

# KARVY BAZAAR BAATEIN

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### NSE

52 Wk H/L : 5298.85/2252.75

Mcap : Rs34,09,751 cr.

### BSE

52 Wk H/L : 17735.70/7697.39

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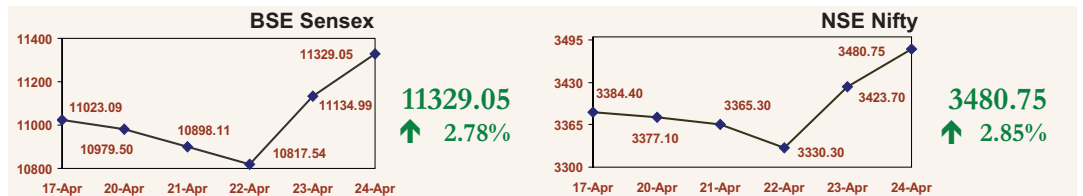
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Editor: S. Gopichand

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### Markets ride on...

Although the BSE Sensex and the broader-based Nifty closed profitably for the seventh consecutive week, the markets displayed high intraday volatility, mirroring the mixed sentiments across the globe. The RBI's move to cut policy rates came as a complete surprise for the markets as many expected such a move post the election results. Accordingly, the Sensex and the Nifty rose 2.78% and 2.85%, respectively. Since the rally began on March 9, the Sensex has jumped nearly 40%, while the Nifty has risen more than 35%. Given that much of the rally was triggered by global cues, the Dow Jones Index itself has risen 23% during the period.

The RBI, in its annual credit policy review last week, slashed the repo and reverse repo rates by 25 bps each to 4.75% and 3.25%, respectively. This move indicates that the central bank is giving increased precedence to the economic slowdown and the highly cautious stance that commercial banks have adopted in the current economic scenario. Accordingly, RBI cut rates in an effort to push credit off-take and to send out signals that the worst is over for the Indian economy, which has been hit by a demand slowdown in terms of exports and investment.

The central bank announced that it expects the economy to grow at 6% in the current financial year. Moreover, it revised GDP growth estimates downward for the previous financial year—from the projected 7% levels to 6.5%-6.7%. Since October 2008, the RBI has slashed the repo, reverse repo and cash reserve ratio heavily by 4.25%, 2.75% and 4.00%, respectively. The commercial banks, on the other hand, have responded quite meekly to these aggressive moves, with most of them lowering their prime lending rate only by 1.5-2.0% considering the high cost of funds raised previously, besides expectations of higher NPA levels and the vulnerable economic scenario.

Meanwhile, the WPI, which is at near-zero levels, rose marginally to 0.26% for the week-ended April 11, as against 0.18% a week earlier. The RBI added that it expects inflation to pick up again, rising to around 4% for the full fiscal year. With the general elections expected to bring about one of the most fractured verdicts in history, we must brace ourselves for increased volatility until the results on May 16.

### KBB weekly recommendations for the week beginning 27<sup>th</sup> April.

Scrip	Action	CMP	Entry	Stop Loss	Target	Time Frame
Rel Infra	Buy	740.50	735-740	724.00	825-830	5-6 Days
Suzlon	Buy	65.90	62-65	59.10	78-80	5-6 Days
KS Oils	Buy	48.25	45-48	40.80	56-58	5-6 Days
IRB	Buy	100.10	97-100	94.10	120-122	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
Axis Bank	Buy	Above 515	495.00	560-565	335	-6,693.51	-3.88%	SLT
ICSA	Buy	110-112	102.00	126-128	1539	3,462.55	2.01%	CMP
HDIL	Buy	126-128	120.00	150-152	1357	32,571.59	18.90%	TA
LT	Buy	865-870	850.00	925-930	199	-3,476.96	-2.02%	SLT

Balance on inception (26-Jan-09)	Balance last week (17-Apr-09)	Balance current week (24-Apr-09)	Abs. returns WoW (%)	Abs. returns since Jan 26, 2009(%)
5,00,000	6,89,431	7,15,295	3.75	43.06

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

### JP Associates

**CMP: 125.85**

JP Associates recovered significantly after moving sideways for almost six months. The stock staged a strong breakout above 100. The recent sessions witnessed increased participation that helped the stock move above all its moving averages. Its October lows have proved to be a strong support, as the stock bounced back every time it tested those levels. The stock has been consolidating close to its long-term 200-day EMA, which it crossed in Friday's session, indicating positive sentiment. The 50-day would prove to be a critical support for the stock if there is any profit-taking around the 90 levels. The 14-day RSI has found support from the 60 levels, and is indicating further upward movement. The stock has moved into overbought territory and the crucial support placed around 60 levels should be observed closely in the short term. Investors are advised to assume long positions in the stock in the range of 120-125 levels for a short-term target of 165 and 180 levels.

All long positions in the stock should be protected with a stop loss below 90 levels on a closing basis.

### Bharti Airtel

**CMP: 749.75**

Bharti Airtel has been on a rising trend over the last one month. The stock staged a breakout in the recent sessions, and thereafter the stock skyrocketed, backed by significant volumes. The recent rally has taken the stock beyond all its moving averages, which is quite a positive sign. The stock has its 200-day EMA at 690 levels, which is the immediate support in the short term. The 14-day RSI is close to the overbought territory, but the move still appears to be northwards. On the RSI scale, the stock could move to 80 and 85 levels. A sustained move close to this level would induce profit-taking in the stock. It has immediate resistance around the 800 levels beyond which the stock could move up to 1000 levels in the short term. Investors are advised to assume long positions in the stock in the range of 700-725 levels and average the same, if available, at 675 levels for an upside target of 800 and 850 in the short term. All long positions in the stock should

be protected with a stop loss placed below 650 levels on a closing basis.

### RCOM

**CMP: 232.45**

RCom has been on a rising trend in the last one month after having registered a new low at around 130 levels. Thereon, the stock staged a breakout above 180 levels, witnessing momentum moves. The recent rally has taken the stock beyond all its moving averages, barring the 200-day EMA, which is placed around 275 levels and is expected to be tested in the very short term. The 14-day RSI is close to the overbought territory, but the move still appears to be northwards. On the RSI scale, the stock could move to 80 and 85 levels. A sustained move close to this level would induce profit-taking in the stock. It has immediate resistance around the 275 levels beyond which the stock could move up to 380 levels in the medium term. Investors are advised to assume long positions in the stock in the range of 225-230 levels for an upside target of 275 and 325 in the short term. All long positions in the stock should be protected with a stop loss placed below 180 levels on a closing basis.

## Fundamental view

### Axis Bank (Rs494)

#### 4Q FY09 results review

In 4QFY09, Axis Bank reported a 25% Y/Y growth in net interest income (NII) to Rs10.3 billion, which is slightly lower than our estimates of Rs10.5 billion. Although the bank managed to improve its net interest margin to 3.37% from 3.12% in 3QFY09, the margin has moderated from the 3.93% level reported in 4QFY08. The sequential improvement in margin was mainly due to cost containment, as the cost of funds decreased from 6.91% in 3QFY09 to 6.64% in 4QFY09. The CASA deposit share also improved from 38% in 3QFY09 to 43% in 4QFY09. While a decrease in lending and deposit rates sequentially resulted in a decrease in interest income on advances and total interest expenditure, respectively, the interest income from the investment book helped the overall interest income. A strong growth in fee income was a positive surprise—despite moderation, it still recorded a 42% Y/Y growth compared to 57% in 3QFY09. On the treasury income front, Axis Bank unexpectedly grew 3.7x,

to Rs1.66 billion. A sequential reduction in operating expenses and overheads was a bit of a surprise as the bank opened 78 branches and 424 ATMs during the quarter. Operating profit grew by 58% Y/Y to Rs11.4 billion due to in-line performance in NII and much higher growth in other income. Axis Bank made higher NPA provisions of Rs2.6 billion (1.46% gross advances) compared to Rs46 million (0.04% gross advances) in 4QFY08. The bank's net profit increased by 61% Y/Y, to Rs5.8 billion, compared to our estimate of Rs4.7 billion. At the current price, the stock quotes at 1.73x FY10E adjusted book value (ABV). We reiterate our BUY rating on the stock with a target price of Rs630 at 2.2x ABV FY10E.

### Hero Honda (Rs1,101)

Hero Honda's 4Q FY09 results were above our expectations due to better-than-expected realization and lower-than-expected raw materials cost. The company's topline grew by 22.3% Y/Y to Rs34,118 million. Revenues increased due to 13% volume growth and 8.4% increase in realization. The net realization for the quarter was 4% higher-than-our-expectations of Rs32,832. The net realization for the quarter was

higher due to excise duty benefits and better product mix.

Hero Honda reported a 31% growth in EBITDA from Rs4,118 million to Rs5,384 million. The EBITDA margin increased substantially due to a 20% Y/Y decrease in raw material cost. Hero Honda reported an EBITDA margin of 15.8% which was 100 bps higher than the 4Q FY08 margin of 14.8%. As expected, other expenses rose significantly (increase of ~30% on Y/Y basis) for the quarter. The effective tax rate for the quarter stood at 28% due to tax benefits availed of by the company from its Haridwar plant. Hero Honda's net profit grew by 35% Y/Y from Rs2.987 million to Rs4,022 million due to strong margins and other income. We remain positive on the stock and rate the stock as a Market Performer with the price target of Rs1,250.

### Container Corporation of India (Rs772)

Container Corporation of India (Concor)'s revenues declined by 6.9% Y/Y (0.6% decline Q/Q) to Rs8.4 billion. The revenues from the EXIM business, which contributes around 76% to the total revenue, declined by 10.3% Y/Y to Rs6.36 billion; on the

### Market pulse

#### Bulk Deals

Company	Wt. Avg. Price (Rs.)	Traded Qty	Acquirer/Seller
<b>Buy</b>			
Shiv-vani	127	450000	Reliance Capital Trustee Co
Tata Elxsi	106.04	197483	Yes Investments
Shriram Trans	200	2500000	Reliance Capital Trustee Co
Astral Poly	50.01	258189	IDFC Mutual Fund
<b>Sell</b>			
Bajaj Hindusthan	74.21	1107238	Morgan Stanley Mauritius Co
Alok Industries	14.67	1636033	Citigroup Global
Birla Power Solutions	17.18	900000	Lotus Global Invest
Indowind Energy	20.67	1000000	Abn Amro Bank
Vesuvius India	102.02	106137	HDFC Asset Management Company

#### Top Gainers (Weekly)

Company	24-Apr	17-Apr	%Change
RPower	133.10	115.95	14.79
Suzlon	65.90	57.90	13.82
Wipro	312.25	274.95	13.57
Rel Infra	740.50	658.55	12.44
Idea	60.55	54.00	12.13
ACC	678.80	609.05	11.45
Grasim	1802.60	1634.00	10.32
Bharti Airtel	749.75	680.55	10.17
SAIL	115.35	106.85	7.96
Tata Motors	253.55	235.80	7.53

#### Top Losers (Weekly)

Company	24-Apr	17-Apr	%Change
Unitech	45.60	52.70	-13.47
Ranbaxy	175.90	185.30	-5.07
Nalco	221.40	232.95	-4.96
ABB	487.05	511.85	-4.85
Maruti	803.00	836.20	-3.97
HCL Tech	126.90	129.00	-1.63
ICICI Bank	434.10	440.85	-1.53
GAIL	251.55	254.90	-1.31
NTPC	191.10	193.50	-1.24
BPCL	383.95	388.25	-1.11

#### FII Invt (Rs.cr)

#### MF (Rs.cr)

Date	Purchases	Sales	Purchases	Sales
20-Apr-09	2547.60	1758.60	645.50	557.60
21-Apr-09	1868.20	1535.60	425.30	682.30
22-Apr-09	1496.30	1559.00	558.70	750.00
23-Apr-09	1424.50	1422.80	823.60	363.60
<b>Total</b>	<b>7336.60</b>	<b>6276.00</b>	<b>2453.10</b>	<b>2353.50</b>

#### Corporate Actions

Company	Date	Purpose
OBC	27-04-2009	Audited Results & Dividend
Bank Of Baroda	27-04-2009	Audited Results & Dividend
Syndicate Bank	28-04-2009	Audited Results & Dividend
Sterlite Ind.	28-04-2009	Results & Dividend
IDFC	28-04-2009	Audited Accounts & Dividend
Titan Industries	29-04-2009	Audited Results & Dividend
Bharti Airtel	29-04-2009	Audited Results & Dividend
Canara Bank	29-04-2009	Audited Results & Dividend

other hand, revenues from the domestic business increased by 5.6% Y/Y to Rs2 billion. The revenues were 6% higher than our expectation of Rs7.9 billion.

The operating margins increased from 25.7% in Q4 FY08 to 26.8% in Q4 FY09, marginally beating our estimates of 26%; however, the operating profit declined by 3% to Rs2.25 billion. The company has almost zero debt on its balance sheet and the interest cost is also negligible. Other income declined marginally by 2.6% to Rs482 million. By the end of Q409, Concor reported a cash reserve of ~Rs17.6 billion. The effective tax rate came to 22.3% of PBT considering tax deduction available under Sec.80 IA with respect to new inland ports and capacity expenditure in the rail system. Overall, the net profit declined by 7.6% to Rs1.87 billion, translating into an EPS of Rs14.4 as against our expectations of Rs13.9.

For FY09, revenues increased by 2.1% to Rs34.13 billion and profit rose by 8.3% to Rs8.2 billion. For FY10, we expect revenues to increase by 5.5% to Rs36 billion and net profit to grow by 1.7% to Rs8.34 billion. At the current levels of Rs772, the stock is trading at 12x FY10E earnings and 7.8x FY10E EV/EBIDTA. We maintain our valuation of 11x FY10E earnings with price target of Rs706. We continue to rate the stock as an Underperformer.

### UltraTech Cements (Rs569)

UltraTech Cements' Q4 FY09 results are broadly in line with our expectations. Due to sharp decline in export price of cement and clinker, the net sales were lower than our expectations by 2.9%, to Rs18.6 billion. EBIDTA margin improved by 230 bps sequentially to 28.7%, which is 90 bps higher than our expectation, due to reduction in imported coal prices (40% of total coal consumption). The net profit came in higher than expectations at Rs3.09 billion as against our expectation of Rs2.89 billion, mainly due to lower-than-expected tax rates and interest expenses.

**Pick up in sales volume and domestic cement prices:** During the quarter, cement sales volume went up by 12.9% to 5.44 million tonnes due to incremental capacity and robust demand. We expect the higher volume growth to continue post commercialization of the clinker unit in Tadpatri in Q1 FY10. Although blended

cement price realization went up by 2.9% Y/Y, it declined by 1.9% sequentially to Rs3,420 per tonne due to a 26% Y/Y decline in cement exports and higher clinker sales. Domestic cement realization went up by 4.5% Y/Y to Rs3,488 per tonne in Q4 FY09.

### Sequential improvement in EBIDTA

**margin:** The EBIDTA margin improved by 230 bps to 28.7% in Q4 FY09 and EBIDTA per tonne went up by 6.5%, to Rs979 per tonne, due to reduction in input costs and increase in domestic realisation. Power & fuel costs fell by 33.9% to Rs745 per tonne due to reduction in imported cost of coal. Imported coal price came down to \$90 per tonne from \$210 per tonne. However, the full benefit of the decline in coal prices would materialize in Q1 FY10 due to higher price of coal inventory in Q4 FY09.

**Net profit of Rs3.09 billion:** UltraTech's net profit rose by 9.4% to Rs3.09 billion, which is higher than our expectations of Rs2.89 billion, primarily due to lower interest costs and lower-than-expected provisioning for tax.

**Visibility on capex plan:** During the year, UltraTech commissioned a grinding unit at Ginigera in Karnataka and two new cement mills at Andhra Pradesh Cement Works (APCW), which increased the company's installed capacity to 21.9 metric tonnes (MT) in March 2009. This is expected to be further augmented to 23.1MT by the end of Q1 FY10. Moreover, the company has commissioned a 192MW thermal captive power plant, taking its total installed capacity to 236 MW, which represents nearly 80% of its power requirement.

**Valuation:** UltraTech is currently trading at an EV/EBIDTA multiple of 6.1x and EV/tonne of \$76 per tonne on FY10E earnings. We expect the company's earnings to outperform the cement industry's performance due to volume growth (post the incremental capacity) and cost reduction (considering high reliance on captive power). However, we expect cement prices to decline by 10-12% in FY10-11 due to overhang of supply and slowdown in demand. This will lead to a decline in EBIDTA per tonne. Hence, we have valued UltraTech on an EV/EBIDTA multiple of 6x and rate the company as an Underperformer with target price of Rs541.

### Mutual Fund performance

#### Equity (Diversified)

Scheme Name	NAV (Rs)	3 Mnts	1 Year	3 Years	5 Years
Reliance Reg Savings-Equity (G)	15.30	26.38	-34.35	6.21	
IDFC Premier Equity-A (G)	15.07	25.92	-30.13	5.34	
Sahara Growth (G)	51.72	20.27	-21.46	4.59	18.99
Birla SL Frontline Equity (G)	46.96	21.88	-27.62	3.91	16.88
DSPBR Top 100 Equity (G)	57.16	17.64	-23.73	3.81	19.00
IDFC Imperial Equity-A (G)	12.13	22.19	-21.23	2.56	
Baroda Pioneer Growth (G)	29.86	23.29	-29.36	1.86	17.40
Reliance NRI Equity (G)	20.33	28.15	-30.01	1.39	
HSBC Equity (G)	66.34	18.79	-28.83	1.13	16.84
HDFC Top 200 (G)	102.40	21.19	-27.10	1.02	18.59

#### Balanced Funds

Scheme Name	NAV (Rs)	3 Mnts	6 Mnts	1 Year	3 Years
LICMF Systematic Asset Alloc (D)	9.27	10.76	7.97	-7.24	
LICMF Systematic Asset Alloc (G)	9.27	10.76	7.97	-7.24	
Birla SL Freedom (G)	28.80	13.70	16.18	-8.60	4.30
Birla SL Freedom (D)	28.78	13.72	16.20	-8.64	4.30
UTI-CCP Advantage (D)	10.74	11.45	7.10	-10.35	0.28
UTI-CCP Advantage (G)	10.74	11.46	7.10	-10.35	0.28
Birla SL '95 (G)	186.00	17.78	20.50	-16.64	3.93
Templeton India Children's Asset-Gift (D)	28.67	19.97	12.20	-18.01	1.33
Templeton India Children's Asset-Gift (G)	28.67	19.97	12.20	-18.01	1.33
Tata SIP-II (D)	8.26	10.74	2.73	-18.28	

#### Income Funds

Scheme Name	NAV (Rs)	3 Mnts	1 Year	3 Years	5 Years
Canara Robeco Income (G)	18.96	4.22	33.45	14.34	10.91
ICICI Pru Income-Ret (G)	29.45	2.70	25.75	12.94	8.27
Reliance Income (G)	30.46	1.66	20.27	11.26	7.99
IDFC Dynamic Bond-A (G)	18.22	-0.34	20.20	12.68	8.42
DWS Premier Bond-Reg (G)	15.21	1.69	20.12	8.97	6.33
Kotak Bond-Reg (G)	25.65	1.41	19.55	11.63	8.05
Fortis Flexi Debt-Reg (G)	15.19	6.05	19.49	12.50	
Birla SL Income Plus-Ret (G)	41.14	1.35	19.26	12.28	7.77
Kotak Bond-Deposit (G)	23.88	1.41	19.02	10.35	7.10
ING Income (G)	24.16	4.86	18.99	11.31	7.31

#### Short Term Debt Funds

Scheme Name	NAV (Rs)	1 Mnt	3 Mnts	1 Year	3 Years
Sundaram BNPP Flexible-ST-Inst (G)	13.80	1.86	3.16	10.31	8.65
HDFC FRF-LT (G)	14.84	0.95	2.23	9.87	8.33
Escorts FRF (G)	12.70	0.78	2.26	9.63	7.80
DSPBR FRF-Inst (G)	1,272.18	0.80	2.10	9.60	7.31
LICMF FRF-STP (G)	14.38	0.50	1.82	9.52	8.78
UTI-FRF-STP (G)	1,435.69	0.63	1.89	9.49	7.76
DSPBR FRF-Reg (G)	14.23	0.78	2.04	9.33	6.96
Templeton FRF Income-ST-Inst (G)	13.21	0.63	2.00	9.25	8.47
HSBC FRF-LT-Inst (G)	13.82	0.72	1.82	9.18	8.51
Canara Robeco FRF-STP (G)	13.63	0.53	1.80	9.17	8.35

#### ELSS

Scheme Name	NAV (Rs)	3 Mnts	1 Year	3 Years	5 Years
Taurus Tax Shield (G)	18.84	22.50	-32.45	-0.07	15.17
Fidelity Tax Advantage (G)	10.96	20.93	-28.86	-0.43	
Sundaram BNPP Tax Saver (G)	25.58	14.24	-27.72	-1.11	
Sahara Tax Gain (G)	19.19	20.45	-27.94	-2.64	0.64
Franklin India Taxshield (G)	110.30	21.77	-28.90	-4.09	14.72
Tata Tax Advantage-1	8.77	18.73	-29.39	-5.03	
Principal Personal Tax saver (G)	54.09	24.98	-42.16	-5.15	11.95
Reliance Tax Saver (ELSS) (G)	10.89	18.82	-28.28	-7.62	
HDFC TaxSaver (G)	107.89	18.22	-31.99	-8.52	19.58
Baroda Pioneer ELSS 96	14.53	20.68	-39.88	-9.11	7.32

#### MIP

Scheme Name	NAV (Rs)	3 Mnts	1 Year	3 Years	5 Years
Reliance MIP (G)	17.28	9.66	21.76	10.56	11.03
Birla SL MIP II-Savings 5 (G)	15.41	1.85	19.56	11.94	
Sahara Classic (G)	11.98	2.42	17.03		
Birla SL MIP (G)	22.80	8.17	9.44	8.09	7.62
Birla SL Monthly Income (G)	30.44	7.26	9.43	8.92	8.12
Tata MIP (G)	17.25	4.87	8.57	7.20	6.73
Principal MIP (G)	18.79	7.82	7.00	8.66	7.83
DWS MIP (G)	15.03	5.08	6.73	7.39	7.72
ICICI Pru MIP (G)	22.02	7.15	6.60	7.05	8.45
UTI-MIS (G)	16.37	5.07	6.00	7.26	7.18

#### Gilt

Scheme Name	NAV (Rs)	3 Mnts	1 Year	3 Years	5 Years
ICICI Pru Gilt-Invest-PF	18.02	0.35	40.61	17.90	11.68
Escorts Gilt (G)	20.63	1.94	34.09	12.89	8.24
JM G-Sec-Reg (G)	29.07	2.48	31.48	12.30	7.88
ICICI Pru Gilt-Invest (G)	31.64	-1.27	31.06	14.54	9.16
DSPBR GSF-Longer Dur (G)	32.00	-3.34	29.92	12.68	8.28
Templeton India G-Sec-LTP (G)	22.77	1.81	25.87	12.89	8.57
Birla SL Govt Sec-LT (G)	24.65	15.50	24.36	9.08	5.53
Templeton India G-Sec-PF (G)	14.37	1.96	23.77	11.83	
Templeton India G-Sec-Composite (G)	32.73	1.96	23.77	11.81	7.44
ICICI Pru Gilt-Treasury (G)	24.01	3.70	23.48	11.75	8.81

#### Liquid Funds

Scheme Name	NAV (Rs)	1 Month	3 Months	1 Year
Fortis Money Plus-Inst (G)	13.24	0.65	2.09	10.13
Templeton FRF Income-LT-SIP (G)	11.92	0.86	2.35	9.88
Escorts Liquid Plan (G)	13.11	0.84	2.32	9.85
Fortis Money Plus-Reg (G)	13.11	0.62	2.01	9.74
JM Money Mgr-Super (G)	12.27	0.63	1.84	9.66
Templeton FRF Income-LT-Inst (G)	13.25	0.84	2.29	9.61
Tata Treasury Mgr-HIP (G)	1,167.34	0.58	1.75	9.53
DWS Credit Oppor Cash-30D (G)	11.24	0.71	2.13	9.49
Tata Treasury Mgr-RIP (G)	1,167.23	0.57	1.72	9.42
DWS Credit Oppor Cash-15D (G)	11.78	0.70	2.09	9.33

### Commodities

#### Precious metals review

**Bullion:** Bullion prices breached the crucial resistance of \$890 and made a high of \$910 per troy ounce last week. After being range-bound for most part of the week, prices rose sharply on Thursday following the slump in the US dollar and the lower global growth rate by the International Monetary Fund (IMF). The US dollar reversed most of its gains against the euro and other major currencies due to weak economic data. The US Existing Home Sales (March) declined by 3% against the expected decline of 1.5%. On the other hand, the euro strengthened after the ZEW economic sentiment rose substantially to 11.8 against the previous reading of -6. Moreover, the IMF projected a contraction of 1.3% in global economic growth against the previously estimated expansion of 0.5%, thereby enhancing the appeal for bullion.

On the other hand, inflows into gold funds seem to have stalled. The funds in the SPDR Gold Trust declined to 1104.45 tonnes despite increase in prices to above \$900 levels. This, along with comments from the US Treasury Secretary regarding economic revival, has limited the gains in bullion prices. However, the Akshaya Tritiya festival is raising hopes of increased physical demand in the largest bullion-consuming nation. During the week, the Vice-President of the Bombay Bullion Association cited doubling of gold imports in the month of April.

This week, prices are likely to move sideways amid better economic data from the US

and deteriorating economic conditions in the Euro-zone. The US GDP, interest rates, manufacturing and consumer confidence will be important indicators to watch out for.

#### Energy review

**Crude oil:** Crude oil prices continued to trade lower last week as persisting demand concerns overruled the optimism regarding revival plans. A stronger US dollar in the initial part of the week instigated losses in the crude oil market. Moreover, rising inventories along with gain in equities resulted in a two-way trend in prices. The US Department of Energy reported a substantial increase in stockpiles last week, reflecting the reduced oil demand in the largest energy-consuming nation. Crude oil stocks rose by a whopping 3.8 million barrels against the expected figure of 2.5 million barrels. Adding to the woes, gasoline and distillate stocks also witnessed an increase against an expected decline of 700,000 barrels and 1 million barrels respectively. According to the report, the total daily fuel demand in the US averaged about 18.5 million barrels in the four weeks ended April 17, down by 6.55 million compared to last year.

The decrease in global oil consumption has resulted in spectacular price decline from the record-high levels of \$147.27 per barrel. Hence, we expect demand restoration to be the governing factor for a trend reversal.

This week, prices are likely to remain range-bound as demand concerns are heightened due to the poor economic growth forecasts by the IMF.

#### Agri market review

**Guar seed:** Guar seed futures prices have been rallying sharply since the first week of April after remaining range-bound for 4-5 months, due to strong export demand for churi and korma. Although the demand for guar gum remained steady, the higher demand for other products led to a bull-run in prices. At NCDEX, the June futures rallied to Rs1,925 levels after breaching a crucial resistance at Rs1,685 levels.

According to the Indian Meteorological Department (IMD) forecasts, the south-west monsoon rainfall is likely to be 'near normal'. In quantitative terms, the overall rainfall is likely to be 96% of the Long Period Average (LPA) with a model error of  $\pm 5\%$ . IMD will update the forecast in June 2009 as part of its second-stage forecasts. Separate forecasts for monthly (July and August) rainfall over the country as a whole and seasonal (June-September) rainfall over the four geographical regions of India will also be issued.

According to market sources, the acreage under guar seed is likely to decline by 15-20% in kharif 2009 as farmers are likely to shift to more profitable crops like cotton, especially in irrigated regions like north Rajasthan, Haryana and Punjab.

Guar seed prices are likely to extend its bull-run due to lower sowing expectations and strong demand for bi-products. The NCDEX June futures can test Rs2,000-2,050 in the next couple of months. Prices may be volatile in the coming months reflecting weather conditions.



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### Bondsurance

Bondsurance is a life assurance policy with a guaranteed return on the investment component. The policy has been introduced by IDBI Fortis Life Insurance Company Limited.

#### Unique features

**Single premium policy:** Bondsurance is a single premium policy. In other words, the policyholder is required to pay the premium only once. The value of this single premium is dependant on the choice of the value of the guaranteed maturity amount and the policy term by the policyholder. The single premium amount is also dependant on the age of the life assured at the time of applying for this policy.

**Guaranteed maturity amount:** At the end of the policy term, a guaranteed maturity benefit is payable to the policyholder.

**Choice of policy term:** The policyholder can choose a term of either 5 years or 10 years.

**Discount on single premium amount:** If the chosen maturity benefit amount is Rs1,50,000 or more, the single premium amount becomes eligible for a discount deduction. The details of this discount are:

Value of maturity benefit	Discount on single premium amount for the policy term of	
	5 years	10 years
Rs1,50,000 to Rs3,99,999	2.00%	3.50%
Rs4,00,000 to Rs9,99,999	2.50%	4.50%
Rs10,00,000 & above	3.00%	5.25%

**Medical requirements:** If the value of the sum assured is less than or equal to Rs5,00,000, then the policy may be taken without the requirement of a medical test. For a policy with a higher sum assured value, the medical test would be required with a full personal health statement.

#### Policy benefits

**Death benefit:** In the unfortunate event of death of the life assured during the policy term, the nominee will receive the sum assured

amount. The value of sum assured is calculated at five times the single premium value. The policy will terminate with this benefit payment.

**Maturity benefit:** At the end of the policy term, the guaranteed maturity amount will be paid to the policyholder.

#### Eligibility parameters

**Age at entry:** Minimum – 8 years for 5-year policy term (13 years for 10-year policy term); maximum – 55 years for 5-year policy term (50 years for 10-year policy term)

**Maximum age at maturity:** 60 years

**Value of single premium amount:** Minimum – Rs20,000; maximum – no limit (subject to underwriting guidelines and decisions). The value of the sum assured is fixed at five times the value of the single premium amount.

**Minimum value of sum assured:** Rs1,00,000

#### Policy surrender

The policy can be surrendered after the completion of one policy year. The special surrender value is payable to the policyholder in case of surrender. This value will be at least equal to 80% of the single premium amount.

#### Indicative premium rates

Age of insured person (in years)	Premium per Rs 1000 of maturity benefit for a policy term of	
	5 years	10 years
8-32	Rs803.72 (from age 13 years)	Rs555.28 (from age 8 years)
33-37	Rs810.65	Rs567.16
38-42	Rs823.52	Rs583.98
43-47	Rs846.28	Rs625.56
48-52	Rs887.86	Rs700.78
53-55	Rs967.04	Not available

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

### Cholamandalam Motor Insurance Policy

Cholamandalam Motor Insurance Policy is a comprehensive motor vehicle insurance policy from Cholamandalam MS General Insurance Company Limited.

#### Policy covers

- ❖ Protection from a financial loss arising out of loss or damage to the vehicle.
- ❖ Protection from liability death and property damage on account of any accident involving the insured vehicle.

**The policy covers loss or damage to the vehicle occurring from:** ❖ Fire, explosion, self-ignition, lightning ❖ Burglary, house-breaking, theft ❖ Riot and strike ❖ Earthquake (fire and shock damage) ❖ Flood, typhoon, hurricane storms, tempest ❖ Inundation, cyclone, hailstorm, frost ❖ Accidental external means

### Personal Guard

Personal Guard is a comprehensive accidental insurance plan from Bajaj Allianz General Insurance Company Limited.

#### Cover under the policy

Comprehensive cover includes death, permanent disability arising from accidents, and accidental injuries. High compensation for cases of Permanent Total Disability upto 125% of the sum insured. Ailments leading to hospitalization are covered under the policy, with provision of a daily hospital cash allowance. Children's educational bonus provision under the policy provides an additional sum for your children's education, thus ensuring that a child's education is not hampered by accidental death of (or injury to) his/her parent(s).

#### Benefits

All insurance requirements are addressed by a single policy Single Proposal form required for securing comprehensive cover.

### Key derivative interpretations

How often have you heard TV commentators use words like open interest, cost-of-carry, rollover and put-call ratio? What do these terms mean? In what context are they used? How does one interpret them? This article should help you understand key derivative terms and their interpretations that will go a long way towards unraveling some of the mystery of derivatives.

#### Cost-of-carry

Cost-of-carry involves the various costs incurred to carry the contract until delivery or until it is squared off. The various costs include finance cost, storage cost, and holding cost. In simple words, cost-of-carry is the difference between the futures price and the spot price of the underlying, and is expressed in terms of annualized percentage. Cost-of-carry can be both positive and negative. If futures price is more than the spot price in the cash market, then the cost-of-carry will be positive and vice versa.

#### Open interest

Open interest is the number of contracts that are not squared off or closed (futures) or exercised (options buyer) on a particular day. For example, say, Rajesh buys a futures contract, and at the end of the day, he does not square-off his position, then the contract is considered open and the open interest is said to be one. Although open interest by itself cannot always be looked upon as a critical indicator to judge

the movement in the futures market, open interest in conjunction with cost-of-carry is a good indicator of the prevailing market sentiment.

An increase in open interest with an increase in cost-of-carry indicates accumulation of long positions, which means that the price of the underlying is likely to go up in the next few trading sessions. An increase in open interest with a decrease in cost-of-carry indicates addition of short positions, which means that the price of the underlying is likely to go down in the next few trading sessions. Similarly, a fall in open interest accompanied by a rise in cost-of-carry indicates closure of short positions, which means that the stock is likely to rise in the next few trading sessions. Likewise, a fall in both the open interest and cost-of-carry indicates closure of long positions, which means that the stock is likely to fall in the next few trading sessions. Closure of short positions occurs when the market moves against a trader's existing short, thereby triggering his stop loss. The same applies to the concept of closure of long positions.

#### Interpreting open interest and cost-of-carry

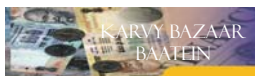
	Open interest	Cost-of-carry
Long accumulation	Increase	Increase
Short accumulation	Increase	Decrease
Long closure	Decrease	Decrease
Short closure	Decrease	Increase

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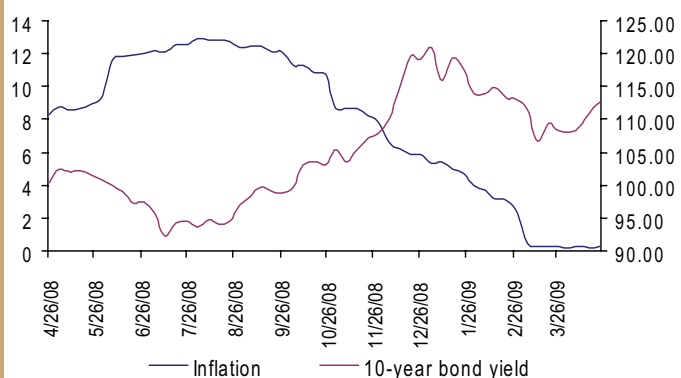
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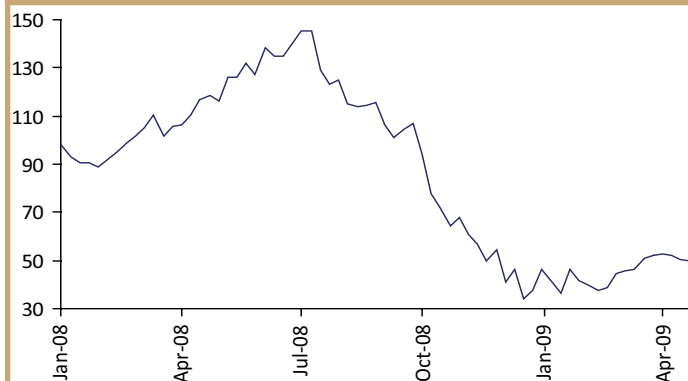
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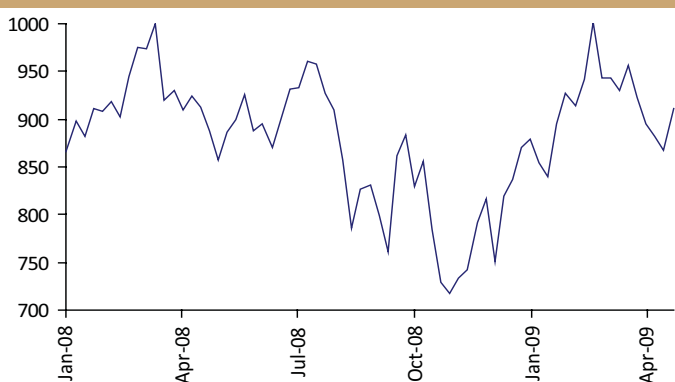
## Inflation vs. 10-year bond yield



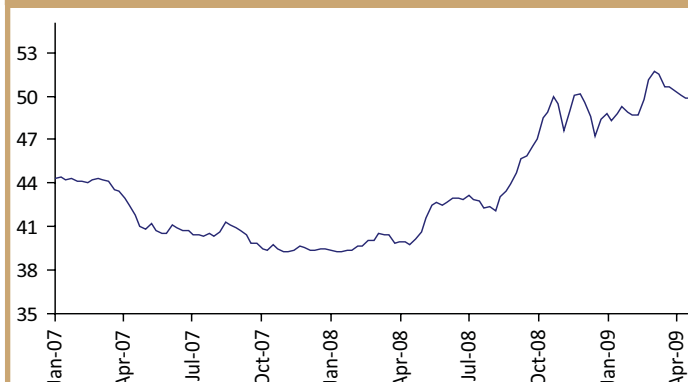
## Crude oil



## Gold



## Rs/US\$



## Global indices: Weekly performance

	Close (Apr 24)	Close (Apr 17)	Weekly (%)	6M (%)	12M (%)	PE Ratio
<b>ASIA</b>						
Hang Seng	15258.85	15601.27	-2.19	20.93	-40.58	13.60
STI	1852.85	1896.56	-2.30	15.78	-41.69	9.43
S. Korea	1354.10	1329.00	1.89	44.25	-24.75	19.10
Nikkei 225	8707.99	8907.58	-2.24	13.84	-35.69	28.06
<b>AMERICA (as on April 23 closing)</b>						
Dow Jones	7957.06	8131.33	-2.14	-5.04	-38.07	15.76
S&P 500	851.92	869.60	-2.03	-2.83	-38.66	13.07
NASDAQ	1652.21	1673.07	-1.25	6.46	-31.98	23.71
Brazil Bovespa	45801.17	45778.28	0.05	45.49	-29.07	14.57
<b>EUROPE (as on April 23 closing)</b>						
FTSE-100	4018.23	4092.80	-1.82	5.22	-32.47	17.12
DAX 30	4538.21	4676.84	-2.96	7.17	-32.51	17.68
CAC 40	3008.62	3091.96	-2.70	-4.35	-38.03	9.83

## Domestic indices: Weekly performance

	Close (Apr 24)	Close (Apr 17)	Weekly (%)	6M (%)	12M (%)	PE Ratio
Sensex	11329.05	11023.09	2.78	30.20	-32.25	11.80
Nifty	3480.75	3384.40	2.85	34.70	-30.38	12.29
BSE 500	4161.48	4037.84	3.06	27.74	-37.64	11.10
BSE Auto	3475.51	3428.13	1.38	40.09	-23.97	9.29
BSE Bankex	5591.70	5526.33	1.18	20.26	-34.84	10.11
BSE Consumer Durables	1812.64	1833.22	-1.12	-9.89	-58.26	5.78
BSE FMCG	2111.51	2087.49	1.15	16.15	-11.65	21.89
BSE Healthcare	3064.38	3019.55	1.48	9.00	-26.52	16.79
BSE IT	2556.26	2461.60	3.85	-1.62	-36.88	12.20
BSE Oil & Gas	8090.05	7878.25	2.69	57.04	-28.88	12.97
BSE Metal	7164.87	6790.76	5.51	63.07	-53.37	4.10
BSE Realty	2256.57	2166.49	4.16	29.45	-71.92	5.61
BSE PSU	5976.68	5941.49	0.59	35.14	-22.62	43.06
BSE Power	2149.84	2092.29	2.75	47.97	-34.46	21.12
BSE Tech	2134.91	2025.39	5.41	11.81	-35.14	13.92

Source: Bloomberg

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