

# KARVY BAZAAR BAATEIN

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

11 May 2009 to 17 May 2009

Volume 3 : Issue 6

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

## CONTENTS

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

**NSE**  
52 Wk H/L : 5167.40/2252.75  
**Mcap** : Rs35,45,293 cr.  
**BSE**  
52 Wk H/L : 17497.36/7697.39

**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

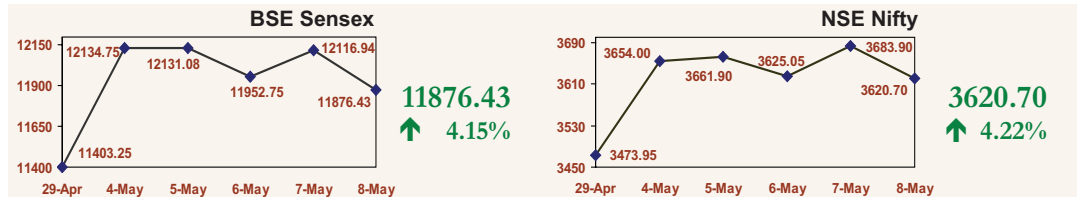
For advertising enquiries please contact **Pavan Katta** ☎:040-23312454 ext:152

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



### Caution is key...

Global stock markets rallied significantly last week, with Singapore, Hong-Kong and Thailand stock markets showing spectacular gains of around 12-16%. While emerging markets like India and China rose 4-6% during the week, developed markets like the US and Europe, too, recorded modest gains. Clearly, the Indian stock markets continue its dream run, with the BSE Sensex notching up its ninth consecutive week of gains, rallying more than 46% from its March 9 lows.

This rally initially began with positive global cues and better-than-expected economic data emanating from the US. The positive new flow from the US continues to overwhelm markets worldwide, raising hopes of a slowdown in the pace of economic decline and an early global recovery. In fact, as we go to press, the US data on job cuts for April has come in lower than expected, indicating the possibility of a soft landing for the economy.

Moreover, the much-awaited stress test results did not feature any negative surprises, and that proved to be a positive for global markets. The Fed Chairman Ben Bernanke pointed out that the results of the stress test should provide considerable comfort to stakeholders. Overall, we believe that global equity markets are better placed for further upside post the stress test results.

Meanwhile, with the Great Indian General Elections being played out in all its glory in the world's largest democracy, most political analysts expect one of the most fractured verdicts in the nation's political history. With no clear winner in sight, the high "uncertainty" would result in significant "market volatility" as we lead up to the election results and its aftermath. Not only are the potential single-largest parties—the Congress and the BJP—expected to garner seats far short of the magic figure, but even their respective alliances—the UPA and the NDA—may find it difficult to notch up the required numbers, particularly with the emergence of the Third Front. Hence, caution is highly recommended in these uncertain times. Investors can stay away from the markets until greater clarity emerges or they can partially hedge their portfolios by buying put options in the derivatives market.

### KBB weekly recommendations for the week beginning 11<sup>th</sup> May.

Scrip	Action	CMP	Entry	Stop Loss	Target	Time Frame
MLL	Buy	41.50	40-42	37.00	52-54	5-6 Days
JP Associates	Buy	142.10	138-140	134.10	155-156	5-6 Days
Suzlon	Buy	76.20	74-76	72.00	85-86	5-6 Days
Welspun Gujarat	Buy	114.40	112-114	107.00	125-126	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
Infosys	Buy	1500-1510	1475.00	1575-1580	-	-	-	NI
IDFC	Buy	75-77	72.20	90-92	-	-	-	NI
TCS	Buy	620-623	605.00	660-665	-	-	-	NI
Bharat Forge	Buy	123-125	118.10	140-142	-	-	-	NI

Balance on inception (26- Jan- 09)	Balance last week (29-Apr-09)	Balance current week (08-May-09)	Abs. returns WoW (%)	Abs. returns since Jan 26, 2009(%)
5,00,000	6,87,220	6,87,220	-	37.44

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

### Godrej Industries CMP: 100.00

Godrej Industries has been moving sideways since the October 2008 debacle. It almost touched the October lows in early March and reverted with improving volumes, indicating fresh buying in the stock. Thereon, the stock picked up and witnessed a breakout above the consolidative range. It was recommended in April for targets of 106-110 levels which currently stands achieved. The last couple of sessions saw significant moves in either direction, whereby the stock managed to test the 200-day EMA. However, it slipped on Friday, indicating profit-taking. The 14-day RSI has entered the overbought territory and has reverted, indicating further declines in the offing. However, the stock has crucial supports placed around 85 and 75 levels where the 8-day and 100-day EMAs are currently placed. These will be the critical point of observation. Investors are advised to assume long positions in the stock in the range of 80-85 levels for a medium-term target of 120 and 145 levels. All long positions in the stock

should be protected with a stop loss placed below 75 levels on a closing basis.

### LT CMP: 991.40

L&T witnessed a dream run in recent sessions as it surged significantly on the back of a whopping increase in volumes. The stock witnessed a consolidation pattern last week. It is expected to stabilize around its short-term 8-day and 200-day EMA levels, and is expected to bounce back. The volumes during the consolidation remained high, indicating accumulation in the stock. The 14-day RSI is in overbought territory and still indicates a buy signal. Any decline from current levels will bring the trigger line towards the 60-level support, thus creating head-room for another rally. The immediate support is around 900 and 850 levels. The 50-day EMA level is placed around 800 levels which is unlikely to be broken in the near term. Investors are advised to assume long positions in the stock in the range of 980-990 levels and average the same, if available, at 900 levels for a medium-term target of 1150-1200 levels. All long positions in the stock should be

protected with a stop loss below 800 levels on a closing basis.

### Videcon Industries CMP: 122.95

Videcon was consolidating in the recent past after it touched a high of around 130 levels. The stock was recommended at 90-93 levels earlier for a target of 115, which currently stands achieved. Hereon, the momentum is expected to carry forward if the stock manages to break past the 135 levels. The stock has moved above all its moving averages, barring the 200-day EMA; above the 135 levels, the stock could test the 160 levels. The 50-day would prove to be a critical support in the near term. The 14-day RSI has found support from 50 levels and has surged close to 60 levels, and is indicating further upward movement. The stock has crucial support placed around 100 levels. Investors are advised to assume long positions in the stock in the range of 115-120 levels for a short-term target of 135 and 160 levels. All long positions in the stock should be protected with a stop loss placed below 100 levels on a closing basis.

## Fundamental view

### Aventis Pharma (Rs940)

Aventis Pharma's total quarterly revenues grew by 7.2% to Rs2,446 mn while revenues (excluding Rabipur revenues) rose 14.6%. With the discontinuation of the Rabipur product, the company's Rabipur revenues accounted for Rs92 mn as against Rs361 mn in the corresponding quarter of the previous year. Moreover, the export revenues for the quarter surprisingly grew by 46.2%, to Rs576 mn. However, the operating margins for the quarter declined marginally from 22.7% to 22.4% due to better gross margins despite the loss of Rabipur. The profits for the quarter were marginally down by 2.6% to Rs336 mn.

Aventis Pharma launched Combiflam cream and Cetapin P (combination of Metformin and Pioglitazone). The management has been looking at measures to compensate for the loss of turnover /profits due to termination of the Rabipur agreement. This has been amply demonstrated in Q1CY09, as the company's gross margins were better than our expectations. We maintain our current revenue estimates with a 10%

growth in domestic formulations and a 5% growth in exports for CY09. However, we increase our gross margins expectations by 170 bps for CY09 and by 150 bps for CY10. We increase our EPS estimates by 6.3% to Rs62.8 for CY09E and by 6.8% to Rs73.7 for CY10E. We rate the core business of the company at 12x CY10E at Rs885. We add Rs320 as the company's cash per share to its core price and arrive at a price target of Rs1,205. We upgrade our price target by 5% due to the above-mentioned reasons and upgrade the stock to BUY.

### Pennar Industries (Rs24)

In Q4 FY09, Pennar Industries (PIL) reported a net profit of Rs102 mn, which is 5% higher than our expectations, and net sales were reported at Rs1,545 mn, which is 6% lower than our expectations. It indicates that, in Q4FY09, PIL's EBITDA margin was better than our expectations. This was mainly driven by the improvement in average realisation per tonne due to enhanced focus on value-added products. Hence, PIL beat our EBITDA margin expectations of 13.3% by 142 bps in Q4FY09.

Although net sales declined by 4% Y/Y, it improved by 2% Q/Q to Rs1,545 mn

in Q4FY09, taking the FY09 net sales to Rs6,535 mn. The FY09 sales grew by 17%, primarily due to improved realization. We believe that PIL's consistent effort to improve the product mix with more emphasis on value addition is yielding improvement in margins. The company is aggressively expanding its railways business, which earns significantly higher margins than the remaining businesses, primarily leading to the improvement in realisation during Q4FY09. However, sequentially, the average realization has declined and it is being compensated by higher volumes.

The EBITDA margin for Q4FY09 was reported at 13.3% against our expectations of 11.6%. This implies a margin expansion of 160 bps Y/Y and 60 bps Q/Q, mainly due to increasing share of higher-margin products. The EBITDA was reported as Rs205 mn in Q4FY09 which is ~5% higher than our expectations. This reflects a growth of 9% Y/Y and 7% Q/Q. The net profit growth is flat as the Y/Y growth derived from better margin is offset by higher depreciation cost and tax. The net profit of Rs102 mn in Q4FY09 translates into a net EPS of Rs0.81 and reflects a net margin of 6.6%.

### Market pulse

#### Bulk Deals

Company	Wt. Avg. Price (Rs.)	Traded Qty	Acquirer/Seller
<b>Buy</b>			
Strides Arcolab	99.00	271000	Reliance Capital MF
Century Textiles	259.11	469792	Prudential ICICI Equity & Derivative
MIC Electronics	27.59	650000	Edelweiss Comm
Asian Hotels	222.71	400276	Birla Sunlife Ins
CCL Products	89.00	409453	Citigroup Global
<b>Sell</b>			
Autolite (India) Ltd	22.00	100088	Lotus Global Invest
Arvind Limited	18.57	1548000	Bnp Paribas Arbitrage Snc
GKV Limited	48.00	350000	Lotus Global Investments Limited

#### Top Gainers (Weekly)

Company	08-May	29-Apr	%Change
Hindalco	68.30	53.75	27.07
Unitech	52.80	44.05	19.86
Suzlon	76.20	63.60	19.81
Sterlite	490.30	410.05	19.57
Tata Steel	282.40	238.10	18.61
Cairn India	217.15	185.65	16.97
NALCO	244.65	210.80	16.06
HCL Tech	148.65	129.85	14.48
SAIL	125.00	109.20	14.47
L&T	991.40	879.35	12.74

#### Top Losers (Weekly)

Company	08-May	29-Apr	%Change
ACC	601.25	654.35	-8.11
BPCL	358.20	387.65	-7.60
Ambuja Cements	75.30	81.00	-7.04
Cipla	225.90	240.75	-6.17
BHEL	1646.45	1655.70	-0.56
ITC	188.40	188.90	-0.26
Grasim	1779.75	1781.40	-0.09
NTPC	189.90	190.00	-0.05

#### FII Invt (Rs.cr)

#### MF (Rs.cr)

Date	Purchases	Sales	Purchases	Sales
4-May-09	2869.30	2524.70	835.30	456.50
5-May-09	3852.80	2361.60	543.70	580.80
6-May-09	2969.10	2274.10	781.50	749.70
7-May-09	2857.20	2168.90	-	-
8-May-09	1898.80	1503.60	-	-
<b>Total</b>	<b>14447.20</b>	<b>10832.90</b>	<b>2160.50</b>	<b>1787.00</b>

#### Corporate Actions

Company	Date	Purpose
Motilal Oswal Financial Services	11-May-09	Audited Financial Results and Dividend
Kotak Mahindra Bank Limited	12-May-09	Audited Financial Results and Dividend
Bank Of Maharashtra	14-May-09	Audited Financial Results and Dividend
Bajaj Hindusthan Ltd	14-May-09	Issue On Preferential Basis
Chennai Petroleum Corporation Limited	19-May-09	Audited Financial Results

**Buyback, a positive trigger:** PIL's board approved a buyback of shares up to Rs40/share for a total value of up to Rs125 mn. The buyback will represent 9.74% of its total equity capital. As the stock is trading at Rs25/share, we expect PIL to buyback ~5 mn shares, which is ~4% of the total fully diluted shares. Hence, due to the buyback, there would be a reduction in equity capital by ~4%. Consequently, the adjusted EPS is likely to increase by ~4% from Rs3.7 to Rs3.8 in FY10. The buyback offer is opening from May 14, 2009 and will be accepted within 7 days of the relevant payout dates of the Stock Exchange.

**Valuation:** We are positive on the stock given its consistent margin improvement due to increasing contribution of value-added products like railways and engineering. Although the increasing mix of higher margin business would continue to drive margins, the current buyback would improve the company's EPS by ~4%. Hence, we revise the price target upward to Rs34 from 33. Based on its earnings, we value PIL at Rs31/share (8x FY10E EPS) and value its real estate holding at Rs3/share. Hence, we arrive at a target price of Rs34/share and continue to rate it as a BUY. Currently, PIL is trading at an EBITDA multiple of 6x FY09E. Our target price reflects an EBITDA multiple of 6.1x FY10E.

#### Shree Cements (Rs798)

Shree Cements Ltd (SCL)'s Q4FY09 result is better than our expectations. The company's net sales grew by 21.7% Y/Y to Rs8.06 bn, mainly due to volume growth of 17.3% and merchant power sales of Rs443 mn. SCL has reported an EBITDA margin of 41%, which is 300 bps higher than our expectations and 270 bps higher than Q4FY08. This is mainly due to a sharp decline in pet coke prices. In addition, the EBITDA per tonne has increased by 11% to Rs1,372/tonne in Q4FY09 from Rs1,236/tonne in Q4FY08. Moreover, lower effective tax rates and improving operational performance have increased the adjusted net profit by 473% to Rs2.35 bn, which is significantly higher than our expectations. This is primarily due to lower provision for depreciation and lower effective tax rates coupled with improved operational performance. The depreciation has gone down by 70.7% to Rs546.9 mn due to the WDV depreciation methodology. Furthermore, the effective tax rate has also

gone down mainly due to merchant power sales of Rs443mn and higher provisions in earlier quarters.

**Valuation:** We have revised our earning estimates upward due to decline in pet coke prices, higher merchant power sales, lower tax rates and lower decline in cement price in FY10. At the current market price of Rs798, SCL is trading at a P/E multiple of 5.2x, EV/EBIDTA multiple of 2.3x, and at \$61/tonne on EV/tonne basis on FY10E earnings. We have valued SCL on EV/EBIDTA of 3.5x and rate the company as a BUY with a revised price target of Rs1,078 per share.

#### Great Offshore (Rs294)

In Q4FY09, Great Offshore's standalone revenue increased by 39.1% Y/Y (Q/Q decline of 6.7%) to Rs2.57 bn (10.5% below our estimates of Rs2.84 bn) due to revenue addition from Heavy Lift Vessel and project income during the quarter. The company commenced a lump-sum turnkey engineering contract of Rs2,340 mn with the Oil and Natural Gas Corporation (ONGC).

The operating margin increased from 39.5% in Q4FY08 to 46.4% in Q4FY09 which was higher than the expected level of 42.3%. The margin increase was due to lower other expenditure. The operating profit increased by 63.6% Y/Y to Rs1.19 bn. Moreover, depreciation cost declined marginally by 3.2% to Rs246.79 mn due to amortization of dry-docking cost of Kedarnath rig in earlier quarters. Overall, the net profit increased by 149.5% Y/Y to Rs608.8 mn, translating into an EPS of Rs16.4 as against our expectations of Rs18.2. The company has realized a gain of Rs104.9 mn due to currency fluctuations on foreign currency borrowing.

For FY09, the consolidated revenues increased by 44.9% to Rs10.81 bn and profit increased by 61.6% to Rs2.25 bn. We have revised our revenue estimates downwards by 8.2% to Rs11.18 bn and profit estimates by 12.3% to Rs2.18 bn in FY10 due to a delay in vessel acquisition. At the current market price of Rs294, the stock is trading at 5x FY10E and 3.7x FY11E earnings of Rs59 and Rs78, respectively. The stock is trading at 3.3x FY10E and 2.3x FY11E EV/EBIDTA. We maintain our valuation at 3x FY11E EV/EBIDTA, with a target price of Rs350. We have revised revenue and profit estimates downwards by 8.2% to Rs11.18 bn for FY10. We maintain our FY11 estimates.

### New fund offer

#### ICICI Prudential Target Returns Fund

ICICI Prudential Target Returns Fund is an open-ended equity diversified fund which has an in-built tool to enable disciplined investment strategy for potential wealth creation. These in-built tools are in the form of triggers. The fund mainly focuses on investing in large-cap oriented funds.

#### Fund diagnosis

**Risk-return profile:** This fund mainly invests in large-cap oriented funds and also has a facility to switch the funds to any pre-selected debt fund on gaining a pre-specified appreciation on the investment. Large capitalization stocks are always expected to benefit from economies of scale and also handle the minute volatilities existing in the market effectively. Hence, in terms of risk-return parameters, the fund will be least aggressive in comparison to other fund classes.

**Suitability:** This fund will be suitable for investors with a low appetite for risk. Investors looking at moderate to high returns from the growth of big companies should invest in this fund.

**Preferred investment duration:** Companies with large capitalization generally handle large projects and the gestation period of completing these projects is usually on the higher side. Hence, for an investor to receive good returns, a minimum investment duration of three years and more is advisable.

**How does Trigger Option work:** The Fund offers the Trigger Option (available under the Growth sub-option only). The investor will have the option to select from a set of four triggers, viz., 12%, 20%, 50% and 100%. On achieving the pre-set trigger target from the initial investment level, either the appreciation in NAV per unit or the entire

investment (as selected by the investor) switched to any of the four pre-selected eligible debt schemes. The scheme for switch can be chosen by the investor at the time of the investment. The default options under trigger option will be trigger at 20% with appreciation in NAV switched into ICICI Prudential Liquid Plan - Growth. The investor can also choose to remain invested in the scheme without any triggers by selecting growth or dividend payout or reinvestment options.

#### Proposed asset allocation

Equity & equity-related instruments – Domestic companies	65-100%
Debt & money market instruments	0-35%

#### Snapshot

<b>Offer period</b>	April 15, 2009 to May 14, 2009
<b>Offer price</b>	Rs10
<b>Investment objective</b>	ICICI Prudential Target Return Fund (there is no guarantee or assurance of returns) is an open-ended diversified equity fund that seeks to generate capital appreciation by investing in large cap equity or equity-related securities of companies constituting the BSE-100 Index and providing investors with an option to switch the appreciation on investment to pre-selected debt schemes automatically based on triggers for pre-set levels of return (targets) as and when these are achieved.
<b>Benchmark</b>	BSE-100
<b>Scheme type</b>	Open-ended equity scheme
<b>Plans offered</b>	Growth and dividend
<b>Options available</b>	Dividend payout and reinvestment
<b>Min investment</b>	Rs5000 and in multiples of Rs1 thereafter
<b>Entry load</b>	2.25% for investment below Rs2 crore or nil
<b>Exit load</b>	For purchases below Rs2 crore if redemption made within 6 months – 1.5%; if redeemed between 6 months and 1 year – 1%; else nil.
<b>Fund manager</b>	Mr. Sanjay Parekh

### Mutual Fund performance

#### Equity Diversified

Scheme Name	NAV (Rs)	1 Year	3 Years	5 Years
Reliance Reg Savings-Equity(G)	16.42	-30.25	6.63	
Birla SL Frontline Equity(G)	50.76	-24.07	5.62	19.67
Sahara Growth(G)	54.64	-18.00	5.08	21.46
IDFC Premier Equity-A(G)	15.63	-27.54	5.01	
DSPBR Top 100 Equity(G)	60.21	-22.06	4.51	21.42
Baroda Pioneer Growth(G)	32.16	-25.37	4.06	20.25
DBS Chola Opportunities(G)	25.70	-39.39	3.86	17.76
HDFC Top 200(G)	114.26	-20.48	3.68	21.96
IDFC Imperial Equity-A(G)	12.91	-17.88	3.18	
Reliance NRI Equity(G)	21.99	-24.89	3.01	

#### Income

Scheme Name	NAV (Rs)	3 Months	1 Year	3 Years
Canara Robeco Income(G)	19.00	4.84	31.71	14.35
ICICI Pru Income-Ret(G)	29.48	4.36	24.82	12.90
Fortis Flexi Debt-Reg(G)	15.22	3.62	19.23	12.47
Reliance Income(G)	30.47	3.28	18.80	11.21
Kotak Bond-Reg(G)	25.64	2.50	18.69	11.57
IDFC Dynamic Bond-A(G)	18.16	1.41	18.68	12.49
ING Income(G)	24.13	5.28	18.58	11.23
DWS Premier Bond-Reg(G)	15.19	3.17	18.23	8.94
Kotak Bond-Deposit(G)	23.87	2.50	18.20	10.30
Birla SL Income Plus-Ret(G)	41.09	2.60	17.66	12.17

Source: Acemf

#### ELSS

Scheme Name	NAV (Rs)	1 Year	3 Years	5 Years
Sundaram BNPP Tax Saver(G)	27.85	-23.13	0.53	
Fidelity Tax Advantage(G)	11.64	-25.91	0.43	
Taurus Tax Shield(G)	19.63	-30.09	-1.23	17.44
Sahara Tax Gain(G)	20.22	-24.98	-2.19	2.54
Franklin India Taxshield(G)	118.17	-25.67	-2.80	17.32
Tata Tax Advantage-1	9.24	-27.60	-4.07	
Principal Personal Tax saver(G)	57.08	-39.81	-5.23	14.23
Reliance Tax Saver (ELSS)(G)	11.50	-24.60	-6.84	
HDFC TaxSaver(G)	117.62	-26.33	-6.87	22.24
Baroda Pioneer ELSS 96	15.65	-36.17	-7.20	10.21

#### Gilt

Scheme Name	NAV (Rs)	3 Months	1 Year	3 Years
ICICI Pru Gilt-Invest-PF	18.47	5.76	43.40	18.91
Escorts Gilt(G)	20.89	4.25	35.18	13.30
ICICI Pru Gilt-Invest(G)	32.30	3.36	32.96	15.35
JM G-Sec-Reg(G)	29.12	3.60	31.35	12.30
DSPBR GSF-Longer Dur(G)	31.94	-1.23	27.35	12.79
Birla SL Govt Sec-LT(G)	24.94	16.73	25.62	9.45
Templeton India G-Sec-LTP(G)	22.72	1.41	24.87	12.88
ICICI Pru Gilt-Treasury-PF	15.36	4.28	23.75	11.90
ICICI Pru Gilt-Treasury(G)	24.11	4.18	23.53	11.85
Templeton India G-Sec-PF(G)	14.34	1.29	23.00	11.77

Note: All NAV as of May 07, 2009

### Commodities review

#### Base metals review

Base metals prices continued to gain last week as a series of better-than-estimated economic numbers from the US fuelled speculation of an early recovery from the Great Recession. Domestic prices initially remained subdued in the absence of the LME market as it remained closed due to the 'Early May Bank Holiday'. However, the metals market was upbeat after reports showed that the US services sector's contraction in April was the slowest since October. Moreover, manufacturing activity in China expanded for the first time in nine months. In addition, the US housing, construction and labor market statistics and the unexpected drop in the US jobless claims also supported prices. Furthermore, the European Central Bank (ECB) reduced its main refinancing rate by 25 basis points to 1%, and extended the maturity dates of unlimited loans offered to banks to curtail the recession. The rally in crude oil prices and the depreciating dollar also attracted buyers for the metals.

Meanwhile, the positive tone from the US banks' stress test results also helped maintain buoyancy in the market. Prices surged higher as equity markets rallied after assurances by the US Treasury Secretary that none of the country's biggest banks are insolvent. The stress tests results showed that 10 US banks need to raise a total of \$74.6 billion in capital, and bank losses under "more adverse" economic conditions than most economists anticipate could total \$599.2 billion over two years. The Fed Chairman pointed out that

capital injection should reassure investors regarding the soundness of the financial system and the results of the stress test should provide considerable comfort to investors.

On the industry front, union workers at Xstrata Plc's Lomas Bayas copper mine in Chile walked-off as they were demanding higher wages. Among the complex, nickel led the gainers, moving up by 11.72% to end Thursday's session at \$13,295/tonne. On the other hand, copper moved up 2.39%, lead and zinc by around 4.5% each, and aluminium by 1.82%.

This week, manufacturing and retail sales data from the US and the Euro-zone as well as the Euro-zone GDP will be important to watch out for. We expect base metals to remain sideways with positive bias for the whole week, with potential chances of profit-booking.

#### Agri market review

**Jeera:** Jeera futures fell for three consecutive weeks due to huge long closure, as demand failed to sustain at higher levels in the spot markets. At the NCDEX, June futures fell from the contract high of Rs13,281 levels to Rs12,000 levels, losing nearly 10% since the second week of April. The reports of higher output forecasts in Syria and Turkey and anticipation of lower exports in the coming months led to sharp decline in prices. As per market sources, the global output, excluding India, is likely to be around 80,000 tonnes in 2009 against 40,000 tonnes last year. The new crop arrivals start by June-July in Syria and by August in Turkey. These new crop arrivals coupled with higher output estimates

may lead to less export demand for Indian produce. Arrivals at the Unjha spot market have declined substantially in the last 2-3 weeks as the daily inflow is being reported around 3,000-4,000 bags against 10,000-15,000 bags in April. Moreover, the demand from stockists and exporters remained weak due to higher output estimates in Syria and Turkey. In the near term, prices may remain weak due to lack of sufficient demand and higher global output estimates. In futures, prices may come down to Rs10,000 levels in the next 1-2 months.

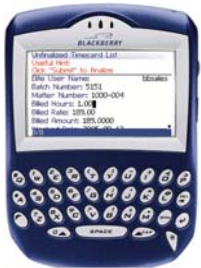
**Soybean:** Profit-booking in the recent rally has led soybean futures prices to decline last week. Investors liquidated their long positions on speculation that the recent rally may have been overdone. Moreover, the imposition of additional margin of 10% on long positions of running contracts weighed on the market. In addition, the release of a negative oil meal export data was also a reason for the fall in prices. According to data compiled by Solvent Extractors Association of India, the country exported 1 lakh tonnes of soy meal in April 2009 against 5.39 lakh tonnes shipped in the corresponding period last year. During the week, international markets remained range-bound as the market participants were waiting for the release of monthly World Agriculture Supply & Demand Estimates Report by the US Department of Agriculture due this week. The CBOT soybean futures traded lower during the week following reports of cancellation of soybean cargoes by China. This week, soybean futures are expected to trade on a negative note because of poor demand for the produce.

**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), 040-23395894

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)

### HOPE

HOPE (Health Of Privileged Elderly) is a specified-disease insurance policy for senior citizens and has been introduced by The Oriental Insurance Company Limited.

#### Policy features

The policy is exclusively meant for people aged 60 years and more. It aims to insure the policyholder financially from hospitalization. The policy reimburses the payment of hospitalization and / or domiciliary hospitalization expenses for the specified diseases contracted (or injury sustained) by the insured persons.

**Cover for specified diseases:** The policy covers specified diseases only. The details of the coverage as a percentage of the sum insured chosen by the policyholder are:

S. No.	Disease	Coverage limit per illness (as % of sum insured)*
1	Accidental Injury	100%
2	Knee Replacement	70%
3	Cardio Vascular Diseases	50%
4	Chronic Renal Failure	50%
5	Cancer	50%
6	Hepato-Biliary Disorders	50%
7	Chronic Obstructive Lung Diseases	20%
8	Stroke	20%
9	Benign Prostrate	15%
10	Orthopaedic Diseases	15%
11	Ophthalmic Diseases	10%

\* Including domiciliary hospitalization benefit, if any.

**Compulsory co-payment:** The policy conditions require the insured to compulsorily bear 20% of the admissible claim amount in each and every claim. The admissible claim amount for this purpose will be lower of the actual admissible expenses incurred by the client or the limit specified (as discussed above).

**Voluntary co-payment:** The insured has the option to bear a part of the claim amount and avail discount on the premium payable. This voluntary co-payment is in addition to the compulsory co-payment. The details of this co-payment are:

Voluntary co-payment % opted for	Discount available as % of premium payable
10%	10%
20%	20%
30%	30%
40%	40%
50% & above	50%

**'No Claim' discount:** The policy will provide 'No Claim' discount at the rate of 5% of the renewal premium, payable after every claim-free policy year, subject to a maximum of 20%. This discount is subject to policy conditions and will become 'nil' once a claim is paid or becomes payable under the policy, irrespective of the amount of claim.

#### Eligibility parameters

**Choice of sum insured:** Rs1 lac, Rs2 lacs, Rs3 lacs, Rs4 lacs or Rs5 lacs

The policy is available subject to satisfactory report of the medical tests as required by the insurance company. This requirement will also be applicable for renewal of policy where there is a break in policy period. The cost of such check-up will be borne by the insured. However, in case of fresh proposals, the insurance company will deduct the lowest of the following from the premium amount provided the proposal is accepted by the insurance company:

50% cost of the medical check-up or 10% of the premium chargeable or Rs1,000 per person.

#### Policy covers

**Hospitalization expenses:** The policy covers expenses incurred in relation to the hospitalization of the insured person, including room, boarding and nursing expenses; I.C.U. (Intensive Care Unit) expenses; fees of the surgeon, anesthetist, medical practitioner, consultants and specialists; ambulance services charges; and anesthesia, blood, oxygen, operation theatre charges, surgical appliances, medicines, dialysis, chemotherapy, radiotherapy, artificial limbs, cost of prosthetic devices, among others.

**Out patient expenses:** Such 'out-patient' treatment (less than 24 hours stay in hospital) to be considered under hospitalization benefit include haemo dialysis, parenteral chemotherapy, radiotherapy, eye surgery, lithotripsy (kidney stone removal), dental surgery following an accident, coronary angioplasty, coronary angiography, surgery of gall bladder, pancreas and bile duct, prostate surgery, fractures / dislocations excluding hairline fracture, arthroscopic knee surgery, surgery under general anesthesia, or any such procedure agreed by TPA/company before treatment.

**Pre- and post-hospitalization expenses:** The policy covers relevant medical expenses incurred during the period of up to 30 days prior to hospitalization on covered disease / illness / injury sustained. Similarly, the relevant medical expenses incurred for the immediate period of 60 days after hospitalization (i.e., after discharge from hospital) on covered disease/illness/injury sustained will be considered as part of the claim.

#### Indicative premium

The details of the indicative premium payable under the policy are:

Age Group (in years)	Sum Insured				
	Rs.1,00,000	Rs.2,00,000	Rs.3,00,000	Rs.4,00,000	Rs.5,00,000
	Premium payable				
60 to 65	Rs.4,500	Rs.8,700	Rs.12,400	Rs.16,100	Rs.19,700
66 to 70	Rs.4,800	Rs.9,100	Rs.13,100	Rs.16,900	Rs.20,700
71 to 75	Rs.5,700	Rs.11,400	Rs.16,300	Rs.21,500	Rs.26,100
76 to 80	Rs.6,100	Rs.12,000	Rs.17,100	Rs.22,700	Rs.27,600
Above 80	Rs.6,400	Rs.12,600	Rs.18,100	Rs.23,800	Rs.29,000

#### Tax benefit

The premium paid under the policy is eligible for deduction under Section 80D of the IT Act, 1961.

**Important:** Please refer to the policy document for exclusions and other policy details before purchasing the policy.

### Derivatives during election results

During election results, markets are likely to remain highly volatile. At this juncture, short-term traders should be cautious while trading in stock markets. Derivatives are important tools that help investors to be well prepared to face the volatility in the markets. Futures and options come in handy, where investors can participate in the markets, and, at the same time, handle the volatility expected during the election results in the coming days.

Long-term investors with holdings in cash markets can use put options to partially hedge their portfolios for a limited period and remove the hedge once clarity emerges about the new government and its policies. Also, investors can buy call options which would enable them to participate in the rally, but limit the downside to a great extent. Besides, you can design futures and options hybrid strategies like long straddle and long strangle until the new government is formed. Meanwhile, short-term traders can choose between call and put options, depending on the view and risk-taking capability.

### Options pay-off profile

#### Call option

A call option gives the buyer the right, but not the obligation, to buy a particular stock, at a specified time (expiration date) for a specified price (exercise price). On the other hand, a call option seller (or writer) has an obligation to fulfill the conditions in the contract if the buyer so decides. The buyer has to pay a premium for the right to buy, whereas the seller receives premium for the obligation.

**Pay-off for the call option buyer:** The buyer of a call option makes unlimited profit once the price of the underlying asset rises above the strike price (plus the premium he paid). On the other hand, if the market price is lower than the strike price on expiry, the buyer can allow his option to lapse, and his maximum loss is limited to the premium paid to buy the call option.

**Pay-off for the call option seller:** The seller (or writer) of a call option earns limited profit to the extent of the premium received if the underlying expires at or below the strike price until expiry. On the other hand, he faces unlimited loss if the underlying moves above the strike price.

#### Put option

A put option gives the buyer the right, but not the obligation, to sell a particular stock at a specified time (expiration date) for a specified price (exercise price). On the other hand, a put option seller (or writer) has an obligation to fulfill the conditions in the contract if the buyer so decides. The buyer has to pay a premium for the right to sell, whereas the seller receives premium for the obligation.

**Pay-off for the put option buyer:** The buyer of a put option makes profit once the price of the underlying asset falls below the strike price (minus the premium he paid). On the other hand, if the market price is higher than the strike price on expiry, the buyer can allow his option to lapse, and his maximum loss is limited to the premium paid to buy the put option.

**Pay-off for the put option seller:** The seller (or writer) of a put option earns limited profit to the extent of the premium received if the underlying expires at or above the strike price until expiry. On the other hand, he faces unlimited loss if the underlying moves below the strike price.

**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** - 040-2339 5894, **email** - shomeshk@karvy.com. Email your cheque/DD No. and amount to **aswin@karvy.com** to enable us to start your subscription to **The Finapolis** right away.

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

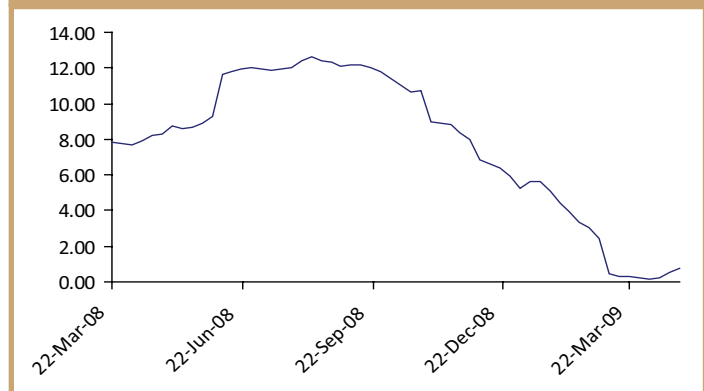
Mr/Mrs/Ms/. First Name \_\_\_\_\_ Last Name \_\_\_\_\_ Age \_\_\_\_\_ Address \_\_\_\_\_  
Pin: \_\_\_\_\_ Tel No. \_\_\_\_\_ e mail : \_\_\_\_\_

# KARVY BAZAAR BAATEIN

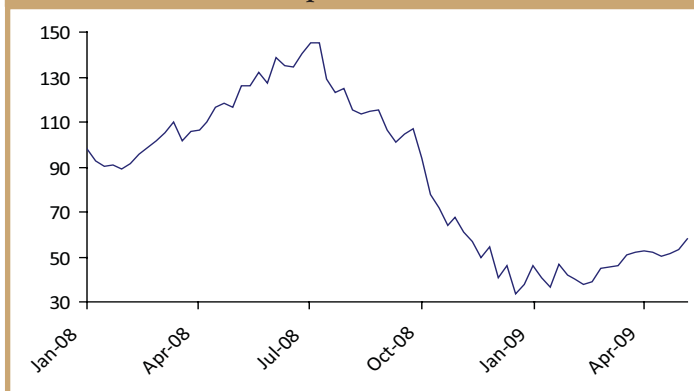


## MARKET DATA

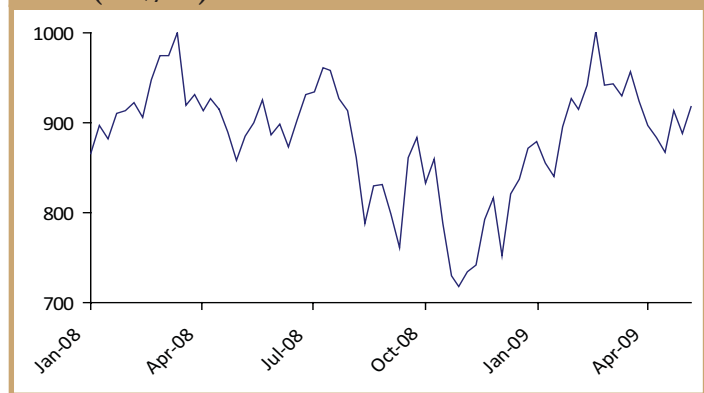
**Inflation came in at 0.70%...**



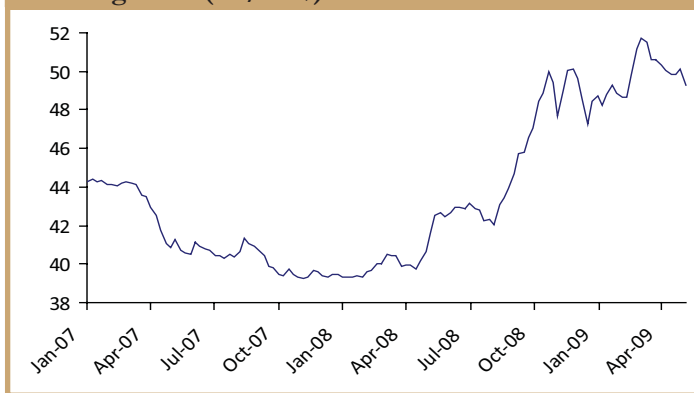
**...while crude oil shot up to \$57.91/bbl**



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



**Exchange rate (Rs/US\$)**



**Global indices: Weekly performance**

	Close (May 8)	Close (April 30)	Weekly (%)	6M (%)	12M (%)	PE Ratio
<b>ASIA</b>						
Hang Seng	17389.87	15520.99	12.04	22.09	-31.67	15.61
STI	2238.21	1920.28	16.56	20.11	-29.44	11.80
S. Korea	1412.13	1369.36	3.12	24.47	-23.59	19.86
Nikkei 225	9432.83	8828.26	6.85	9.90	-32.35	73.63
<b>AMERICA (Closing as on May 7)</b>						
Dow Jones	8409.85	8168.12	2.96	-5.97	-34.64	17.63
S&P 500	907.39	872.81	3.96	-2.54	-35.08	14.79
NASDAQ	1716.24	1717.30	-0.06	4.18	-29.99	26.61
Brazil Bovespa	50058.06	47289.53	5.85	36.53	-28.20	18.45
<b>EUROPE (Closing as on May 7)</b>						
FTSE-100	4398.68	4243.71	3.65	2.28	-28.81	21.69
DAX 30	4804.10	4769.45	0.73	-0.29	-30.37	23.12
CAC 40	3251.52	3159.85	2.90	-4.16	-34.24	11.58

**Domestic indices: Weekly performance**

	Close (May 8)	Close (April 29)	Weekly (%)	6M (%)	12M (%)	PE Ratio
Sensex	11876.43	11403.25	4.15	19.19	-30.47	12.98
Nifty	3620.70	3473.95	4.22	21.79	-28.75	13.28
BSE 500	4346.69	4140.42	4.98	17.79	-36.20	11.91
BSE Auto	3652.02	3498.24	4.40	37.22	-23.39	10.44
BSE Bankex	6007.47	5685.22	5.67	8.59	-31.39	10.71
BSE Consumer Durables	1948.49	1757.58	10.86	-6.99	-55.82	6.12
BSE FMCG	2093.46	2095.00	-0.07	6.34	-14.38	21.83
BSE Healthcare	3122.72	3067.98	1.78	6.32	-26.03	18.23
BSE IT	2725.35	2663.35	2.33	2.05	-36.54	12.80
BSE Oil & Gas	8469.43	8132.62	4.14	40.84	-27.17	13.44
BSE Metal	7949.87	6885.81	15.45	54.30	-49.82	5.32
BSE Realty	2355.61	2130.41	10.57	0.55	-71.03	6.61
BSE PSU	6098.49	5863.56	4.01	22.81	-22.86	44.13
BSE Power	2176.34	2112.76	3.01	22.43	-33.32	21.51
BSE Teck	2226.61	2163.00	2.94	6.75	-34.58	14.40

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](http://www.karvy.com)

**Subscriber's Address:**