-	-
HDFC High Interest-STP(G)	18.09	2.22	9.56	10.52	8.62
Escorts Income Bond(G)	25.14	2.41	9.56	8.01	10.87
Principal Income-STP(G)	17.02	1.52	9.42	8.59	7.65
Kotak Bond-STP(G)	17.48	1.61	9.41	9.58	8.26
Reliance STF(G)	17.17	1.62	9.13	10.24	8.75
HDFC STP(G)	17.69	1.91	8.76	10.24	8.46
Birla SL ST Oppor-Ret(G)	14.09	1.50	8.63	6.91	6.02

#### ELSS

Scheme Name	NAV (Rs)	3 Mnts	1 Year	3 Yrs	5 Yrs
ICICI Pru Tax Plan(G)	119.59	14.11	111.78	10.16	23.11
Birla SL Tax Relief '96(G)	10.74	7.72	103.80	-	-
HDFC TaxSaver(G)	195.49	10.52	99.09	10.99	26.53
ING Tax Savings(G)	25.28	7.71	97.50	-1.07	15.60
Taurus Tax Shield(G)	31.73	6.23	95.86	23.42	19.18
DBS Chola Tax Saver(G)	14.89	6.59	95.15	3.39	-
SBI TAX Advantage-I(G)	11.59	6.04	91.25	-	-
Sahara Tax Gain(G)	32.59	5.95	88.59	16.97	8.42
Principal Personal Tax saver(G)	89.33	7.17	88.54	10.22	20.08
HDFC Long Term Adv(G)	113.90	8.36	86.79	8.27	19.54

#### MIP

Scheme Name	NAV (Rs)	3 Mnts	1 Year	3 Yrs	5 Yrs
HDFC Children's Gift - Savings	19.78	4.61	23.02	10.04	9.29
HDFC Multiple Yield 2005(G)	14.58	4.50	21.57	10.01	-
Reliance MIP(G)	19.90	4.45	23.62	13.22	13.80
ICICI Pru Child Care Plan-Study Plan	25.82	3.96	22.00	10.16	11.77
DSPBR Savings Mgr-Agg(G)	18.22	3.78	20.78	10.40	11.07
HDFC MIP-LTP(G)	20.67	3.68	30.95	12.47	13.33
UTI MIS(G)	18.30	3.46	18.04	9.98	9.45
HSBC MIP - Savings(G)	18.14	3.24	19.55	11.32	11.34
HDFC Multiple Yield(G)	15.98	3.04	21.57	9.89	9.00
UTI MIS Adv(G)	18.77	2.94	21.64	10.40	11.89

#### Gilt

Scheme Name	NAV (Rs)	3 Mnts	1 Year	3 Yrs	5 Yrs
Religare GILT-Long Dur-Ret(G)	9.80	2.73	-6.57	-	-
DBS Chola Gilt - Investment(G)	21.66	2.72	-8.01	5.19	3.70
HSBC Gilt-ST-Reg(G)	11.48	2.09	-5.69	1.43	2.40
JM G-Sec-Reg(G)	29.81	1.86	3.47	12.26	8.86
Religare GILT-Long Dur-Inst(G)	9.98	1.84	-6.89	-	-
Birla SL Govt Sec-LT(G)	25.65	1.64	23.23	9.21	7.19
Kotak Gilt-Invest-PF&Trust(G)	31.29	1.51	-1.49	9.06	7.22
Kotak Gilt-Invest(G)	30.70	1.51	-1.49	8.81	6.90
UTI G-Sec-Invest(G)	21.64	1.40	-10.36	4.43	4.27
ICICI Pru Gilt-Treasury(G)	24.05	1.37	6.34	10.41	8.42

Source: moneycontrol.com; Note: All NAV as of December 23, 2009, all returns are expressed in percentage terms.

(Compiled by Amit Chopra)

**EVERYBODY PROMISES STOCK MARKET ON YOUR MOBILE PHONE!!!**

**We provide trading tips for you to profit**

**SUBSCRIBE FOR STOCK MARKET SMS DURING TRADING HOURS**

How do you stay connected to the market while on the move? Simple, subscribe to **Karvy Stock Messaging Service**. You will have the trading tips on your Mobile.



For any clarifications please write to [aswin@karvy.com](mailto:aswin@karvy.com), 040-44507254

PLAN	AMOUNT	HOW YOU BENEFIT
1 Month	Rs.3,000	Daily 5-6 trading recommendations+ 1 yr Finapolis subscription free
3 Months	Rs.8,000	Daily 5-6 trading recommendations + 2 yrs Finapolis subscription free+ Attractive discounts
6 Months	Rs.12,000	Daily 5-6 trading recommendations +3 yrs Finapolis subscription free+ Attractive discounts
1 Year Base Plan	Rs.15,000	Daily 5-6 trading calls recommendations + Karvy Bazaar Baatein(Soft Copy)+ Trade Winds(Soft Copy) free+Attractive discounts
1 Year Power Plan	Rs.20,000	Daily 5-6 trading recommendations +Weekly Karvy Bazaar Baatein(Soft Copy)+ Trade Winds(Soft Copy)+3 yrs Finapolis subscription free+Attractive discounts

**Mode of payment :** Please pay by DD in favour of "**Karvy Stock Broking Ltd.**" payable at Hyderabad.

Please send in your payment details along with the DD to Mr.Shomesh Kumar, Karvy Stock Broking Ltd.,

Karvy House,46, Avenue 4, St.No.1, Banjara Hills, Hyderabad-500 034.

For online payment logon to [www.karvy.com](http://www.karvy.com)

### Introduction to tax planning

As responsible citizens, our duty is to meet our tax obligations every year. However, the law allows certain “tax-deductible” savings and we owe it to ourselves to benefit from these options, which could translate into future savings. Every citizen has a fundamental right to avail of all the tax incentives that the government provides. Therefore, through prudent tax planning, not only can income-tax liability be reduced but a better future can also be ensured through compulsory savings in government and other schemes. Let us take a look at how one can achieve successful tax planning to enjoy optimum benefits.

#### Knowing the tax brackets

Everybody who earns an income falls under a particular and pre-defined “tax bracket”. It is important to keep in mind that your “taxable income”, or income after deduction, defines your tax bracket, and this could be lower than the amount of money you have earned over the year. According to the current income tax law, the main tax brackets are shown in Table 1.

**Table 1: Key income tax bracket**

Lower limit	Upper limit	Tax payable
Nil	Rs1,60,000 (individuals/ HUF/ AOP/ BOI)*	Nil
Rs1,60,000 (individuals)/HUF/ AOP/BOI)*	Rs3,00,000	10% of total income less Rs1,60,000*
Rs3,00,001	Rs5,00,000	Rs14,000 + 20% of total income less Rs3,00,000 (individuals)/HUF/AOP/BOI); Rs11,000 + 20% of total income less Rs3,00,000 (resident women); Rs6,000 + 20% of total income less Rs3,00,000 (senior citizens)
Rs5,00,001	Rs10,00,000	Rs54,000 + 30% of total income less Rs5,00,000 (individuals)/HUF/AOP/BOI); Rs51,000 + 30% of total income less Rs5,00,000 (resident women); Rs46,000 + 30% of total income less Rs5,00,000 (senior citizens)

*Note:* These rates do not include applicable surcharge and education cess and are applicable for the assessment year 2010-11. \* Rs1,90,000 for resident women and Rs2,40,000 for senior citizens more than 65 years.

For example, if your taxable income is Rs 4,00,000 for the year, you would fall within the Rs3,00,001 to Rs5,00,000 tax bracket. You would have to pay the fixed sum for this slab, which is Rs14,000 plus 20% of the amount that exceeds Rs3,00,000. In this case, this excess amount would be Rs1,00,000. Thus, your total income tax for the year would be Rs14,000 + Rs20,000 = Rs34,000.

#### Section 80C: A snapshot

The deduction of investments and savings is applicable on the gross total income.

Deduction is available only to individuals or HUFs.

Deduction is available on the basis of specified qualifying investments / contributions / deposits / payments made by the taxpayer during the previous year.

The maximum amount deductible is Rs1,00,000. Moreover, the aggregate amount of deduction under Section 80C, 80CCC (pension plans) and 80CCD (pension scheme) cannot exceed Rs1,00,000.

By optimizing the deductions under Section 80C, you could fall into the lower taxable income category. Let us see how this would work (Table 2).

**Table 2: Savings from Section 80C**

Annual taxable income (Rs)*	Applicable tax pre-investment (Rs)#	Amount invested u/s Section 80C (Rs)	Net taxable income (Rs)	Applicable tax after investment (Rs)#	Savings (Rs)
1,75,000	1,500	1,00,000	75,000	0	1,500
2,50,000	9,000	1,00,000	1,50,000	0	9,000
3,00,000	14,000	1,00,000	2,00,000	4,000	10,000
4,00,000	34,000	1,00,000	3,00,000	14,000	20,000
5,00,000	54,000	1,00,000	4,00,000	34,000	20,000
6,00,000	84,000	1,00,000	5,00,000	54,000	30,000
7,50,000	1,29,000	1,00,000	6,50,000	99,000	30,000
9,00,000	1,74,000	1,00,000	8,00,000	1,44,000	30,000
12,00,000	2,64,000	1,00,000	11,00,000	2,34,000	30,000

\*It is assumed that the total taxable income specified above is after considering all deductions except deductions under Section 80C of the Income Tax Act, 1961. # This does not consider the applicable surcharge and the education cess. Calculations have been done as per the rates of the Finance Act, 2009.

Should one invest the entire one lakh to save tax? Table 3 shows the optimal amount you could invest to reduce your taxes. As you will see, you do not have to invest the entire one lakh.

**Table 3: Optimal investment under Section 80C**

Annual taxable income (Rs)*	Applicable tax pre-investment (Rs)#	Optimal investment amount (Rs)	Net taxable income (Rs)	Applicable tax after investment (Rs)#	Savings (Rs)
1,75,000	1,500	15,000	1,60,000	0	2,500
2,00,000	4,000	40,000	1,60,000	0	4,000
2,40,000	8,000	80,000	1,60,000	0	8,000
3,00,000	14,000	1,00,000	2,00,000	4,000	10,000
4,00,000	34,000	1,00,000	3,00,000	14,000	20,000
5,00,000	54,000	1,00,000	4,00,000	34,000	20,000
6,00,000	84,000	1,00,000	5,00,000	54,000	30,000
7,50,000	1,29,000	1,00,000	6,50,000	99,000	30,000
9,00,000	1,74,000	1,00,000	8,00,000	1,44,000	30,000
12,00,000	2,64,000	1,00,000	11,00,000	2,34,000	30,000

\*Calculations are based on income tax rates applicable for 2009-10. Tax amounts indicated do not include any applicable surcharge and education cess. It is assumed that the total taxable income specified above is after considering all deductions except deductions under Section 80C of the Income Tax Act 1961.

#### Exemption available under Section 80C

- ✓ Premium on life insurance policies
- ✓ Non-commutable deferred annuity plan
- ✓ Statutory provident fund and recognized provident fund
- ✓ 15-year public provident fund (PPF)
- ✓ Approved superannuation fund
- ✓ National Savings Certificates, VIII issue (NSC)
- ✓ Unit-linked insurance plans (ULIPs) of UTI, LIC, and other insurers
- ✓ Notified annuity plan of LIC

## ALTERNATIVE INVESTMENTS

- ✓ Notified units of mutual funds or UTI
- ✓ Notified pension funds set up by mutual funds or UTI
- ✓ Home loan account scheme or pension fund set up by the National Housing Bank
- ✓ Any scheme of a public sector company engaged in providing long-term finance for purchase / construction of residential houses in India (e.g., public deposit scheme of HUDCO).
- ✓ Any housing board constituted in India for the purpose of planning, development or improvement of cities / towns.
- ✓ Tuition fees to any university / college / educational institute in India for full-time education of two children subject to limits.
- ✓ Payment towards the cost of purchase / construction of a residential property, including repayment of loan taken from government, bank, co-operative bank, LIC, and National Housing Bank.
- ✓ Amount deposited under the Senior Citizen Scheme (applicable from assessment years 2008-09).
- ✓ Amount deposited in a five-year time deposit scheme in the post office (applicable from assessment years 2008-09).

**Table 4: Fixed-income options for tax savings**

Instrument	Duration (years)	Returns (%)	Com-pounding	Taxability of interest	Nature	Yield (post-tax)
Bank fixed deposits	5	8	Quarterly	Taxable	Fixed	5.33
Employee provident fund	Until retirement	8.50	Yearly	Tax-free	Fixed	12.30
Life insurance	10 or more	6	Yearly	Tax-free	Fixed	8.68
National Savings Certificate^	6	8	Half-yearly	Taxable	Fixed	5.53
Post-office time deposits	5	7.50	Quarterly	Taxable	Fixed	5.18
Public provident fund	15	8.00	Yearly	Tax-free	Fixed	11.57
Senior Citizen's Savings Scheme	5	9.00	Quarterly	Taxable	Fixed	6.22
Unit-linked insurance plans	5-30	NA	NA	Tax-free	Market linked	NA
Equity-linked savings schemes	3	12-15	NA	Tax-free	Market linked	17.28-21.6

^ Accrued interest for NSC (which is deemed as reinvested) is also qualified for deduction for the first five years.

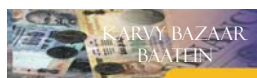
- Team ICA

**Disclaimer :** The information and views presented in this report are prepared by Karvy Stock Broking Limited. The information contained herein is based on our analysis and upon sources that we consider reliable. We, however, do not vouch for the accuracy or the completeness thereof. This material is for personal information and we are not responsible for any loss incurred based upon it. The investments discussed or recommended in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advice, as they believe necessary. While acting upon any information or analysis mentioned in this report, investors may please note that neither Karvy nor Karvy Stock Broking nor any person connected with any associate companies of Karvy accepts any liability arising from the use of this information and views mentioned in this document. The author, directors and other employees of Karvy and its affiliates may hold long or short positions in the above mentioned companies from time to time. Every employee of Karvy and its associate companies is required to disclose his/her individual stock holdings and details of trades, if any, that they undertake. The team rendering corporate analysis and investment recommendations are restricted in purchasing/selling of shares or other securities till such a time this recommendation has either been displayed or has been forwarded to clients of Karvy. All employees are further restricted to place orders only through Karvy Stock Broking Ltd. This report is intended for a restricted audience and we are not soliciting any action based on it. Neither the information nor any opinion expressed herein constitutes an offer or an invitation to make an offer, to buy or sell any securities, or any options, futures or other derivatives related to such securities.

### Subscribe to Karvy Publications

**Yes, I wish to subscribe to Karvy Publications. (please tick below)**

I would like to subscribe to Karvy Bazaar Baatein..(Soft copy) for a period of  6 months : Rs.1000  1 year : Rs.1500



**Only Soft Copy**

A weekly Equity & Commodities investment newsletter from Karvy

Subscribers will receive SMS alerts on when to initiate & when to close Karvy Bazaar Baatein...recommendations

I would like to subscribe to Trade Winds (Soft copy) for a period of  6 months : Rs.2000  1 year : Rs.3000



**Only Soft Copy**

A weekly Futures and Options trading newsletter from Karvy

Subscribers will receive SMS alerts on when to initiate & when to close Trade Winds recommendations

I would like to subscribe to the Finapolis (Hard copy) for a period of :  1yr:Rs.250  2 yrs : Rs.475  3 yrs : Rs.650



**Hard Copy & Soft Copy**

A monthly magazine on Personal Finance

**Subscribe to Mega offer:  Rs.4,500 = { 1 year 'Karvy Bazaar Baatein' + 1 year 'Trade Winds' + 1 year 'Karvy the Finapolis' }**

Subscription Tenure	No. of Issues	Subscription Price
6 months	26	1000
1 year	52	1500

Subscription Tenure	No. of Issues	Subscription Price
6 months	26	2000
1 year	52	3000

Subscription Tenure	No. of Issues	Cover Price @ Rs.25 per issue	Subscription Price	You Save
1 year	12	300	250	17%
2 years	24	600	475	21% (Best offer)
3 years	36	900	650	28%

**Mode of payment :** Please pay by Cheque / DD in favor of "Karvy Stock Broking Ltd.," payable at Hyderabad. For outstation (other than Hyderabad)

cheques, please add Rs.25/- as collection charges to the above amount. This Subscription Request Form, along with your Cheque / DD may please be sent to : Shomesh Kumar, Editor-in-chief, The Finapolis, Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034. **Phone** - 040-44507254, **email** - shomeshk@karvy.com. Email your cheque/DD No. and amount to [aswin@karvy.com](mailto:aswin@karvy.com) to enable us to start your subscription to **The Finapolis** right away.

**Subscription Request Form** Please write in BLOCK CAPITALS

Mr/Mrs/Ms/. First Name \_\_\_\_\_ Last Name \_\_\_\_\_ Age \_\_\_\_\_ Address \_\_\_\_\_  
Pin: \_\_\_\_\_ Tel No. \_\_\_\_\_ e mail : \_\_\_\_\_

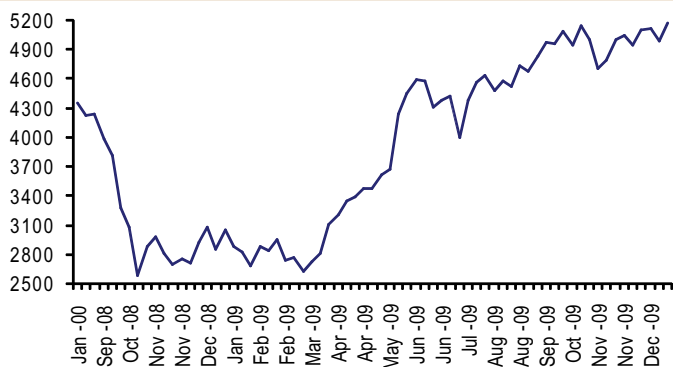


# KARVY BAZAAR BAATEIN

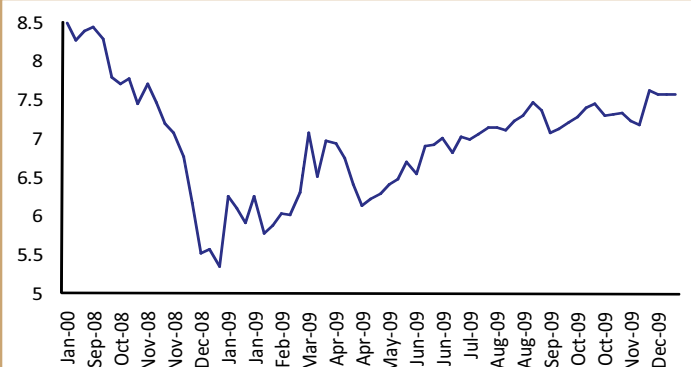
**KARVY** the **Finapolis**  
Your Personal Finance Advisor

## MARKET DATA

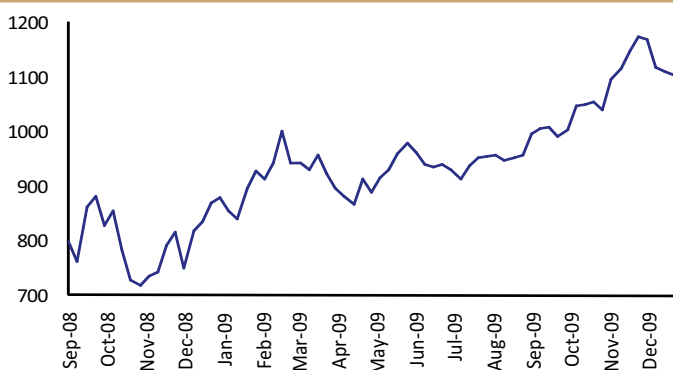
### Nifty movement



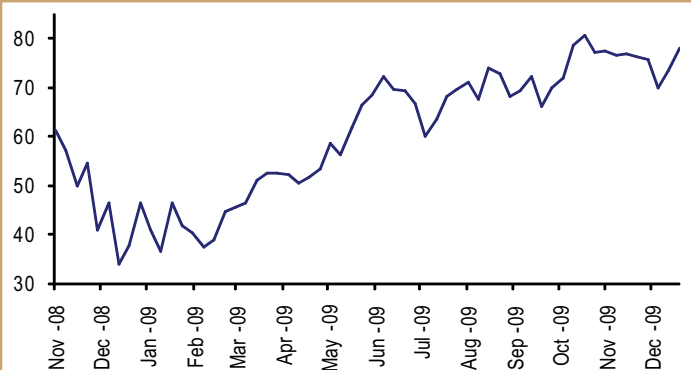
### 10-year bond yield (%)



### Gold (US\$/oz)



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



### Global indices: Weekly performance

	Close (Dec 24)	Close (Dec 18)	Weekly (%)	6M (%)	12M (%)	PE Ratio
<b>GLOBAL INDICES</b>						
MSCI World Index	1172.16	1144.11	2.45	22.35	31.94	34.00
MSCI Asia Pacific Ex Japan	406.91	397.63	2.33	27.88	69.96	30.20
<b>ASIA</b>						
Hang Seng	21517.00	21175.88	1.61	18.65	52.87	22.67
STI	2837.70	2802.59	1.25	23.98	64.34	25.72
S. Korea	1682.34	1647.04	2.14	20.90	49.21	23.04
Nikkei 225	10536.92	10142.05	3.89	7.43	21.42	-
<b>AMERICA</b>						
Dow Jones	10520.10	10328.89	1.85	24.17	24.23	16.39
S&P 500	1126.48	1102.47	2.18	22.41	29.76	24.52
NASDAQ	2285.69	2211.69	3.35	24.93	49.89	43.63
Brazil Bovespa	67588.86	66794.21	1.19	36.07	85.32	20.48
<b>EUROPE</b>						
FTSE-100	5402.41	5196.81	3.96	27.04	28.12	60.31
DAX 30	5957.44	5831.21	2.16	23.19	28.69	60.24
CAC 40	3912.73	3794.44	3.12	23.70	25.56	16.62

Source: Bloomberg

### Domestic indices: Weekly performance

	Close (Dec 24)	Close (Dec 18)	Weekly (%)	6M (%)	12M (%)	PE Ratio
Sensex	17360.61	16719.83	3.83	21.02	81.43	23.20
Nifty	5178.40	4987.70	3.82	22.08	77.53	23.32
BSE 500	6798.44	6577.03	3.37	25.03	92.04	22.39
BSE Auto	7356.81	7214.52	1.97	59.28	205.84	52.51
BSE Bankex	9968.03	9542.94	4.45	25.06	85.56	14.88
BSE Capital Goods	14017.08	13686.33	2.42	6.97	112.37	36.10
BSE Consumer Durables	3655.34	3530.78	3.53	30.88	90.21	12.19
BSE FMCG	2824.39	2755.94	2.48	25.79	41.15	31.12
BSE Healthcare	5109.94	5117.57	-0.15	38.38	77.82	41.47
BSE IT	5175.46	5046.65	2.55	58.91	131.34	23.48
BSE Oil & Gas	10418.23	9945.78	4.75	14.23	73.15	19.47
BSE Metal	17333.73	16226.29	6.82	62.83	240.46	41.10
BSE Realty	3854.04	3708.76	3.92	17.92	68.43	20.69
BSE PSU	9459.49	9083.13	4.14	21.59	79.34	18.32
BSE Power	3133.42	2995.99	4.59	10.46	75.29	32.28
BSE Tech	3264.53	3188.30	2.39	25.37	71.13	21.32

(Compiled by Amit Chopra)

#### Head Office:

**S. Gopichand**, Editor, Karvy Stock Broking Ltd.,  
529, Road No.10, Banjara Hills, Hyderabad - 500 034.  
Ph: 040-44507254.

For further details on Karvy network visit: [www.karvy.com](http://www.karvy.com)

#### Subscriber's Address: