

KARVY BAZAAR BAATEIN

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

18 May 2009 to 24 May 2009

Volume 3 : Issue 7

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

CONTENTS

- Editorial : 1
- Performance monitor : 1
- 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 : Rs35,93,184 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

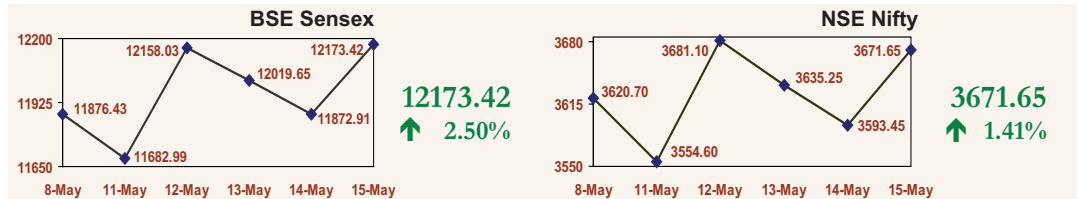
For advertising enquiries please contact **Pavan Katta** ☎:040-23312454 ext:152

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



A fractured mandate in the offing...

Despite the jitters over the uncertainty in election results, both the BSE Sensex and the Nifty closed positively for the week. In fact, for the Sensex, it has been the tenth consecutive week of gains since its March 9 lows. While market movement in these last couple of months was largely dominated by global cues, the election results—and its possible outcome—took precedence last week as we moved towards what could be considered the most fractured mandate in India’s political history.

Given the high degree of uncertainty, it was no surprise, therefore, that for the week-ended May 15, 2009, the Indian stock markets witnessed highly volatile trades within the 3500-3700 range. The exit polls, which came out in the latter half of the week, indicated a close photo-finish between the UPA and the NDA. What’s more, with neither of these two coalitions expected to come anywhere near the 272-mark, markets continued to remain highly volatile last week. However, with the exit polls indicating dismal numbers for the Third Front, the markets have been able to maintain a fairly positive bias, thus clearly discounting either the UPA or the NDA coming to power at the centre.

In our view, the market will continue to remain highly volatile post the election results on Saturday, May 16. Of course, by the time you read this editorial, the election results would well be out. If the exit polls are any indication, then both the UPA and the NDA may be unable to achieve the 272-mark on their own, and this could lead to massive last-minute parleys across parties in an effort to reach the magic figure. In such a scenario, markets may be fraught with high uncertainty and volatility this week. In the end, whichever coalition makes it to the centre, market participants must remember to carefully monitor the constituents of the coalition, its policies and priorities, and its approach towards the Indian economy before positioning themselves for the next major trend. Meanwhile, global markets witnessed profit-booking during the week, after trading firm over the last two months on expectations of a rebound in the global economy.

Overall, this week, technical experts expect the Nifty to open on a positive note and remain volatile in the broad range of 3500-4000 levels. Any positive developments post the election results are likely to push the Nifty above 3750 levels and towards 3900-4000 levels during the week. Conversely, any negative surprises could induce profit-booking at higher levels, while any breakdown below 3500 levels could lead to 3300 levels on the lower side. Short-term traders can use options trading effectively to trade in the highly volatile markets. On the contrary, longer-term investors can take time out during this uncertainty to identify solid stocks, and they can enter the market once some clarity emerges on the new government.

KBB weekly performance monitor

Scrip	Action	Entry	SL	Target	Shares(#)	P/L	Return	Remark
MLL	Buy	40-42	37.00	52-54	4190	15,923.39	9.27%	CMP
JP Associates	Buy	138-140	134.10	155-156	1236	-6,056.44	-3.53%	SLT
Suzlon	Buy	74-76	72.00	85-86	2291	-6,872.20	-4.00%	SLT
Welspun Gujarat	Buy	112-114	107.00	125-126	1520	-9,122.39	-5.31%	SLT
Total						-6,127.63		
Balance on inception (26- Jan- 09)		Balance last week (08-May-09)		Balance current week (15-May-09)		Abs. returns WoW (%)		Abs. returns since Jan 26, 2009(%)
5,00,000		6,87,220		6,81,092		(0.89)		36.22

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

Fundamental view

Axis Bank (Rs665)

Due to a sharp rally in the stock, the market price has surpassed our target price; hence, we are re-rating the stock to "Underperformer" from "Outperformer". We have not changed the earning estimates for FY10. We downgrade our rating with a target price of Rs630 at 2.49x FY10E ABV. In FY10, we expect the bank to report a business growth of 31% Y/Y to Rs2,758 bn due to a 30.4% Y/Y growth in deposits and 31.5% Y/Y growth in advances. We expect Axis Bank's net interest income and operating profit to grow by 22% Y/Y and 16% Y/Y, respectively, and the bottom-line to de-grow 13% Y/Y, to Rs15.5 bn. Meanwhile, the bank's performance on margin and NPA fronts would be the key things to watch out for and its credit cost in FY10 would determine its return ratios.

Pressure on margin to continue: We expect the strain on margins to continue due to a gradual re-pricing of retail term deposits at lower rates and a faster re-pricing of advances at lower interest rates from PLR cuts, besides reduced bargaining power

DLF (Rs233)

Stake sale to be short-term positive, fundamental concerns still remain....

Promoters sold 9.9% stake for ~Rs38.6 bn: DLF's promoters sold a 9.9% stake in the company at ~Rs230 per share (amounting to ~Rs38.6 bn) to various FIIs through an overnight book-building process. We believe that this will only be positive in the short term as almost 57% of this money will be used by DLF to buy a stake in DLF Assets Ltd. (DAL). This will give an exit to DAL's PE investor, DeShaw. DeShaw invested \$400 mn in DAL in 2007 and was promised an exit through an IPO, which eventually could not happen due to the global financial meltdown. DeShaw will be receiving ~\$450 mn, including interest at 6% per annum.

Short-term positive: We believe that DLF's move will prove to be positive in the short term as we expect that whatever amount will be left after paying DeShaw will be infused as cash into DLF. This may be to the tune of ~Rs16 bn and may provide a short-term liquidity boost to the ~Rs397 bn company.

Fundamental concerns still remain: We believe that the fundamental concerns

caused by excess liquidity in the system. We expect the bank's margin to drift down from 2.87% in FY09 to 2.57% in FY10.

Fee income growth momentum would moderate: We expect Axis Bank's commissions, exchange and brokerage (CXB) income to grow by 28% Y/Y, to Rs26.3 bn, and the treasury income to decline to Rs1.65 bn from Rs3.25 bn in FY09.

Higher credit cost on expected increase in NPA levels: We are factoring in a higher credit cost of 1.3% (percentage to average gross advances) compared to 1.0% in FY09. Moreover, we expect the bank's gross NPAs

to increase to 1.85% (% to gross advances) from 0.96% in end-March FY09 and net NPAs to increase to 0.78% from 0.35% in end-March FY09.

Valuations: The quality of business growth under the new management in terms of liability-side management of the bank, status on margin, and containment in NPA levels would be the key determinants of Axis Bank's intrinsic worth, in our view. At the current market price of Rs668, the stock quotes at 2.64x FY10E ABV (adjusted for restructured assets). Our target price of Rs630 implies 2.49x FY10E ABV.

Andhra Bank	(Rs mn)	FY07	FY08	FY09	FY10E
Bloomberg/Reuters Code AXSB IN/UTBK.BO	Total Net Income	24,784	43,808	65,831	78,781
Market Cap Rs Bn	225.4 Profit before provisions	12,639	22,259	37,249	41,271
Market Cap USD Bn	4.5 NIM (%)	2.5	2.9	2.9	2.6
52-week range	917/278 Net Profit	6,590	10,710	18,154	15,481
Shares in issue	357.7 EPS (Rs)	24	32	51	43
	EPS Growth (%)	35	37	57	(14)
	P/E (x)	26.8	19.6	12.7	14.6
	Price/Book Value (x)	5.2	2.6	2.2	2.0
Major Shareholder (%)	Price/Adjusted Book Value (x)	6.3	2.7	2.6	2.5
Promoters	42.4 Dividend Yield (%)	0.7	1.0	1.5	1.5
Banks/FIs/MFs	11.3 Cost-to-income (%)	49.0	49.2	45.8	47.6
Pvt. Corp. Bodies	7.5 ROA (%)	1.1	1.2	1.4	0.9
Public	6.0 ROE (%)	21.0	17.6	18.8	14.4
FIIs/NRIs/OCBs	32.9 Tier-1 Capital (%)	6.4	10.2	9.3	8.8

Source: Company and KSBL Research

haunting the Indian real estate players still remain intact. Given the current economic environment, we expect that it will take another 4-6 quarters for the primary real estate markets to show signs of revival. All areas of real estate except the affordable housing segment are in a state of turmoil. Although the initial response to some of these projects may have been encouraging, we believe that replicating this model across various markets will be key, but difficult to achieve. Moreover, this is essentially a low-margin and low-unit price business, and,

therefore, the top-line of all developers may show considerable erosion in FY10E.

Future positives: DLF is on course to liquidate its non-core and unused assets, including the wind power business, hotel land and land under SEZs. We believe that selling off these assets may provide a further liquidity boost to the company through which it will try to reduce its ~Rs163.6 bn debt. However, we believe that the key will lie in sales under its core business which will provide working capital for the company and confidence among investors.

DLF	(Rs mn)	FY07	FY08	FY09E	FY10E	FY11E	
Reuters Code	DLFB0	Net Sales	26,374	144,375	100,440	44,267	53,414
Market Cap. (Rs mn)	397,230	EBITDA	14,897	97,150	54,880	14,489	17,802
Market cap. (US\$ mn)	8,051	Net Profit	19,350	78,223	46,291	11,189	14,900
Shares Outstanding (mn)	1705	EPS (Rs)	11.35	45.88	27.15	6.56	8.74
52-week High/Low (Rs)		EPS Growth (%)	370.64	304.26	(40.82)	(75.83)	33.17
		EBITDA margin (%)	56	67	55	33	33
		PER (x)	20.53	5.08	8.58	35.50	26.66
Major Share Holders (%)		P/BV (x)	11.15	1.98	1.57	1.52	1.45
Promoter/Majority	78.7	Price/sales (x)	15.06	2.75	3.95	8.97	7.44
FIIs	15.1	EV/EBITDA (x)	33.05	5.13	10.00	37.38	30.44
Banks/FIs	0.1	Dividend Yield (%)	1.00	2.01	0.93	0.28	0.38
Public	3.6	ROCE (%)	15.95	42.32	14.19	3.18	3.89
Others	2.4	ROE (%)	84.56	66.09	20.39	4.35	5.58

Source: Company and KSBL Research

Market pulse

Bulk Deals

Company	Wt. Avg. Price (Rs.)	Traded Qty	Acquirer/Seller
Buy			
Adlabs Films	233.72	467507	Citigroup Global Markets Mauritius
Gujarat N R E Coke	31.03	2465291	Fortis Investment Mgt Asia
Balrampur Chini	78.66	1468800	HSBC Equity Fund
Bharati Shipyard	112.74	178610	Sundaram MF
Sell			
Salora International	31.44	51315	Merrill Lynch Capital Markets
Educomp	2407.70	113800	Federated Global Investment Mgmt
Fag Bearing	300	125000	India Prima Fund

Top Gainers (Weekly)

Company	15-May	08-May	%Change
National Aluminium	280.95	244.65	14.84
Ranbaxy	199.80	178.55	11.90
HDFC	1938.55	1736.40	11.64
ICICI Bank	574.70	520.75	10.36
Idea Cellular	65.05	59.20	9.88
Siemens	367.40	335.35	9.56
PNB	574.75	528.75	8.70
Axis Bank	659.60	607.25	8.62
DLF	258.05	240.65	7.23
RIL	820.20	768.65	6.71

Top Losers (Weekly)

Company	15-May	08-May	%Change
Carin	199.20	217.15	-8.27
ONGC	813.15	883.15	-7.93
Sterlite	460.30	490.30	-6.12
Tata Communications	523.80	555.65	-5.73
Hindustan Unilever	224.30	233.05	-3.75
Tata Steel	272.00	282.40	-3.68
Unitech	50.95	52.80	-3.50
Rpower	129.15	133.30	-3.11
SAIL	122.25	125.00	-2.20
Tata Motors	265.25	268.70	-1.28

FII Invt (Rs.cr)

MF (Rs.cr)

Date	Purchases	Sales	Purchases	Sales
11-May-09	3164.60	1924.00	284.10	624.50
12-May-09	1684.40	1501.90	726.20	422.50
13-May-09	2542.50	2048.70	772.60	379.30
14-May-09	6033.10	1947.90	449.30	509.10
15-May-09	1523.40	1869.10	-	-
Total	14948.00	9291.60	2232.20	1935.40

Corporate Actions

Company	Date	Purpose
Essar Shipping	18-05-2009	Audited Results
Dr. Reddy's Lab	18-05-2009	Audited Results
Sobha Developers	18-05-2009	Audited Results
Chennai Petroleum	19-05-2009	Audited Results
Indian Bank	19-05-2009	Audited Results
Grsim Industries	19-05-2009	Audited Results

Valuations: We have assumed that the remaining amount, after paying DeShaw, will be infused in DLF. This has reduced our net debt and increased our NPV from Rs188 per share to Rs198 per share. Keeping the discount to NPV constant at 20%, we give a price target of Rs158 on the company and maintain our "Sell" rating on the stock at current levels.

Dena Bank (Rs39)

Although Dena Bank reported 4QFY09 net profit of Rs1.1 bn (0.2% Y/Y), which was in line with our estimate of Rs1.05 bn, qualitatively, the results were below our expectation as the bank's operating profit of Rs1.88 bn was 26% below our estimate of Rs2.54 bn. A squeeze in net interest margin and higher overheads were the main reasons for the lower operating profit. We are maintaining our estimates and reaffirming our BUY recommendation.

Net interest margin under pressure: Dena Bank's NIM dipped to 2.23% from 3.76% in 3QFY09 and from 2.85% in 4QFY09. The bank's 3QFY09 figures were unusually high due to interest on income-tax refund of Rs322 mn. On the contrary, in 4QFY09, the bank not only witnessed minimal interest on income-tax refund, but the yield on credit also fell to 10.51% from 11.47% in 3QFY09 due to two successive reductions in the bank's prime lending rate—on November 2008 and January 2009.

Another reason for the lower NIM was that Dena Bank had to provide more in regard to interest on deposits due to a Reserve Bank of India (RBI) circular which stated that banks had to provide savings account interest on overdue term deposits as other banks were automatically renewing the deposits. Dena Bank was one of the few banks that was impacted. As a result of the above-mentioned reasons, the bank reported flat NII Y/Y growth and a 32% decline in Q/Q growth.

Indoco Remedies	Y/E June	Rs Mn	FY06	FY07	FY08	FY09E	FY10E
Bloomberg Code	INDR@IN	Net Revenues	2,442	3,267	2,628	3,544	4,328
Market Cap(Rs bn)	1.61	EBITDA	417	582	429	495	754
Market Cap(US\$ mn)	32.40	Net Profit	244	411	306	310	553
Shares Outstanding(mn)	12.29	EPS(Rs)	20.6	33.5	33.2	25.2	45.0
52-week High/Low (Rs)	325/104	EPS growth (%)	1.05	62.36	(0.77)	(23.97)	78.36
		EBITDA margin(%)	17.1	17.8	16.3	14.0	17.4
Major Shareholders (%)		Mar-09 PER(x)	6.4	3.9	3.9	5.2	2.9
Promoters	59.07	EV/EBITDA (x)	4.1	3.1	4.2	2.8	1.4
FII's	2.79	P/S (x)	0.6	0.5	0.6	0.5	0.4
Banks/FIs/MFs/NRIs/corporates	13.87	RoCE(x)	16.4	18.9	16.1	11.8	17.3
Public	24.25	RoE(%)	13.2	19.3	16.8	11.7	18.5

Source: Company and KSBL Research

Net interest margin of Dena Bank

%	4QFY08	3QFY09	4QFY09
Cost of deposits	6.08	6.39	6.56
Yield on credit	10.08	11.47	10.51
NIM	2.85	3.76	2.23

Source: Dena Bank

Significant increase in restructured standard loans:

The bank reported restructured standard loans of Rs5.3 bn as compared with our estimate of Rs1.6 bn and its gross NPAs increased by 8% Y/Y, to Rs6.4 bn (2.1% of gross loans), while net NPAs increased by 46% Y/Y, to Rs3.1 bn (1.1% of net loans).

Maintain FY10 EPS estimates but reduce ABV:

Due to the deterioration in asset quality, we are reducing our FY10E ABV from Rs70 to Rs56. However, we maintain our price target of Rs50 as it still remains below the FY10E ABV and we expect the bank to report an ROE of nearly 25% in FY10.

Indoco Remedies (Rs131)

Net revenue for the quarter was down by 1.56% to Rs864 mn. The reduction in turnover was mainly on account of decrease in the domestic business from certain credit control measures, although the de-growth was much lower than the preceding quarters. Margins were lower at 9.6% as compared to 11.9% in the corresponding quarter of the previous year. Lower margins were due to lower gross margins and higher staff costs. The profit for the quarter was lower by 56%, at Rs39 mn.

For FY10E, we are decreasing our margins—on account of higher staff costs—and downgrading our EPS by 2.5%, to Rs45. The stock is currently quoting at 5.2x FY09 and 2.9x FY10E. We downgrade our price target by 2.5% to Rs165 based on 3.7x FY10E. Due to price decline, we upgrade the rating from Outperformer to BUY.

Mutual Fund performance

Equity Diversified

Scheme Name	NAV (Rs)	1 Year	3 Years	5 Years
Reliance Reg Savings-Equity(G)	16.25	-28.59	6.72	
Birla SL Frontline Equity(G)	50.66	-22.23	5.62	21.09
Sahara Growth(G)	54.43	-15.77	5.24	22.54
DSPBR Top 100 Equity(G)	60.39	-20.14	5.19	22.88
IDFC Premier Equity-A(G)	15.66	-26.14	4.89	
Baroda Pioneer Growth(G)	32.14	-23.96	4.43	21.40
HDFC Top 200(G)	114.31	-18.21	3.95	23.25
IDFC Imperial Equity-A(G)	12.89	-15.55	3.31	
Reliance NRI Equity(G)	21.80	-22.55	2.82	
DBS Chola Opportunities(G)	25.66	-37.22	2.43	18.72

Balanced

Scheme Name	NAV (Rs)	1 Year	3 Years	5 Years
Principal Child Benefit-Career Builder	57.36	-27.00	4.37	23.20
Principal Child Benefit-FutureGuard	56.53	-27.08	4.32	23.17
Birla SL Freedom(G)	29.44	-7.16	4.30	20.02
Birla SL Freedom(D)	29.41	-7.16	4.28	11.75
DSPBR Balanced(G)	40.31	-18.43	3.98	22.69
Birla SL '95(G)	193.84	-14.55	3.69	23.98
FT India Balanced(G)	33.84	-14.40	3.69	21.40
HDFC Prudence(G)	108.90	-17.29	3.49	25.04
Templeton India Children's Asset-Gift(D)	30.29	-13.66	2.59	11.56
Templeton India Children's Asset-Gift(G)	30.29	-13.66	2.59	11.56

Income

Scheme Name	NAV (Rs)	3 Months	1 Year	3 Years
Canara Robeco Income(G)	18.99	4.37	31.55	14.30
ICICI Pru Income-Ret(G)	29.22	4.04	23.66	12.53
Fortis Flexi Debt-Reg(G)	15.15	4.34	18.53	12.26
IDFC Dynamic Bond-A(G)	18.08	0.98	18.14	12.33
Kotak Bond-Reg(G)	25.45	1.68	17.60	11.28
Reliance Income(G)	30.19	2.66	17.54	10.83
Kotak Bond-Deposit(G)	23.70	1.68	17.13	10.01
ING Income(G)	23.89	3.65	16.91	10.82
JM Short Term-Inst(G)	12.39	2.47	16.90	1.47
ICICI Pru STP-Inst(G)	18.55	3.18	16.81	11.15

Short-term Debt

Scheme Name	NAV (Rs)	3 Months	1 Year	3 Years
Sundaram BNPP Flexible-ST-Inst(G)	13.85	3.00	10.17	8.65
Escorts FRF(G)	12.76	2.19	9.74	7.84
HDFC FRF-LT(G)	14.91	2.14	9.66	8.36
DSPBR FRF-Inst(G)	1,274.43	1.80	9.32	7.26
LICMF FRF-STP(G)	14.42	1.60	9.32	8.76
UTI-FRF-STP(G)	1,440.56	1.78	9.25	7.76
Templeton FRF Income-ST-Inst(G)	13.26	1.83	9.14	8.48
DSPBR FRF-Reg(G)	14.26	1.74	9.05	6.92
HSBC FRF-LT-Inst(G)	13.87	1.75	9.05	8.51
Canara Robeco FRF-STP(G)	13.67	1.63	9.04	8.33

ELSS

Scheme Name	NAV (Rs)	1 Year	3 Years	5 Years
Fidelity Tax Advantage(G)	11.64	-23.70	0.57	
Sundaram BNPP Tax Saver(G)	27.75	-21.54	0.21	
Taurus Tax Shield(G)	19.55	-28.91	-1.55	18.22
Franklin India Taxshield(G)	119.61	-22.74	-1.96	18.84
Sahara Tax Gain(G)	20.06	-23.04	-2.42	3.33
Tata Tax Advantage-1	9.24	-26.25	-3.87	
Principal Personal Tax saver(G)	56.79	-38.11	-6.35	15.31
HDFC TaxSaver(G)	118.30	-23.29	-6.59	23.32
Baroda Pioneer ELSS 96	15.65	-34.35	-6.92	11.09
Reliance Tax Saver (ELSS)(G)	11.46	-23.03	-7.26	

MIP

Scheme Name	NAV (Rs)	1 Month	3 Months	1 Year
Sundaram BNPP FII-Qrtly-C-Ret(G)	11.32	0.53	0.72	13.23
ICICI Pru Qrtly Inv II-D(G)	11.75	1.10	2.57	12.83
HDFC Qrtly Inv-B-Ret(G)	12.12	0.99	2.49	11.10
UTI-FIIF-AS II-Inst(G)	11.83	1.03	2.82	11.02
ICICI Pru Annual Inv III-Ret(G)	11.59	0.97	2.66	10.97
ICICI Pru Annual Inv II-Inst(G)	11.68	1.01	2.77	10.91
UTI-FIIF-AS II(G)	11.75	1.00	2.73	10.63
Fortis Mthly Inv -A(Ren-G)	11.53	0.95	2.55	10.58
UTI-FIIF-AS I-Inst(G)	11.78	0.91	2.50	10.40
ICICI Pru Qrtly Inv II-A(G)	11.54	0.78	1.79	10.40

Gilt

Scheme Name	NAV (Rs)	3 Months	1 Year	3 Years
ICICI Pru Gilt-Invest-PF	18.29	4.84	41.34	18.46
Escorts Gilt(G)	20.70	4.14	33.72	12.94
ICICI Pru Gilt-Invest(G)	32.03	3.04	31.38	14.98
JM G-Sec-Reg(G)	29.07	3.13	31.25	12.21
DSPBR GSF-Longer Dur(G)	31.66	-1.64	25.77	12.48
Birla SL Govt Sec-LT(G)	24.74	12.14	24.55	9.14
Templeton India G-Sec-LTP(G)	22.58	0.03	23.73	12.66
ICICI Pru Gilt-Treasury-PF	15.26	3.47	22.76	11.60
ICICI Pru Gilt-Treasury(G)	23.96	3.30	22.62	11.58
Templeton India G-Sec-Composite(G)	32.46	-0.05	21.98	11.55

Liquid

Scheme Name	NAV (Rs)	1 Month	3 Months	1 Year
Fortis Money Plus-Inst(G)	13.29	0.61	1.93	10.09
Templeton FRF Income-LT-SIP(G)	11.97	0.79	2.23	9.88
Escorts Liquid Plan(G)	13.18	0.83	2.29	9.86
Fortis Money Plus-Reg(G)	13.15	0.59	1.86	9.71
JM Money Mgr-Super(G)	12.32	0.72	1.84	9.63
Templeton FRF Income-LT-Inst(G)	13.30	0.77	2.17	9.62
Tata Treasury Mgr-HIP(G)	1,170.99	0.56	1.63	9.41
DWS Cash Oppor-30D(G)	11.28	0.65	1.97	9.39
Tata Treasury Mgr-RIP(G)	1,170.82	0.55	1.61	9.31
DWS Cash Oppor-15D(G)	11.82	0.64	1.93	9.23

Source: Acmf

Note: All NAV as of May 14, 2009

Commodities review

Precious metals review

Bullion: Bullion prices remained range-bound for most part of last week but closed Thursday's session on a positive note. The precious metals market closely followed the performance of the US dollar and changes in the equity markets. Prices surged to highs of \$931.4 per troy ounce due to an unexpected decline in the US dollar, particularly due to disappointing US economic data numbers, whereby the concerns over the economy increased. During the week, the declining advance retail sales, the widening trade deficit and rising jobless claims proved to be negative for the US\$.

Nevertheless, losses in the dollar were limited due to the prevailing weakness in the Euro-zone. The Euro-zone industrial production index slumped by 2%, against expectations of -1%. Moreover, the Euro declined on speculation that the ECB is likely to keep interest rates at lower levels and bring in more measures to tame the prevailing crisis.

Meanwhile, the holdings in the SPDR Gold Trust, the biggest exchange-traded fund backed by bullion, stood unchanged at 1104.09 metric tonnes. On the whole, COMEX gold futures closed up by over 1.30%, at \$926.90 per troy ounce. Moreover, silver futures gained by 0.79% to end at \$14.065 per troy ounce.

This week, minutes of the FOMC meeting and housing and manufacturing data from the US will be important to watch out for. We expect prices to trade sideways with a negative bias.

Base metals review

It was a volatile trading week for base metals due to surge in Chinese imports, mixed economic

data and variations in equity markets. Strong fundamental factors triggered a surge in prices in the first half; however, falling equity markets and the appreciating dollar reversed the trend later. Better-than-estimated economic numbers from the US fuelled speculation that the worst of the recession will be over soon. The metals market remained upbeat after reports showed that the US services sector contracted in April at the slowest pace since October while manufacturing in China expanded for the first time in nine months.

The base metals prices moved higher, tracking reversal of losses in Asian stocks, with China reporting a 6.6% M/M rise in its April imports of unwrought copper and semi-finished products as the country moved towards stockpiling and arbitrage trading. The Chinese retail sales grew by 14.8% Y/Y in April against the expected level of 14.5% while industrial output rose by 7.3% Y/Y as compared to the previous increase of 8.3%. However, the gains got eroded as economic data pointed towards weakness in demand. The US trade gap widened from the previous levels, with the country's exports falling 2.4% in March. The Euro-zone industrial production was lower than expected while US Advance Retail Sales fell by 0.4% against the consensus of no change from the previous levels. The US PPI came in positive at 0.3% against the previous decline of 1.3%, while the initial jobless claims stood higher at 637,000 against 607,000. Increase in jobless claims, lower equity markets and appreciating US dollar put pressure on metals prices.

During the week, prices for the entire metals complex fell, with copper losing the most by 5.12%, followed by nickel, at 4.20%, and

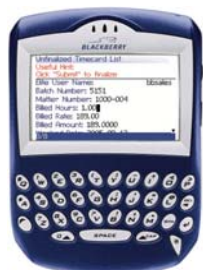
aluminum by 0.78%. Furthermore, copper inventories were reduced by 18,350 tonnes while aluminium added 28,150 tonnes to its stockpiles. Zinc observed a continuous fall in its cancelled warrants ratio. Thus, the LME inventory data also supported the downward movement in metals prices.

This week, there are the US Housing Starts, Building Permits, PMI Manufacturing Index and minutes of the April 29 FOMC meeting that need to be monitored. We expect base metals prices to trade sideways with an upward bias.

Agri market review

Sugar: Sugar futures witnessed a downward trend last week due to continued selling pressure coupled with a slump in demand for the produce. The entry of imported raw sugar into the country had a negative effect on prices in both spot and futures market. Moreover, lacklustre demand from the retail end and higher supplies put pressure on prices. Furthermore, the market remained cautious ahead of general election results as the sugar sector is largely controlled by the government. In order to cool down the prices, the central government announced an additional free sale quota of 6,00,000 tonnes of sugar along with the earlier sale quota of 4.7 million tonnes.

This week, sugar prices are expected to continue with its downward due to extended selling pressure, as the government has allowed sugar companies to import white sugar at zero-customs duty. The Indian Meteorological Department has projected the onset of monsoon over Kerala on May 26 which is four days prior to the normal date of June 1. This will further put pressure on prices.



For any clarifications please write to aswin@karvy.com, 040-23395894

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.

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

Invest Assure Gold

A non-participating policy, Invest Assure Gold is a unit-linked whole life insurance plan from Tata AIG Life Insurance Company Limited.

Unique features

Loyalty additions: The policy provides additional units at the rate of 0.25% of the units outstanding in each of the investment funds under the Regular Premium Account. These units will be credited every five policy years, provided the policy is in force.

Choice of premium payment term: The policy provides the flexibility to choose the premium payment term. This term could be for a minimum of five years or could extend to the entire duration of the policy. The policy benefit period will extend for the entire life until 100 years of age of the life assured.

Premium holiday: If for some reason the policyholder is not able to pay the premiums, the policy will not lapse but will be put in the premium holiday mode for a maximum period of two years. This facility is available only after the premium for the initial three years has been paid in full and is subject to policy conditions.

Top-up premiums: These can be done to increase the fund value with or without an increase in the sum assured under the policy. The top-up premiums (minimum of Rs25,000) should not, however, exceed the limit of 25% of the regular premium amount paid to-date. The excess of top-up premium (if any) over and above this 25% limit, will be utilized for getting an additional sum assured, calculated at 1.25 times of this excess top-up premium.

Policy benefits

Death benefit: The policy provides life insurance cover to the life assured until the age of 100 years ensuring protection for the entire life. As such, on death of the life assured, any time before reaching the age of 100 years, higher of either the value of sum assured (less the applicable partial withdrawals, if any) or the value of the investment fund will be payable to the nominee / beneficiary.

Here it is important to mention that if in case the life assured is less than four years of age at the time of death, then a proportion of sum assured value (ranging from 20% to 80% of the sum assured) will be taken for the purpose of ascertaining the death benefit.

Maturity benefit: This is payable on the life assured attaining 100 years of age and comprises the investment fund value for regular premium and top-up premium (if any). The maturity benefit can be received as a lump sum or in installments as under the settlement option in the policy.

Eligibility parameters

Age at entry: Minimum – 30 days; maximum – 70 years

Age at maturity: 100 years. Sum assured is a multiple of the regular annual premium amount.

Sum assured value: Minimum – five times annual premium; maximum – subject to underwriting guidelines and decisions

Minimum annual premium: Rs50,000

Premium payment frequency: Annual, semi-annual, quarterly and monthly

Investment funds

The policyholder can choose from one or more of the six investment funds available under the policy to suit the unique financial and investment requirements.

The funds details are:

Fund Name	Risk Return Profile	Investment Allocation		
		Equity	Debt Instruments	Money Market
Whole Life Mid-Cap Equity Fund	High	60% to 100%*	-	0% to 40%
Whole Life Income Fund	Low	-	60% to 100%	0% to 40%
Whole Life Short Term Fixed Income Fund	Low	-	60% to 100%	0% to 40%
Whole Life Aggressive Growth Fund	High	50% to 80%	20% to 50%	0% to 40%
Whole Life Stable Growth Fund	Moderate	30% to 50%	50% to 70%	0% to 40%
Select Equity Fund	High	Up to 100%	-	0% to 40%

* Subject to investment in large capitalization equity stocks upto maximum 20%

The policy provides the option of switching the existing investment value from one investment fund to another. There are four free-of-charge switches allowed in every policy year. The policy also provides the option of re-direction of premium to enable the alignment of investments with the changed financial profile and requirements.

Policy charges

Premium allocation charge: This charge is deducted as a percentage of the regular premium payable.

Policy Year	Charge (% of premium amount)
1 st year	22%
2 nd year to 10 th year	4%
11 th year onwards	0%

Premium allocation charge for top-up premium is 1.5%.

Policy administration charge: This is a fixed charge of Rs38 per month and is subject to an increase of 5% p.a.

Fund management charge: This will depend on the investment fund(s) chosen and ranges between 0.65% p.a. and 1.45% p.a. of the investment fund value.

Mortality charge: This is levied for the provision of life insurance cover and depends on the age of the life assured at the time of commencement of the policy.

Surrender / partial withdrawal charge: This is levied if the surrender / partial withdrawal is opted for before completion of six policy years.

Switching charge: This is a charge of Rs250 per switch subsequent to four free-of-charge switches in a policy year.

Partial withdrawal

Partial withdrawals can be availed of by the policyholder after the initial three policy years. A maximum of four partial withdrawals are available in each policy year subject to the minimum withdrawal amount of Rs10,000 and the fund value remaining after the withdrawal being equal to more than one regular annual premium.

Riders available

➤ Accidental Death Benefit Rider; ➤ Accidental Death and Dismemberment Rider; ➤ Payor Benefit or Critical Illness Riders

Tax benefits

Premiums paid under the policy are eligible for deduction under the provisions of Section 80C of the Income Tax Act, 1961. The benefits payable under the policy are exempt from tax under Section 10(10D).

Real Estate Myths

Here are a few real estate myths you need to remember.

Myth #1: When I take a home loan, the mortgage lender owns most of my home

'The bank owns most of my house'. This is a common refrain that one hears from homeowners. However, this is not really true. Unlike buying a car or a TV, where the value of these begin to depreciate the moment it is delivered at your door, the value of your home will rise over the long-term, primarily due to the land on which it is built. In fact, on a national level, there have been only two major corrections in real estate—one in the mid-1990s and the other in 2008-09.

Moreover, the leverage you get through the mortgage route usually works to enrich homeowners. Consider the Rs25 lakh home bought with a down payment of Rs5 lakh. If the value of the house rises 20% after one year, to Rs30 lakh, the value of your investment net of mortgage would double to Rs10 lakh, or a 100% growth.

Myth #2: It is better to repay your home loan at the earliest

Sure, it is always better to prepay your home loan. However, the difference in opinion lies in how early in the tenure should it be done. Typically, couples flush with funds tend to be in a flaming hurry to repay the loan in the initial years. However, there are a couple of vital points that one needs to remember when it comes to home loans. First, the interest rate you get on a home loan is the lowest in any form of lending compared to, say, a car loan or a personal loan. Secondly, you

get huge tax benefits under Section 24(1) and Section 80C of the IT Act for interest and principal repayment, up to a limit of Rs1,50,000 and Rs1,00,000, respectively.

Now, when you repay your loan, the interest component is far greater than the principal component in the initial years. By the time you are halfway through the loan tenure, the interest component falls substantially, and so does your tax benefits under that section. That's when you can consider repaying your home loan. And for those intimidated by a home loan, remember that one has to look at the interest cost net of the tax deductions from your income.

Myth #3: Buying a home is better than staying on rent

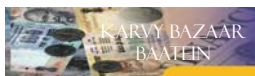
This is the most prevalent belief that people have about real estate. While Indians generally prefer owning a home over all other asset classes, the decision to purchase should be made after serious deliberations. For instance, according to Sanjay Dutt, CEO (Business), Jones Lang LaSalle Meghraj (JLLM), the decision to buy or rent should always remain a personal one, dictated by one's own short-term versus long-term objectives. He adds, "It makes more sense for a person below 35 years of age to rent a home in a city where he works but does not necessarily plan to settle. An older person should consider how long he or she will be able to generate income, and may be advised to buy rather than rent a home no matter how the local market looks. As a rule of thumb, it makes sense to rent rather than buy if one is working in a Tier-II/III city that either has traditionally low rentals, or in a Tier-1 city that contains pockets where rentals are traditionally low."

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.

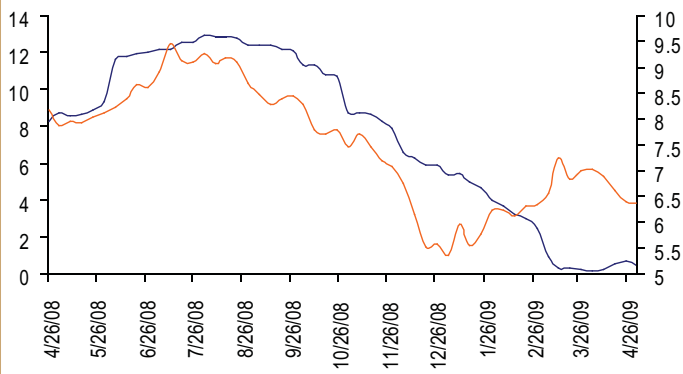
Subscription Request Form Please write in BLOCK CAPITALS

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

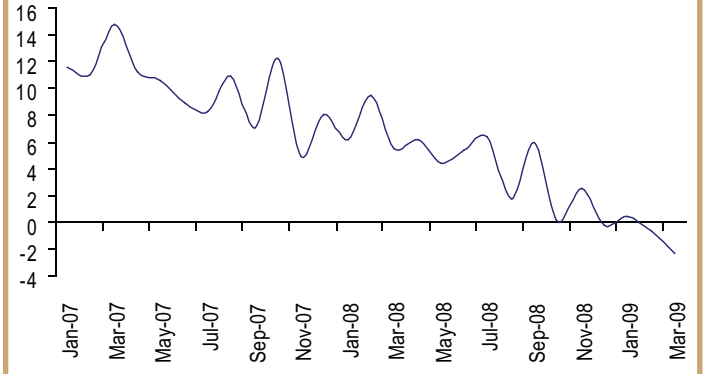


MARKET DATA

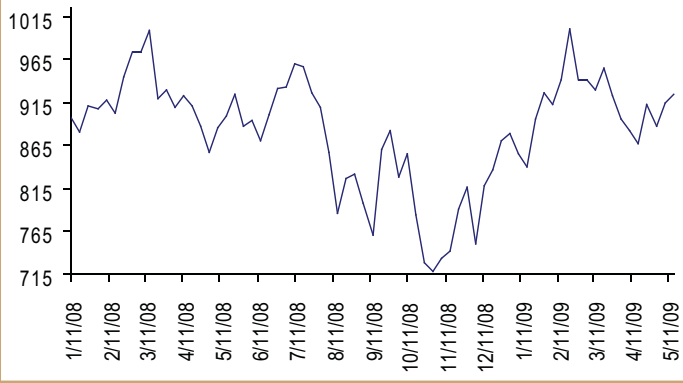
Inflation came in at 0.48%



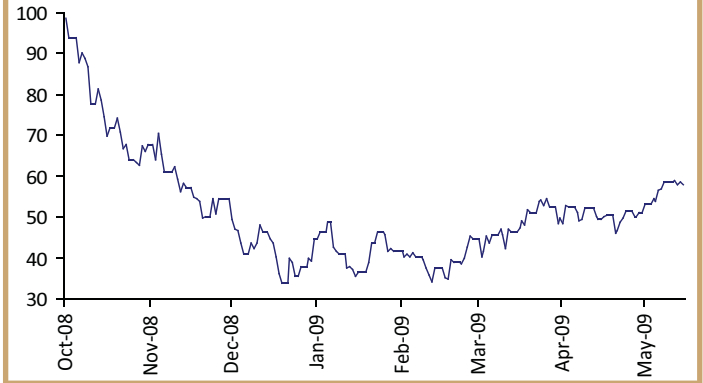
Index of Industrial Production (-2.3%)



Gold (US\$/oz)



Crude (US\$/bbl)



Global indices: Weekly performance

	Close (May 15)	Close (May 08)	Weekly (%)	6M (%)	12M (%)	PE Ratio
ASIA						
Hang Seng	16790.70	17389.87	-3.45	23.98	-34.19	15.10
STI	2139.78	2238.21	-4.40	21.64	-33.29	11.27
S. Korea	1391.73	1412.13	-1.44	27.89	-26.20	19.78
Nikkei 225	9265.02	9432.83	-1.78	9.49	-34.99	0.00
AMERICA (closing as of May 14 closing)						
Dow Jones	8331.32	8574.65	-2.84	-1.95	-35.88	17.47
S&P 500	893.07	929.23	-3.89	2.27	-37.27	14.57
NASDAQ	1689.21	1739.00	-2.86	11.36	-33.33	25.57
Brazil Bovespa	49446.02	51395.99	-3.79	38.16	-30.84	19.35
EUROPE (closing as of May 14 closing)						
FTSE-100	4362.58	4462.09	-2.23	2.53	-30.58	23.98
DAX 30	4738.47	4913.90	-3.57	-0.14	-33.57	24.39
CAC 40	3156.29	3312.59	-4.72	-4.32	-37.73	11.14

Domestic indices: Weekly performance

	Close (May 15)	Close (May 08)	Weekly (%)	6M (%)	12M (%)	PE Ratio
Sensex	12173.42	11876.43	2.50	29.71	-29.85	13.26
Nifty	3671.65	3620.70	1.41	30.65	-28.22	13.42
BSE 500	4444.70	4346.69	2.25	27.20	-35.05	12.18
BSE Auto	3742.86	3652.02	2.49	53.42	-20.87	10.65
BSE Bankex	6375.65	6007.47	6.13	23.66	-27.60	11.37
BSE Consumer Durables	2007.22	1948.49	3.01	3.44	-55.87	6.27
BSE FMCG	2054.98	2093.46	-1.84	7.78	-17.62	20.09
BSE Healthcare	3161.14	3122.72	1.23	8.81	-26.25	18.54
BSE IT	2850.73	2725.35	4.60	11.02	-36.46	13.44
BSE Oil & Gas	8509.62	8469.43	0.47	49.75	-24.06	13.51
BSE Metal	7872.70	7949.87	-0.97	61.54	-52.97	5.37
BSE Realty	2404.87	2355.61	2.09	19.55	-70.10	6.79
BSE PSU	6038.18	6098.49	-0.99	26.38	-22.22	43.58
BSE Power	2216.53	2176.34	1.85	32.71	-32.90	21.95
BSE Teck	2316.65	2226.61	4.04	14.35	-34.79	14.88

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: