Rs.5/-

KARVY BAZAAR BAATEIN

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

23 March 2009 to 29 March 2009 | Volume 2 : Issue 45

URL: http://www.karvy.com/market/mktnews.pdf

CONTENTS

NSE
52 Wk H/L : 5298.85/2252.75
Mcap : Rs27,05,365 cr.
BSE
52 Wk H/L : 17735.70/7697.39

Editor : S. Gopichand

Managing Editor : Satyan Nair

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

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

Production : Amit Chopra, Srivalli G, Raju A,.Vijayendra Kumar CH

For subscription enquiries please contact **Aswin Panda** ✆:040-23395894

For advertising enquiries please contact **Pavan Katta** ✆:040-23312454 ext:152

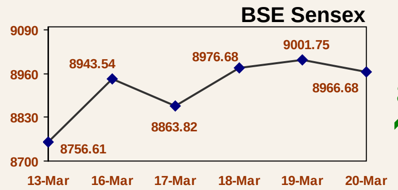
Published from Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad-500034.

Printed at Harshitha Printers, 6-2-985/G, Yusuf Building, Adj. Railway Gate, Khairatabad, Hyderabad- 500 004.

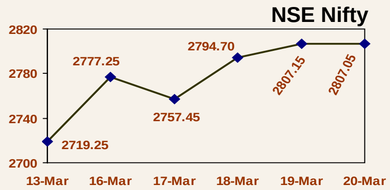
by **S. Gopichand** on behalf of Karvy Stock Broking Limited.

Editor: **S. Gopichand**

RNI Regn. No.APENG/2007/20423



8966.68
↑ **2.40%**



2807.05
↑ **3.23%**

On the road to deflation?

The week was marked by a historic event when inflation came in at a low of 0.44% as of March 7 against 2.43% recorded the week earlier. Clearly, this low inflation level can be attributed to the high base effect considering that this is a year-on-year indicator. The meltdown in commodity prices, including crude oil and base metals, has been so steep that input prices fell sharply during the period, bringing inflation to near-zero levels.

Over the next few weeks, inflation is expected to turn negative, as the commodity decline seeps into the system. However, economists are of the view that we will once again revert to positive inflation levels given that commodity prices have more or less bottomed out and a huge amount of liquidity has been pumped into the system. In other words, while we may be technically entering into a deflation—with negative inflation—due to the high base effect, there is little to indicate that the macroeconomy will undergo the severe pains of a typical deflationary scenario.

So with inflation at 0.44%, do we see the RBI cutting rates further now that it has even more leeway to do so? Well, the RBI has been aggressively reducing interest rates, but the banks have not responded in equal measure, preferring to park their funds rather than lend it out. However, while lending rates may fall in future, banks believe that any delay in economic revival, say, in the second half of the current calendar year would result in a short-term rise in NPAs.

Meanwhile, it was an eventful week in the global markets, when the dollar hit its two-month lows against the euro on the Federal Reserve's plan to buy bonds and long-term treasuries to revive the economy. Besides raising inflation levels, this move was perceived to put pressure on yields, which would prompt investors to look elsewhere for higher-yielding assets. With the dollar taking a hit, dollar-denominated assets, including gold, crude oil and base metals, witnessed a rally during the week. Ditto for equity markets worldwide.

For the week, the Nifty and the BSE Sensex rose 3.23% and 2.40%, respectively. The Nifty is expected to hover in the 2700-2900 range until expiry, and any instability on the global front should again induce profit-taking from the highs.

KBB weekly recommendations for the week beginning 23rd March.

Scrip	Action	CMP	Entry	Stop Loss	Target	Time Frame
DLF	Buy	171.50	170-171	166.00	180-182	5-6 Days
STER	Buy	316.80	310-314	301.10	338-340	5-6 Days
SAIL	Buy	88.65	86-88	83.10	95-96	5-6 Days
Sesa Goa	Buy	87.15	85-87	83.50	95-96	5-6 Days

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

KBB weekly recommendations monitor

Scrip	Action	Entry	SL	Target	Shares(#)	P/L	Return	Remark
Rel Capital	Buy	308-312	295.00	340-342	433	1,536.94	1.15%	CMP
Tata Motors	Buy	160-162	153.10	178-180	828	14,083.98	10.49%	TA
ICICI Bank	Buy	306-310	298.00	335-336	436	12,201.09	9.09%	TA
Axis Bank	Buy	332-334	325.00	353-355	403	8,060.78	6.01%	TA
Total						35,882.79		

Balance on inception (26- Jan- 09)	Balance last week (13-Mar-09)	Balance current week (20-Mar-09)	Abs. returns WoW (%)	Abs. returns since Jan 26, 2009(%)
5,00,000	5,36,848	5,72,731	6.68	14.55

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: 710.95

Maruti was outperforming the market since the start of this year, backed by positive news flow in terms of significant increase in sales numbers. The sentiments changed for good with the steep decline in interest rates and decline in commodity prices, and these factors have boosted the sentiment. However, in Friday's session, the stock witnessed marginal profit-taking. It slipped towards its 8-day EMA levels in Friday's session, and the inability to hold this level would induce further decline towards 650 levels where the 200-day EMA is currently placed. The 14-day RSI is around the over-bought territory and is hinting a sell signal from the current levels. Immediate support is placed around 680 and 650 levels. A sustained move close to this level, and the stock will witness fresh buying interest which will guide it to test higher levels of 750 in the short-term scenario. Investors are advised to assume long positions in the stock in the range of 650-660 levels for an upside target of 720 and 750 levels in the short term. All long positions in the stock should be protected with a stop loss placed below 630 levels on a closing basis.

M&M — CMP: 355.50

M&M recovered most of the losses encountered during the October debacle in the last couple of months. It surged significantly on the back of increasing volumes. The stock has climbed above the short-term moving averages of 8, 21 and 50-day EMAs, which is a positive takeaway. The recently announced sales figures were significant, boosting the sentiments in the sector. The stock was consolidating above the 100-day EMA constantly and has the steam to rally further to test the 200-day EMA. The 14-day RSI has reverted from the over-bought territory and is indicating a cool-off from the current levels. However, the stock has crucial support placed around 320 and 300 levels which will be the critical point of observation. Investors are advised to assume long positions in the stock in the range of 300-320 levels for a short-term target of 380 and 410 levels. All long positions in the stock should be protected with a stop loss placed below 290 levels on a closing basis.

ONGC — CMP: 755.00

ONGC recovered marginally following the debacle encountered during October, and since then, there has been a sideways movement in the stock within a broad range of 630-720. The sharp decline in crude prices has induced this behaviour while the recent surge in crude prices has affected a breakout case in the stock. The stock rallied in Friday's session on the back of significant increase in volumes, suggesting a strong breakout. It has climbed above all the short-term moving averages of 8, 21 and 50-day EMAs. The 200-day would prove to be a critical point, as a move beyond it would guide the stock to much higher levels. The 14-day RSI has found support from 40 levels and has surged above 60 levels, indicating further upward movement. The stock has crucial support placed around 680-700 levels. Investors are advised to assume long positions in the stock in the range of 730-750 levels for a short-term target of 800 and 830 levels. All long positions in the stock should be protected with a stop loss placed below 700 levels on a closing basis.

Fundamental view

Axis Bank Ltd. (Rs341)

We revise our earnings estimates for Axis Bank after a visit to the bank's senior management. We expect the bank's credit growth to moderate to 31.5% Y/Y to Rs1,146 billion from our earlier credit book estimate of Rs1,226 billion in FY10E. The net interest margin is estimated to shrink by 30 bps to 2.57% in FY10E. The bank's core fee income growth momentum is expected to come down to 28% Y/Y in FY10 from 70% in FY08 and 50% in 9MFY09. Axis Bank's management did not provide any guidance or estimates on the non-performing assets. We expect a 152% Y/Y rise in gross NPA in FY10 to Rs21.5 billion and increased credit cost to 1.3% in FY10 from 0.71% in FY08 and 1.1% in 9MFY09. We increase our earnings estimates for FY09E by 5.0% to Rs17.7 billion and reduce it for FY10E by 9.6% to Rs15.5 billion. We also reduce our target price by 29% to Rs629 per share. We estimate the bank to record an RoAE of 18.8% and 14.4% in FY09E and FY10E respectively. We reiterate our 'BUY' rating on the stock with a target price of Rs629 at 2.2x FY10E adjusted book value.

Key takeaways of the meeting

Moderation in credit growth: Axis Bank's management is of the view that in FY10, SCBs and the bank's credit book would grow by around 18-20% and 28-35% Y/Y respectively. We have slightly reduced our credit growth assumption to 31.5% Y/Y, to Rs1,146 billion. The bank indicated that there would not be any material change in the bank's credit book composition. A significant portion of the incremental lending is being made to the existing clients as well.

Focus on CASA improvement and cost of deposits: A relatively slower growth in credit book would reduce the undue dependence on term deposits, and the declining wholesale deposits rates would also improve the overall cost of deposits. According to the bank's management, the total wholesale deposits contribute almost 35% of the total deposits; the average cost of wholesale deposits was close to 7.75%. Axis Bank expects to maintain a credit-deposit ratio of 69-70%. In order to improve the current account and savings account (CASA) deposit franchise, the bank is planning to open 200 branches and 600

AXIS Bank		Rsmn	FY06	FY07	FY08	FY09E	FY10E
Bloomberg/ Reuters Code	AXSB IN/ UTBK.BO	Total Net Income	17,203	24,784	43,808	65,720	78,781
Market Cap Rs Bn	122.0	Profit before provisions	9,063	12,639	22,259	35,610	41,271
Market Cap USD Bn	2.5	NIM (%)	2.4	2.5	2.9	2.9	2.6
52-week range	970/278	Net Profit	4,851	6,590	10,710	17,760	15,481
Shares in issue	357.7	EPS (Rs)	17	24	32	50	43
		EPS Growth (%)	22	35	37	54	(13)
		P/E (x)	19.5	14.5	10.6	6.9	7.9
		Price/Book Value (x)	3.3	2.8	1	4 1	2 1.1
Major Shareholder (%)		Price/Adjusted Book Value (x)	3.8	3.4	1.5	1.3	1.2
Promoters	42.4	Dividend Yield (%)	1.0	1.3	1.9	2.8	2.8
Banks/FIs/MFs	10.6	Cost-to-income (%)	47	49	49	46	48
Pvt. Corp. Bodies	6.7	ROA (%)	1.1	1.1	1.2	1.3	0.9
Public	5.5	ROE (%)	18	21	18	19	14
FIIs/NRIs/OCBs	34.9	Tier-1 Capital (%)	7.3	6.4	10.2	9.7	8.8

Source: Company and Karvy Estimates

Market pulse

Bulk Deals			
Company	**Wt. Avg. Price (Rs.)**	**Traded Qty**	**Acquirer/Seller**
Buy			
Everonn Systems	116.54	91680	East India Secu
Bongaigaon Refn	41.86	1073291	Edelweiss
Advanta	449.00	85600	Morgan Stanley Mau
Godrej	52.50	2400000	Birla Sunlife Insu
Patni Computer	110.00	1600000	Reliance Capital
Info Edge	435.00	235000	Citi Group Global
Sell			
Amtek India	32.00	1502964	HDFC Mutual Fund
Abl Biotechn	9.60	126557	Axis Bank Ltd
Everonn Systems	115.98	305269	Om Investments
JBF.Ind.Ltd	30.05	690000	ABN Amro Bank
Karuturi Glo	8.84	2619321	Morgan Stanley
Tempt.Foods	20.14	3367441	Indiabulls

Top Gainers (Weekly)			
Company	**20-Mar**	**13-Mar**	**%Change**
DLF	171.40	136.65	25.4
Hindalco	47.90	39.60	21.0
Sterlite	316.00	262.75	20.3
HCL Tech.	104.00	89.70	15.9
Sail	88.90	77.25	15.1
Reliance Comm	159.50	139.20	14.6
Suzlon	38.05	33.30	14.3
ICICI Bank	322.20	284.15	13.4
Tata Steel	176.10	155.90	13.0
Rel Petro	83.25	73.80	12.8

Top Losers (Weekly)			
Company	**20-Mar**	**13-Mar**	**%Change**
L&T	585.10	615.20	-4.9
BPCL	332.95	345.05	-3.5
ACC	543.60	562.45	-3.4
Cipla	197.65	202.95	-2.6
Grasim	1464.60	1,498.20	-2.2
PNB	332.60	336.35	-1.1
Tata Motors	160.90	161.70	-0.5
Maruti Suzuki	710.95	713.15	-0.3
Infosys	1296.20	1,297.05	-0.1

	FII Invt (Rs.cr)		MF (Rs.cr)	
Date	Purchases	Sales	Purchases	Sales
16-Mar-09	2105.00	1913.60	623.30	397.00
17-Mar-09	1369.90	1384.20	334.60	468.10
18-Mar-09	1574.30	1130.00	846.50	580.60
19-Mar-09	1807.50	1453.80	352.40	397.40
20-Mar-09	1429.80	1272.10	-	-
Total	**8286.50**	**7153.70**	**2156.80**	**1843.10**

Corporate Actions		
Company	**Date**	**Purpose**
NCL Industries	23-03-2009	Allotment of Equity
Essel Propack Ltd	24-03-2009	Audited Results
Crompton Greaves	24-03-2009	Buyback/Dividend
Mysore Cements	27-03-2009	Audited Results
Ranbaxy	27-03-2009	Audited Accounts
Colgate Palmolive	30-03-2009	Interim Divided

ATMs. By March-end 2009, the bank would have around 800-820 branches.

Margin under pressure: Axis Bank's management indicated that there would be a marginal strain on the net interest margin. We expect that, in FY10E, the margin would come down by 30 bps to 2.57% from the estimated net interest margin (NIM) of 2.87% for FY09E.

Moderation in fee income: With the overall moderation in economic activities, the bank's management is of the view that there would be a marginal drift in fee-income growth momentum. We expect Axis Bank's commission exchange and brokerage (CXB) income to grow at 41% CAGR in FY08-10E. In FY10E, the CXB income growth would moderate to 28% Y/Y from 56% in FY09E.

Greater probability of higher NPA levels: Delinquency in small and medium corporate segments where the bank is relatively over-exposed could lead to a jump in non-performing assets (NPA) and restructured loan levels, although the bank did not indicate any probable level of gross slippages or GNPAs. We estimate GNPA to increase 109% CAGR in FY08-10E. We increase our credit cost from 0.71% in FY08 to 1.3% in FY10E.

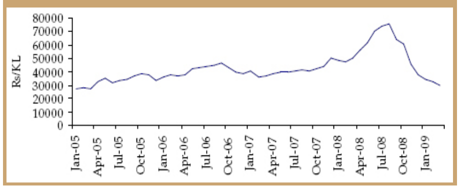
Valuation: We increase our earnings estimate for FY09E by 5.0% to Rs17.7 billion and reduce estimate for FY10E by 9.6% to Rs15.5 billion. Moreover, we reduce our target price by 29% to Rs629 per share. We estimate the bank to record RoAE of 18.8% and 14.4% in FY09E and FY10E respectively. We re-iterate our BUY rating on the stock with a target price of Rs629 at 2.0x FY10E adjusted book value.

Aviation Sector Update

ATF prices no more a concern

Aviation turbine fuel (ATF) prices are providing a major relief to aviation players after declining by ~60% from its peak in August 2008. The fuel cost is the single-largest cost for the aviation companies, accounting for around 40-50% of the overall operating costs.

ATF Price Movement

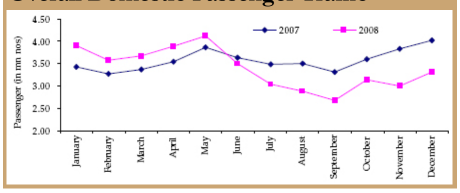


Currently, the average ATF price in the four metros (as of March 2009) is Rs30 per litre, and, we believe, that ATF prices have more or less bottomed out. In FY10E, we expect ATF prices to gain by 25% from the current levels due to positive movement in crude oil prices and the weakening of the rupee against the US dollar.

Slowdown in passenger traffic

Domestic passenger traffic was down by 5% in 2008 as against 33% growth reported during 2007. Slowdown in passenger traffic in 2008 was due to higher fares, resulting from higher fuel prices and the general slowdown in the economy. Although the fuel prices have come down, the difficult economic conditions still remain a matter of concern in FY10.

Overall Domestic Passenger Traffic



The slowdown in passenger traffic has negatively impacted the seat factor, thereby leading to higher fares. The substantial reduction in air fares through various promotional offers and discounts in January have proved to be of little help in stimulating demand. We expect the current airfares to prevail during FY10 and the seat factor is expected to show a small improvement in FY10 due to players cutting down their capacities.

Weakening rupee to put pressure

The weakening of the rupee against the US dollar over the past few weeks is expected to put some pressure on the aviation industry. Part of the airlines expenses, including lease rentals, expat salaries, spare parts and maintenance are dollar-denominated, and the weakening of the rupee against the dollar would increase the expenses for the airline players.

Spice Jet is not expected to add capacity during 2009. The airline would be eligible to fly on international routes from May 2010. Accordingly, we expect the company's load factor to improve in FY10. In our FY10 estimates, we have already factored in a dip in average airfares over FY09E and a load factor of 67.8% due to lower fuel price estimates. We continue to maintain our price target of Rs16 and rate the stock as an 'Outperformer'.

SIP myths

While SIP has become quite a popular tool among retail investors, there are a few prevailing myths about SIPs. We have tried to unravel some of them.

I cannot invest a lumpsum amount in my SIP account

Sure you can. Many investors assume that they cannot put lumpsum amounts in an SIP account for a particular scheme. However, please remember that SIP is merely a mode of payment. Therefore, if you have an existing SIP of Rs1,000 per month in an equity scheme, then a sudden surplus of Rs10,000 can be added to your existing SIP account in that scheme.

SIPs and STPs are similar

No, they are slightly different, but have similar objectives. A systematic investment plan, also known as SIP, allows investments in a phased manner. In other words, an investor can invest a certain fixed amount of money in the fund of his choice once a month (or quarter), and his bank account is accordingly debited each month (or quarter) as opted for. Systematic transfer plans (STPs), on the other hand, allow investors to transfer a specified amount on a periodic basis from one scheme to another within the same fund family, i.e., two schemes belonging to the same fund house.

SIPs cannot be terminated before the tenure is complete

Sure you can. Unlike a life insurance product, a mutual fund scheme is quite flexible in that regard. For instance, if you want to redeem all your units, you can do it anytime during the SIP tenure, and you should receive your money in 2-4 days time.

SIP is always better than lumpsum investing

Not really. The SIP mode of investing helps investors to gain from market volatility by lowering the average cost per unit. However, an investor may not get the benefit of lower average cost per unit if the market continues to rise during an SIP's tenure, particularly if the SIP is over a shorter time frame. Thus, for an SIP to be successful, a long-term investment tenure of 2-5 years is essential. That allows the investor to capitalize on volatile markets.

SIP always benefits in a falling market

SIP is most suitable in volatile markets like the one that we are witnessing now, although there are situations in a falling market when even an SIP will fail miserably. For instance, the huge crash that followed the tech boom in 2000 saw NAVs of tech funds falling 90%. An investor who had opted for an SIP in those funds would have seen his investments getting practically wiped out—with or without SIP.

I can withdraw all the money from a tax plan SIP after three years

To avail of tax benefits, any investment in an ELSS should have a three-year lock-in period. While there is no problem if a lumpsum investment is made in a tax savings fund, investment through the SIP route is a different matter altogether. In a tax plan SIP, the three-year lock-in is not from the time of the first SIP payment, but from the time of each installment. In other words, each installment has to remain locked in the fund for three years.

I will be pulled up for missing my SIP payment for a particular month

Clearly, this is a fear that many SIP investors have, but it is far from true. At the end of the day, unlike missing out on loan payments where you will be pulled up by the institution that provided you the loan, this does not apply to an SIP.

Equity (Diversified)

Scheme Name	182 Days	1 Year	3 Year	5 Year
ICICI Prudential Infrastructure	-31.11	-35.79	4.83	--
Reliance Regular Savings Equity	-35.31	-39.98	3.85	--
Sahara Growth	-24.35	-27.83	2.05	17.80
DSPBR Top 100 Equity Reg	-25.72	-28.35	1.83	17.98
IDFC Premier Equity	-32.05	-36.26	1.13	--
Birla Sun Life Frontline Equity	-28.66	-32.85	0.04	15.41
IDFC Imperial Equity	-26.26	-27.38	-0.09	--
DWS Alpha Equity	-30.13	-34.19	-0.19	14.91
DSPBR Equity	-29.19	-32.45	-0.26	20.05
UTI Dividend Yield	-21.38	-22.70	-0.32	--

Debt (Income)

Scheme Name	31 Days	182 Days	1 Year	3 Year
Canara Robeco Income	0.12	12.96	28.42	12.82
IDFC Dynamic Bond Plan A	-0.68	13.02	16.39	11.32
ICICI Prudential Income	-0.53	13.58	16.17	10.86
Sahara Income	-1.20	9.21	15.95	10.48
Fortis Flexi Debt Reg	0.15	10.00	14.99	11.04
IDFC SSI Inv Plan A	-0.79	11.77	14.38	10.05
ING Income	0.65	8.14	14.14	9.62
Kotak Bond Regular	-0.49	13.14	13.78	10.40
Birla Sun Life Income Plus	0.08	11.95	13.43	11.27
Kotak Bond Deposit	-0.49	12.99	13.20	9.13

Equity (Tax Planning)

Scheme Name	182 Days	1 Year	3 Year	5 Year
Sundaram BNP Paribas Taxsaver	-28.74	-33.00	-3.35	21.54
Taurus Tax Shield	-31.58	-29.60	-3.57	14.86
Fidelity Tax Advantage	-30.15	-33.19	-3.72	--
Franklin India Index Tax	-33.31	-38.07	-4.62	10.30
Canara Robeco Equity Tax Saver	-28.11	-34.42	-5.70	14.60
Magnum Taxgain	-32.60	-39.70	-6.23	25.77
Sahara Tax Gain	-28.84	-34.20	-6.66	13.65
Franklin India Taxshield	-31.07	-34.29	-7.87	12.50
Principal Personal Tax Saver	-41.25	-47.13	-9.25	9.39
HDFC Taxsaver	-34.94	-36.40	-9.85	18.21

Gilts (Medium/Long Term)

Scheme Name	31 Days	182 Days	1 Year	3 Year
ICICI Prudential Gilt Investment PF	-0.95	20.88	28.58	15.98
Escorts Gilt	0.89	16.43	26.31	11.51
JM G-Sec Regular Plan	-0.79	15.68	25.58	10.65
DSPBR GSF Longer Duration	-1.56	19.85	23.25	11.62
Templeton IGSF Long-term	1.43	17.73	23.12	12.84
Templeton India GSF Composite	1.64	17.56	21.49	11.86
Templeton India GSF PF	1.64	17.56	21.49	11.87
ICICI Prudential Gilt Investment	-1.77	16.77	20.97	13.01
ING Gilt	-0.11	12.84	15.63	8.39
Birla Sun Life GSF Long-term	5.29	13.60	14.54	7.33

Commodities

Precious metals review

Bullion: Precious metals prices rose from a low of $882.70 to $963.50 per troy ounce levels last week. Initially, prices consolidated and remained choppy as equity indices climbed across the globe after the G20 vowed to clean up toxic financial assets. Moreover, the Federal Reserve Chairman's announcement that a depression has been avoided further enthused the equity markets. The Fed chairman pointed out that he sees a US recovery beginning in 2010 as long as there is enough political will to take its costly rescue of its shattered financial institutions to its logical conclusion. The higher equity markets reduced the appeal of gold as an alternate asset class, prompting investors to book profits in long positions. The better-than-expected US housing numbers also forced bullion prices to trade lower.

However, the market awaited the crucial FOMC meeting held on March 18, 2009, where expectations were in favour of some new economic revival measures. In its meeting, the US Federal Reserve kept the key interest rates unchanged at 0.25% and at the same time announced a massive $1.15 trillion quantitative easing program to buy debts, bonds and long-term treasuries. Although the step was to stop the US economy from moving further into a recession, investors speculated that such programs will result in rising inflation. The US dollar immediately sank to above $1.3498 per euro and the assets in the SPDR Gold Trust also expanded. The huge revival measures undertaken gives an insight into the magnitude of the problem at hand.

The downturn in the economies have resulted in reduction of interest rates to near-zero levels, buying back of debt, bailout of banks and expenditure worth trillions of dollars to infuse liquidity in the market. The above-mentioned measures taken by various governments are perceived to be inflationary in nature and have resulted in increased demand for bullion as an inflation hedge. Due to its safe-haven appeal, bullion prices rose to a weekly high of $963.5 per troy ounce and the investment in the SPDR Gold Trusts rose to a whopping 1,103.39 tonnes. The US dollar traded as low as $1.3738 against the euro and since both (dollar and gold) are being regarded as safe havens for now, the depreciation of one seemed to be the gain for the other.

Overall, the COMEX April gold futures surged higher by 2.64% to $954.70 levels. We expect the prices to extend their gains this week amidst the weak economic data. The contracting US Q4 (F) GDP and home sales are likely to support an uptrend. Nevertheless, profit booking on the recent rally cannot be ruled out.

Energy review

Crude oil: Crude oil prices rose phenomenally and surpassed the crucial $50 per barrel mark as equities rallied and the US government pledged an additional amount aimed towards economic recovery. Prices started on a lower note as the OPEC refrained from a further production cut on concerns that higher energy prices would worsen the global recession. The organization is now implementing the existing production cut as they still produce about 8,00,000 barrels a day which is more than the group agreed in December.

However, prices reversed its losses and moved higher on concerns that if OPEC meets with its existing compliances, then it would reduce the excess surplus from the market. Prices rose as Algerian Oil Minister Chakib Khelil said that OPEC's compliance with quotas will improve to about 95% by the time the group meets in May. A sense of recovery was seen in the prices as the US reported better-than-expected Housing Starts data, followed by speculation regarding the Fed's policy on economy revival. The Federal Reserve announced in its latest meeting that to ease the liquidity in the market, it will buy $300 billion in treasuries, $750 billion of bonds backed by government-controlled mortgage companies and $100 billion in debt from other government agencies. This resulted in a sharp increase in oil prices as it recorded a weekly high of $52.25 a barrel. Nevertheless, the increase in crude oil stockpiles and weak global growth projections by international agencies limited the upward movement in prices. The DOE reported a rise in crude oil, gasoline and distillate stocks. Crude oil and gasoline stocks increased by 1.9 and 3.1 million barrels, respectively, while distillate stocks rose by 1,12,000 barrels.

This week, we expect oil prices to trade higher amid government measures to revive the economy and OPEC complying with existing quotas. However, the current economic scenario may restrict the gains in prices.

IRDA instructs insurers not to collect premium of over Rs50,000 in cash

Insurance regulator, IRDA, recently asked insurance companies to not accept premium above Rs50,000 in cash in an effort to check money laundering. This move of restricting remittances of premium by cash to Rs50,000 apparently comes from the regulator to ensure that premiums are paid out of clearly identifiable sources of funds.

The regulator has also instructed insurance companies that the premium deposits of over Rs50,000 should be remitted only through cheques, demand drafts, credit card or any other banking channels. In addition, it has advised for premium amounts greater than Rs50,000 in a calendar month to be examined more closely for possible angles of money laundering.

The regulator warned that it will be constrained to take serious action against insurers where violations of Anti Money Laundering (AML) framework are permitted with their tacit approval.

Payment of premium by cash allows for a possibility of money laundering by a policyholder. The payment could be for one policy or split in a number of payments for different policies. The practice, called 'smurfing', involves parcelling large financial transactions into smaller transactions to avoid scrutiny by regulators.

Companies seek cover for CEO misdeeds

The Satyam scam has pushed up sharply the demand for directors & officers (D&O) liability insurance cover. Even small enterprises worried about claims arising from a director's wrong acts or decisions are seen to be asking for a D&O insurance.

According to the CEO of an insurance consultancy firm, in recent months, the number of enquiries for a D&O cover has increased approximately four times compared to the earlier figures.

The D&O cover is designed for directors and officers in key decision-making positions or for those handling large funds for the company. The policy provides cover against any loss that the organisation may incur on account of mistaken actions by a director or officer, or against loss arising from claims due to wrongful acts.

The premium for the D&O policy can be high. The premium value depends on the degree of exposure of a company to the US (since Americans are most prone to engage in lawsuits), the monetary cover limit requested, type of organisation, balance sheet details, and capital. The director's past and present details, his experience are also taken into account.

IRDA cracks whip on agents

SIn a first-of-its-kind measure, IRDA has decided to penalize agents if life insurance policies are not renewed. The move is aimed at curtailing misspelling. It will also entail commissions being retracted from agents and credited to the policyholder's account.

One of the main complaints against life insurance agents has been that they sell regular premium policies, commissions for which are in the range of 25-35% of the annualized premium amount, by passing them off as single-premium policies, which attract a commission of 2% of the single-premium amount. The regulator has now asked insurance companies to 'claw back' commission paid out in policies where premium from the second year onwards is less than the first year. In industry parlance, 'claw back' refers to the recovery of commission already paid to agents.

Since prospective buyers are reluctant to commit large annual payments for 15-20 years, unscrupulous agents position a regular premium policy as a one-time investment scheme, similar to a mutual fund. They also inform the policyholder that he / she can invest more money in the scheme in the forthcoming year and that, even if she chooses not to, she could exit the policy after three years. The flip side of such sales is that the buyer usually does not pay the second-year premium. This eventually leads to a lapse of the policy, resulting in even the loss of the first year premium paid by the policy holder as well the precious insurance cover.

Smart ULIP

Smart ULIP is a unit-linked insurance policy from SBI Life Insurance Company Limited.

Unique features

Guaranteed maturity NAV: The policy provides a guarantee of the highest NAV (net asset value) as recorded on the 168 reset dates during the first seven policy years. This benefit will be available for the maturity benefit payable under the policy.

Choice of premium payment term: The policyholder has the choice of two premium payment terms of three years and five years.

Innovative investment fund: The policy provides for the management of the investment component in an innovatively structured investment fund called 'FlexiProtect Fund'.

Policy benefits

Death benefit: In the unfortunate event of death of the life assured during the policy term, the nominee will receive the higher of the policy sum assured (net of applicable partial withdrawals, if any) or the investment fund value.

Maturity benefit: At the end of the policy term, the investment fund value will be paid to the policyholder. The fund value will be calculated based on the NAV, which will be the higher of either the NAV as on the date of the policy maturity or the Guaranteed Maturity NAV.

Eligibility parameters

Age at entry: Minimum – 8 years; maximum – 60 years

Maximum age at maturity: 70 years

Policy term: Fixed term of 10 years

Minimum premium amount: Rs50,000 (for premium payable annually); Rs25,000 (for premium payable semi-annually); Rs15,000 (for premium payable quarterly); Rs5,000 (for premium payable monthly).

Premium payment frequency: Annual, semi-annual, quarterly or monthly. The premium is payable on a monthly basis only through standing instructions / ATMs / ECS / Internet. Also, the three-month premium has to be paid in advance if paid on a monthly basis.

Fixed sum assured value: Five times the annualized premium.

How does the policy work?

Policy premium, net of premium allocation charges, gets automatically invested in the Money Market Fund. On two fixed reset dates, i.e., 8th and 23rd of every month (or the next working days if these dates are holidays), the investment value will be automatically transferred to the FlexiProtect Fund. The objective of this fund is to optimize the investment returns, while providing significant capital protection by adopting a dynamic asset allocation strategy.

The guarantee for the highest NAV will be applicable based on the highest of the NAVs for 168 reset dates. These 168 reset dates will

Table 1: Investment fund details

Fund name	Investment objective	Risk profile	Investment allocation in		
			Equity & equity-related instruments	Debt instruments	Money market instruments
Money Market Fund	To provide capital protection with secure short term returns	Low	0%	0% to 20%	80% to 100%
FlexiProtect Fund	To provide capital protection and optimum returns based on dynamic asset allocation	Low to Medium	0% to 100%		0% to 100%

The facilities for premium redirection and fund switching are **not** available under this policy.

be falling on 8th and 23rd of every month for the first seven years of the policy, i.e., the NAV build-up phase.

Main policy charges

Premium allocation charge: The details of the charge (as a percentage of the value of the premium amount) are shown in Table 2.

Table 2: Premium allocation charge

Policy year	Premium allocation charge as % of premium amount for a premium payment term of	
	3 years	5 years
Year 1	15%	15%
Year 2 & Year 3	5%	5%
Year 4 & Year 5	Nil	5%

Mortality charge: This charge is levied for the provision of life assurance cover under the policy. It is levied on a monthly basis and is based on the age of the life assured and the sum at risk (i.e., the value of policy sum assured less the investment fund value).

Policy administration charge: This is a fixed charge of Rs60 per month levied throughout the policy term. The charge is levied by cancellation of units on a monthly basis, proportionately from each investment fund.

An additional policy administration charge will be levied for the first three policy years. This charge will be an annual charge and will be levied at the rate of Rs5 per thousand of the value of sum assured.

Fund management charge: This charge will be levied for management of the investment fund value. It will be adjusted in the calculation of the daily NAV value. The details are shown in Table 3.

Table 3: Fund management charge

Investment Fund	Fund management charge (% of fund value)
Money Market Fund	0.25% p.a.
FlexiProtect Fund	1.50% p.a.

The above charge can be increased up to a maximum of 2.00% p.a. for Money Market Fund and 2.50% p.a. for FlexiProtect Fund with prior notice to policyholder and prior approval of IRDA.

Surrender charge: This charge is expressed as a percentage of the investment fund value. The details are shown in Table 4.

The facility for partial withdrawals is available after the five policy years. The policy acquires surrender value after payment of minimum one-year (six-month) premium for the premium payment term of five years (three years).

Tax benefits are available under Section 80C and Section 10 (10D) of the Income Tax Act

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

Table 4: Surrender charge

Policy year in which surrender happens	Year 1	Year 2	Year 3	Year 4	Year 5 & thereafter
Surrender charge (% of fund value)	20%	12%	9%	2%	Nil

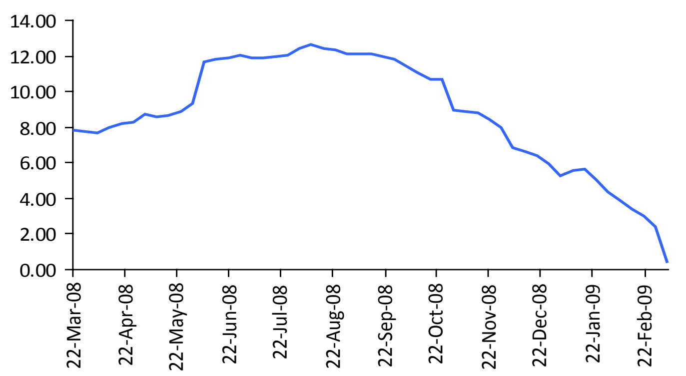
RNI Regn. No.APENG/2007/20423 Registered: L II/RNP/H-HD-1089/2008-10

KARVY BAZAAR BAATEIN

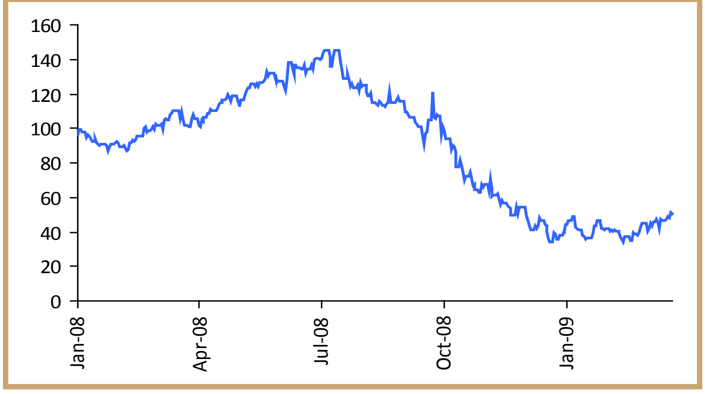
KARVY the Finapolis Your Personal Finance Advisor

Market Data

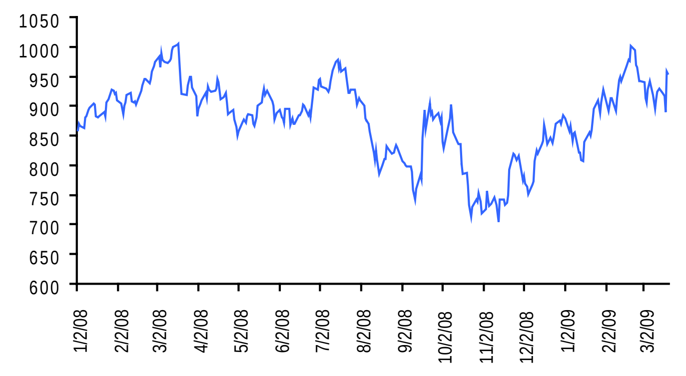
The inflation has cooled off to 0.44%...



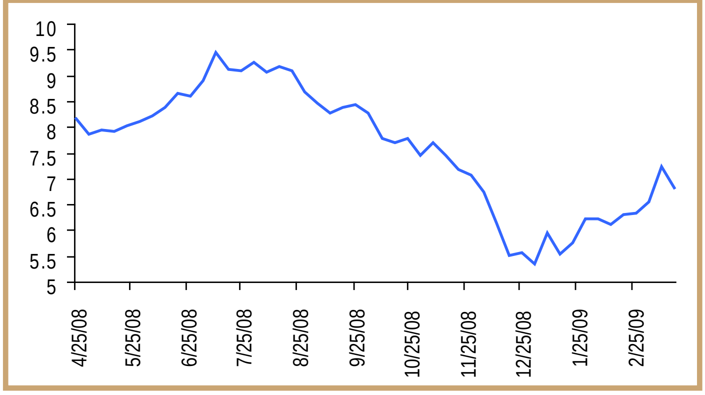
Crude oil



Gold



10-year bond yield



Global indices: Weekly performance

	Close (Mar 20)	Close (Mar 13)	Weekly (%)	6M (%)	12M (%)	PE Ratio
ASIA						
Hang Seng	12833.51	12525.80	2.46	-33.60	-39.20	10.26
STI	1596.92	1577.52	1.23	-37.60	-43.47	7.56
S. Korea	1170.94	1126.03	3.99	-19.57	-27.87	16.07
Nikkei 225*	7945.96	7569.28	4.98	-33.34	-35.19	24.83
AMERICA*						
Dow Jones	7400.80	7223.98	2.45	-35.02	-40.13	9.01
S&P 500	784.04	756.55	3.63	-37.53	-41.03	11.70
NASDAQ	1483.48	1431.50	3.63	-34.76	-34.30	20.32
Brazil Bovespa	40453.43	39015.37	3.69	-23.75	-31.42	9.72
EUROPE*						
FTSE-100	3816.93	3753.68	1.69	-28.12	-30.53	16.89
DAX 30	4043.46	3953.60	2.27	-34.52	-35.87	14.82
CAC 40	2776.99	2705.63	2.64	-35.64	-38.60	9.17

*:as of March 19 closing

Domestic indices: Weekly performance

	Close (Mar 20)	Close (Mar 13)	Weekly (%)	6M (%)	12M (%)	PE Ratio
Sensex	8966.68	8756.61	2.40	-36.15	-40.20	9.20
Nifty	2807.05	2719.25	3.23	-33.88	-38.63	9.52
BSE 500	3259.52	3161.33	3.11	-38.92	-44.31	8.60
BSE Auto	2832.33	2774.28	2.09	-28.45	-35.60	7.85
BSE Bankex	4055.63	3973.85	2.06	-42.96	-45.89	7.51
BSE Consumer Durables	1524.62	1479.56	3.05	-53.95	-57.22	4.87
BSE FMCG	1922.57	1883.80	2.06	-11.62	-10.26	18.04
BSE Healthcare	2579.25	2564.31	0.58	-34.28	-29.75	12.24
BSE IT	2217.44	2190.32	1.24	-39.53	-34.19	11.13
BSE Oil & Gas	6367.97	6088.52	4.59	-32.75	-34.47	9.81
BSE Metal	5260.46	4852.53	8.41	-47.57	-61.03	2.87
BSE Realty	1556.02	1408.56	10.47	-62.07	-78.05	3.35
BSE PSU	4978.16	4807.58	3.55	-25.00	-30.76	36.41
BSE Power	1722.55	1668.60	3.23	-31.91	-42.28	17.22
BSE Tech	1748.25	1707.31	2.40	-39.18	-39.44	11.73

Source: Bloomberg

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

Subscriber's Address: