Rs.5/-

KARVY BAZAAR BAATEIN

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

01 June 2009 to 07 June 2009 | **Volume 3 : Issue 9**

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

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NSE
52 Wk H/L : 4957.40/2252.75
Mcap : Rs44,46,474 cr.
BSE
52 Wk H/L : 16666.03/7697.39

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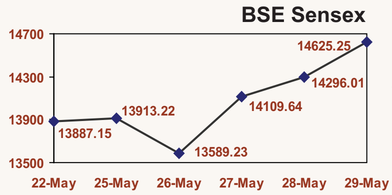
Published from Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad-500034.

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

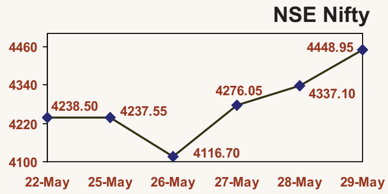
by **S. Gopichand** on behalf of Karvy Stock Broking Limited.

Editor: **S. Gopichand**

RNI Regn. No.APENG/2007/20423



14625.25
↑ **5.31%**



4448.95
↑ **4.97%**

It's a brand new beginning…

Global equity markets have rallied significantly in the last three months on expectations of a slowdown in the pace of the global economic recession as well as scope for recovery in the global economy in the next few quarters. The data points like consumer confidence, retail sales, unemployment data and better-than-expected corporate earnings have triggered a rally in these markets. The Indian stock markets are better positioned after the re-election of a strong and stable government, led by a rejuvenated Congress party, which has reduced the political risk to a large extent. Clearly, market participants are thrilled at the prospect of speedy implementation of reforms and the resultant economic growth prospects in the next five years.

Reforms in banking and financial services sector, including pension reforms, strengthening PSU banks, and insurance reforms have become the buzzwords. Moreover, markets expect disinvestment of PSU companies as a top priority for the government to raise funds in an effort to bring down the high fiscal deficit. Another target area to facilitate economic growth is infrastructure development and power reforms. Meanwhile, the energy sector is waiting for the government's response towards a free-market pricing of petroleum products. The oil marketing companies (OMCs) are likely to benefit from the measure.

The current investment environment is very clear for the next five years in the backdrop of an improving global economic climate, which offers much more investment opportunities with appropriate margin of safety. The return on investment in the right sectors could be manifold, especially from a long-term perspective. Existing investors who have already reaped the benefits from the stock markets in recent months can continue remaining invested with a five-year investment horizon. For those who missed the bus, however, we believe this is the right time to enter the markets in a phased manner. We wish our readers to become part of the next historic Bull Run in the Indian stock markets, rather than being a mere spectator. You will find us screaming from the rooftops, "Dare to Win".

KBB weekly recommendations for the week beginning 01st June.

Scrip	Action	CMP	Entry	Stop Loss	Target	Time Frame
Adlabs	Buy	351.05	347-350	338.10	400-402	5-6 Days
IVRCL	Buy	329.25	325-330	317.10	368-370	5-6 Days
SBI	Buy	1868.85	1860-1865	1835.00	1950-1955	5-6 Days
IB Realestate	Buy	247.90	244-248	238.10	272-275	5-6 Days
Jyoti Structures	Buy	144.65	144-146	140.00	160-162	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
ICICI Bank	Buy	690-700	670.00	765-770	490	-12,249.86	-3.60%	SLT
Sasken	Buy	96-98	90.00	120-122	-	-	-	NI
Axis Bank	Buy	755-760	742.10	800-805	450	-6,923.31	-2.03%	SLT
Welspun Gujarat	Buy	150-152	146.80	163-165	-	-	-	NI
NIIT Ltd	Buy	46-48	43.80	58-60	-	-	-	NI
Total						-19,173.17		

Balance on inception (26- Jan- 09)	Balance last week (22-May-09)	Balance current week (29-May-09)	Abs. returns WoW (%)	Abs. returns since Jan 26, 2009(%)
5,00,000	6,81,092	6,61,919	(2.82)	32.38

TA - Target achieved; SLT - Stop loss triggered; CMP - Closing price as on last trading day; NI - Not initiated; # No. of Shares; SL - Stop Loss; P/L - Profit/Loss

Technical view

ONGC **CMP: 1,169.25**

ONGC witnessed a sharp rally in the last one week session prior to which the stock had underperformed the broader index. The stock faced stiff resistance around the 900 levels above which it staged a strong breakout. The recent surge can be attributed to a couple of factors, such as short covering in the F&O segment and also the latest news of possible de-regularization of oil prices, inducing significant buying interest into the stock. The stock rallied in Friday's session on the back of significant increase in volumes, indicating a strong breakout. It has crossed all its moving averages, and the 8-day EMA, currently placed at 1056 levels, would prove to be a critical point of support. The 14-day RSI has found support from 40 levels and has surged into the over-bought territory which is a cause of concern. However, we believe a marginal cool-off in the stock should bring it to the 60 levels on the scale and, thereon, further upward movement can be expected. The stock has crucial support around 1050 levels. Investors are advised to assume long positions in the stock in the range of 1100-1150 levels for a short-term target of 1300 and 1320 levels. All long positions in the stock should be protected with a stop loss below 1020 levels on a closing basis.

L&T **CMP: 1,402.20**

L&T witnessed a dream run in recent sessions as it surged significantly on the back of substantial increase in volumes. The volumes during consolidation remained high, indicating accumulation in the stock. The 14-day RSI has touched the overbought territory and is still indicating a buy signal. Any decline from the current levels will bring the trigger line towards the support of 60 levels, thus creating head-room for another rally. The immediate support is at around 1300 and 1250 levels. The 21-day EMA level is at around 1100 levels, and this is unlikely to be broken in the near term. Investors are advised to assume long positions in the stock in the range of 1370-1400 levels and average the same, if available, at 1300 levels for a medium-term target of 1800 levels. All long positions in the stock should be protected with a stop loss below 1250 levels on a closing basis.

GVKPIL **CMP: 45.80**

GVK Power was moving within a broad range of 15-30, after which it recently broke past the range and staged a sharp rally following the election outcome. The breakout helped the stock to move past all its moving averages, increasing the strength of the up-move. The stock climbed above the 200-day EMA following the election results—a positive takeaway that would act as a strong support in the future. The 14-day RSI has entered the over-bought territory and indicates a bit of caution. Investors are advised to assume long positions in the stock within the range of 42-45 levels and average the same at 37 levels for a medium-term target of 62 and 70 levels. All long positions in the stock should be protected with a stop loss below 30 levels on a closing basis.

- Kalyan C. Reddy

Fundamental view

Dr Reddy's Lab (Rs661)

Revenues for the quarter were up 50% to Rs19,851 mn. The main driver for revenue growth was the North American region, which grew by 192% to Rs7,205 due to exclusivity of Imitrex. 'Russia and CIS' was the other region which has grown by 74% to Rs1,834 mn. The PSAI segment recorded a growth of only 11%. North America and Europe have been the key revenue drivers in the PSAI segment. The slowdown is expected to continue even in FY10E due to slowdown of orders from bio-tech and large pharma companies. The company's gross margins were higher from 53% to 54.3% for the quarter due to Imitrex. Dr Reddy's reported a loss of Rs9,777 mn due to write-downs of intangibles and impairment of goodwill to the tune of Rs14 bn.

We have lowered our revenue estimates for FY10 in line with the company's guidance of 10% while we have upgraded Dr Reddy's profits on the back of better margins due to Prilosec OTC. Moreover, we have introduced FY11 estimates and have factored Arixtra as we believe that the company should get approval in the next 6-9 months. The stock is currently quoting at 14.2x FY10E and 11.5x FY11E. We roll over our price target to FY11E with a price target of Rs805 based on 14x FY11E (EPS Rs57.7). We upgrade our rating to Outperformer.

Key highlights

Dr Reddy's domestic formulations business grew by 4% for the quarter and by 5% for the year due to restructuring in the business. Moreover, the lower growth is expected to continue in the next quarter. The company has stated that it plans to plug the gaps in the domestic formulations space and introduce more products. We have further lowered our growth estimates to 5% in the current year.

Dr Reddy's German business is expected to record a flat growth for the current year (Rs9,900 mn revenues in FY09) despite the company winning eight contracts in the Aok tender. Supplies will commence from June 2009. The German market had a price de-growth of 12% and a volume growth of 16.5% in FY09. Dr Reddy's reported an EBDITA of €26 mn in FY09E. Betapharm has cut its field force from 250 to 110 and the company's focus would be to concentrate on profitable products and higher availability of products.

In the US market, Dr Reddy's has 65 pending ANDAs which address a market of $46 bn. The company has 18 FTFs which address a market of $9 bn. It is confident of launching one niche opportunity every year for the next five years. In FY09, Dr Reddy's launched 16 products and 23 approvals have been received. The company has two niche opportunities. Prilosec OTC is expected to pan out in the current year and Arixtra in FY11. Both of these are recurring opportunities for the company.

DRL		Rs Mn	FY07	FY08	FY09E	FY10E	FY11E
Reuters/ Bloomberg Code	REDY.BO/ DRRD.IN	Net Sales	65,095	50,006	69,441	76,485	86,305
Market Cap(Rs bn)	109.08	EBITDA	11,157	3,251	(2,580)	11,334	13,581
Market Cap(US$ mn)	2272.56	Net Profit	9,327	4,678	(6,151)	7,808	9,695
Shares Outstanding(mn)	167.82	EPS(Rs)	55.6	27.8	(36.6)	46.4	57.7
52-week High/Low(Rs)	740/387	EPS growth (%)	422.5	(49.9)	(231.5)	-	24.2
		EBITDA margin(%)	16.0	6.5	(3.7)	14.8	15.7
Major Shareholders (%)		PER(x)	11.7	23.4	(17.8)	14.0	11.3
Promoters	26.40	EV/EBITDA (x)	9.7	35.4	(44.8)	9.9	8.2
FIIs/NRIs/ADRs	22.16	P/S (x)	1.7	2.2	1.6	1.4	1.3
Banks/FIs/MFs	20.18	RoCE(x)	17.9	6.8	(5.7)	17.6	18.7
Public	31.27	RoE(%)	29.2	10.6	(13.8)	17.1	18.1

Source: Company and KSBL Research *US GAAP Consolidated*

Market pulse

Bulk Deals			
Company	**Wt. Avg. Price (Rs.)**	**Traded Qty**	**Acquirer/Seller**
Buy			
IVRCL Infra	286.75	1000000	Bajaj Allianz Life Insurance company
Gitanjali GE	123.85	453269	Bnp Paribas Arbitrage
Sell			
Northgate Tech	35.03	235000	India Capital Fund
Sujana Tower	26.85	210000	Swiss Finance Corporation
Venus Remedies	187.84	42500	Templeton Mf A/c. FI Prima Fund
Bombay Dyeing	308.90	300000	DSP Merr Ly Top 100 Equity Fund
Dhanus Tech	28.95	100000	Citigroup Global Markets Mauritius

Top Gainers (Weekly)			
Company	**29-May**	**22-May**	**%Change**
Ranbaxy	278.90	220.25	26.63
Sterlite	623.70	507.85	22.81
DLF	406.50	334.00	21.71
Idea Cellular	84.15	71.35	17.94
Reliance Infra	1272.00	1121.30	13.44
Unitech	79.60	71.15	11.88
ONGC	1169.25	1046.05	11.78
Tata Steel	405.35	363.65	11.47
TCS	704.60	634.05	11.13
BHEL	2178.15	1978.20	10.11

Top Losers (Weekly)			
Company	**29-May**	**22-May**	**%Change**
Tata Comm	467.80	583.45	-19.82
Sun Pharma	1213.75	1290.60	-5.95
Bharti	820.90	859.60	-4.50
Rcom	305.65	315.85	-3.23
Power Grid	114.95	118.70	-3.16
Tata Motors	336.85	345.75	-2.57
Grasim	2103.15	2145.85	-1.99
National Alumin	354.10	357.35	-0.91
NTPC	215.40	216.60	-0.55
Hindustan Unilev	230.80	232.00	-0.52

	FII Invt (Rs.cr)		MF (Rs.cr)	
Date	**Purchases**	**Sales**	**Purchases**	**Sales**
25-May-09	2412.00	3106.70	1105.30	717.50
26-May-09	5092.60	2046.50	798.60	861.20
27-May-09	2323.10	2405.00	1736.70	733.10
28-May-09	4076.70	3639.80	1662.80	1558.10
29-May-09	5870.90	3741.80	-	-
Total	**19775.30**	**14939.80**	**5303.40**	**3869.90**

Corporate Actions		
Company	**Date**	**Purpose**
Lanco Infratech	29-05-2009	Audited Results
IOC	29-05-2009	Audited Results/Dividend
Bank of India	29-05-2009	Audited Results
BPCL	29-05-2009	Audited Results/Dividend
Sun Pharma	30-05-2009	Audited Results/Dividend

(Compiled by Krishna Veni M.)

Dr Reddy's order book in the PSAI business has strengthened in the current year and the order book for the quarter has increased by 30% compared to the preceding quarter.

Dr Reddy's has given an ROCE guidance in the high teens for FY10E and net margins of 12.3% for FY10E. The company is also re-organising its R&D to reduce its riskier assets and will be announcing a plan shortly.

Dr Reddy's has net intangibles of $203 mn in its books (deferred tax liability of $61 mn in its books). This includes brands worth $103 mn, intangible assets of $93 mn, and good-will of $76 mn.

Nitin Fire Protection (Rs281)

Nitin Fire Protection (NFPIL) reported revenues of Rs517 mn, which was 12% higher than our estimated revenues of Rs460 mn. Revenues were higher than our estimates due to better-than-expected performance from the cylinder business. During the quarter, revenue from the fire fighting and security business was at Rs227 mn (as against our estimates of Rs214 mn), while the cylinder business stood at Rs290 mn (as against our estimate of Rs247mn).

During the quarter, NFPIL reversed its expenses and purchases (on project-related activities) to the tune of Rs23.5 mn which was booked in the previous quarters. Accordingly, the company reported an EBITDA of Rs103 mn as against our estimate of Rs66 mn. After adjusting for the above-mentioned reversed expenses, the company reported an EBITDA margin of 15.4% as against our estimates of 14.4%. As expected, margins were lower on Y/Y basis due to slowdown in the construction sector and corporate capex plans. On sequential basis, NFPIL's interest cost increased substantially from Rs11 mn to Rs29 mn (as against our estimates of Rs11 mn) due to higher working capital loan utilized during the quarter. The company earned Rs7 mn as share in profits from its associate company. NFPIL reported net profit of Rs55 mn (as against our estimate of Rs47 mn), a Y/Y growth of 13.8%.

During 4QFY09, high inventory levels led to increased working capital borrowings, which, in turn, led to higher interest costs. NFPIL's management stated that it is correcting the inventory levels at the Vizag plant; however, we believe that it would take the company at least one quarter for the inventory levels to come down. Hence, we are accordingly increasing our interest cost estimate for FY10E from Rs61 mn to Rs73 mn. Moreover, due to increase in interest costs, we are lowering our PAT estimate for FY10E by 2.3%. We are introducing our FY11 estimates and revising our price target based on FY11E earnings. We expect the company's revenues to grow by 24% in FY11 to Rs3,619 mn. Revenues in FY11 are expected to increase primarily due to additional contribution from the Vizag plant. We expect sales from the fire protection and security business to increase by 8% and from the cylinder business by 35.5% over FY10E revenues. Due to more contribution from the cylinder business, we expect the EBITDA margin to increase marginally in FY11 to 22.8% as against the estimated EBITDA margin of 22.2% for FY10. We expect the company's net profit to grow 29% in FY11, to Rs540 mn, and report an EPS of Rs42.9. We are valuing the stock on FY11E, and, therefore, increase our price target on the stock from Rs204 to Rs300 (7x FY11E at an estimated EPS of Rs42.9). Due to an upward revision in our target price, we are upgrading our recommendation on the stock from 'Underperformer' to 'Market Performer'.

Nitin Fire Protection (consolidated)		**Y/E March (Rs Mn)**	**FY07**	**FY08**	**FY09E**	**FY10E**	**FY11E**
Reuters code	NIFP.BO	Net Sales	1,005	1,324	2,460	2,910	3,619
Market cap. (Rsbn)	3.5	EBITDA	170	254	495	646	825
Market cap. (US$mn)	75	Net Profit	100	194	347	419	540
Shares outstanding (mn)	12.6	EPS (Rs)	11.3	15.4	27.5	33.2	42.9
52-week High/Low (Rs)	491/115	CEPS (Rs)	12.9	16.6	30.2	37.3	47.4
		EPS growth (%)	30	37.1	78.6	20.7	29
		EBITDA Margin (%)	16.9	19.2	20.1	22.2	22.8
		PER (x)	25	18.2	10.2	8.5	6.6
Major shareholders (%)		EV/EBITDA (x)	15	15.2	7.4	5.5	4.2
Promoter/Majority	70.1	Price/Sales (x)	2.5	2.7	1.4	1.2	1
FIIs	0.7	Price/BV (x)	7.7	3.1	2.3	1.9	1.5
Banks/FIs/MFs	7.8	RoCE (%)	48.5	25	24.4	25.5	27.2
Others and Public	21.4	RoE (%)	40.1	26.2	23.7	22.6	23.5

Source: Company and KSBL Research

- Karvy Equity Desk

New Fund Offer

Reliance Infrastructure Fund

Reliance Infrastructure Fund is an open-ended equity fund which will predominantly invest in equity and equity-related instruments of companies engaged in infrastructure and infrastructure-related sectors and which are incorporated or have their area of primary activity in India. The secondary objective of the fund is to generate consistent returns by investing in debt and money market securities.

Policy benefits

Offer period	25 May 09 to 23 June 09
Offer price	Rs10
Investment objective	The primary investment objective of the scheme is to generate long-term capital appreciation by investing predominantly in equity and equity related instruments of companies engaged in infrastructure and infra-structure related sectors and which are incorporated or have their area of primary activity, in India and the secondary objective is to generate consistent returns by investing in debt and money market securities
Benchmark	BSE 100
Scheme type	Open-ended equity scheme
Plans offered	Regular & Institutional
Options	Growth and Dividend
Min invest	Rs5,000
Entry load	For investments < Rs2 crore - 2.25%; between 2 crore and 5 crore - 1.25%; >5 crore - Nil.
Exit load	For investments < 5 crore - 1% if redeemed on or before completion of one year.
Fund Manager	Sunil Singhania

Fund diagnosis

Risk-return profile: The fund aims to invest primarily in stocks that are likely to be benefited by the growth in the infrastructure industry. Although this industry has been dull for a while, with the new government rearing to concentrate more on growth, the infrastructure industry is poised for growth. This scenario is expected to enable the fund to deliver better returns. Also, as this fund invests in sectors like power, ports, transportation, cement, etc., it would be less risky than any other sectoral fund. At the same time, the risk-return potential of the fund is higher than a diversified fund (refer grid above).

Suitability: This fund will be suitable for investors with a high appetite for risk. Investors looking for higher returns with the capability of taking high risk should invest in the fund.

Preferred investment duration: As the infrastructure industry is likely to give good returns in the next 4 to 5 years, an investment duration of 3 years or more is advisable.

Proposed asset allocation

Equity and equity-related securities, including derivatives engaged in infrastructure sectors and infrastructure-related sectors#.	65-100%
Debt and money market securities** (includinginvestments in securitized debt)	0-35%

** Including securitised debt up to 30% *Source:* Reliance AMC

Atleast 65% of investment would be made in equity /equity related securities of companies engaged in infrastructure sectors and infrastructure related sectors. If the Fund Manager decides to invest in ADRs/GDRs+ issued by Indian / foreign companies and in foreign Securities in accordance with SEBI Regulations in the Scheme, it is the intention of the Fund Manager that such investments will not normally exceed 20% of the net assets of the Scheme (ADR-American Depository Receipt & GDR- Global Depository Receipt)

#an overall limit of 100% of the portfolio value has been introduced for the purpose of equity derivatives in the scheme. The margin money requirement for the purpose of derivative exposure

Investment Strategy

Following areas/sectors of the economy listed below are covered in the infrastructure sector;

1. Airports; **2.** Banks, Financial Institutions & Term lending Institutions; **3.** Cement & Cement Products; **4.** Coal; **5.** Construction; **6.** Electrical & Electronic Components; **7.** Engineering; **8.** Energy, including Coal, Oil & Gas, Petroleum & Pipelines; **9.** Industrial Capital Goods & Products; **10.** Metals & Minerals; **11.** Ports; **12.** Power and Power Equipment; **13.** Road & Railway Initiatives; **14.** Telecommunication; **15.** Transportation; **16.** Urban Infrastructure, including Housing & Commercial Infrastructure; **17.** Aluminum & Mining

Please note that the list provided is indicative and the Investment Manager may add such other sectors/ group of industries which broadly satisfy the category of being under Infrastructure.

Tax implications

As the fund will invest at least 65% of its funds in Indian equities, it will be treated as an equity-oriented fund and the tax implications are

➤ Dividends will be completely tax-free; ➤ Short-term capital gain: 15% (excluding surcharge and cess); ➤ Long-term capital gain: Nil; ➤ STT: 0.25% on sale.

Mutual Fund performance

Equity Diversified Funds

Scheme Name	NAV (Rs)	1 Year	3 Years	5 Years
Reliance Reg Savings-Equity(G)	20.6347	-5.92	18.96	
Birla SL Frontline Equity(G)	60.9900	-3.05	16.74	27.59
IDFC Premier Equity-A(G)	18.6768	-10.61	16.47	
Sahara Growth(G)	63.3706	1.81	15.70	27.54
DBS Chola Opportunities(G)	32.1600	-18.15	15.43	24.85
DSPBR Top 100 Equity(G)	70.0500	-5.41	15.28	28.16
HDFC Top 200(G)	136.5250	0.14	14.80	29.24
Baroda Pioneer Growth(G)	38.1500	-7.85	14.42	26.95
Reliance NRI Equity(G)	27.0524	-1.72	14.30	
Franklin India Prima Plus(G)	155.4919	-5.36	13.76	27.00

ELSS

Scheme Name	NAV (Rs)	1 Year	3 Years	5 Years
Taurus Tax Shield(G)	25.5300	-5.37	14.56	26.27
Sundaram BNPP Tax Saver(G)	33.6785	-1.70	12.49	
Fidelity Tax Advantage(G)	13.5760	-8.23	10.39	
Sahara Tax Gain(G)	24.5272	-2.16	8.98	8.59
Franklin India Taxshield(G)	138.0144	-8.96	7.70	23.38
Tata Tax Advantage-1	11.0524	-10.37	5.71	
HDFC TaxSaver(G)	142.3760	-3.96	4.64	28.88
Principal Personal Tax saver(G)	67.4000	-24.02	4.41	20.85
Baroda Pioneer ELSS 96	18.7200	-18.79	3.93	18.01
Reliance Tax Saver (ELSS)(G)	13.7146	-6.51	3.11	

Income Funds

Scheme Name	NAV (Rs)	3 Mnts	1 Year	3 Years
Canara Robeco Income(G)	18.8783	3.21	30.81	14.03
ICICI Pru Income-Ret(G)	29.0560	3.82	22.39	12.27
Fortis Flexi Debt-Reg(G)	15.2797	4.12	19.59	12.48
Kotak Twin Advantage II(G)	13.2167	19.91	18.50	
Kotak Bond-Reg(G)	25.4189	2.26	17.63	11.17
IDFC Dynamic Bond-A(G)	18.0211	1.90	17.48	12.16
ING Income(G)	23.8634	3.69	17.28	10.71
Reliance Income(G)	30.0174	2.42	17.23	10.55
Kotak Bond-Deposit(G)	23.6706	2.26	17.20	9.92
JM Short Term-Inst(G)	12.4074	2.37	16.67	1.43

Gilt Funds

Scheme Name	NAV (Rs)	3 Mnts	1 Year	3 Years
ICICI Pru Gilt-Invest-PF	18.1722	5.92	41.09	18.14
Escorts Gilt(G)	20.4424	3.65	31.75	12.45
JM G-Sec-Reg(G)	28.9414	2.94	31.26	12.01
ICICI Pru Gilt-Invest(G)	31.8199	3.86	30.79	14.69
DSPBR GSF-Longer Dur(G)	31.3773	-0.60	26.44	12.19
Templeton India G-Sec-LTP(G)	22.6128	0.82	24.02	12.71
Birla SL Govt Sec-LT(G)	24.3965	9.49	22.57	8.58
ICICI Pru Gilt-Treasury-PF	15.1826	2.14	22.28	11.37
Templeton India G-Sec-Composite(G)	32.4834	0.52	22.24	11.57
Templeton India G-Sec-PF(G)	14.2675	0.52	22.24	11.59

Source: Acemf Note: All NAV as of May 27, 2009 *(Compiled by Pradeep Kumar S)*

Commodities review

Precious metals review

Bullion: Gold prices extended its previous week's gains last week on continued buying interest as investors turned to the yellow metal as a safe investment tool. The weakening of the US dollar against the majors resulted in gold being viewed as an alternate investment tool, prompting prices to trade higher. The Dollar Index, which measures the performance of the US dollar against six major currencies, fell further, resulting in a firm trend in gold prices. Moreover, major equity indices continued to remain weak as concerns were renewed regarding the global economic recovery. This helped gold to perform better as an alternative asset class. In addition, the SPDR Gold Trust increased its holdings for the first time since May 13, 2009, and is currently holding around 1118.76 tonnes. However, prices retreated from the earlier gains during mid-week as US consumer confidence showed an unexpected rise to 54.9 from the previous figure of 39.2 while Richmond Fed Manufacturing Index for May rose to 4 from the previous -9. However, later, the market rebounded sharply following the emergence of fresh buying on bullish fundamental outlook. A firm trend in crude oil prices also added to the bullish sentiment in the market. The spot gold futures posted a weekly high of $976.6 per troy ounce from a low of $936.80 levels while silver tested a high of $15.57 per troy ounce from a low of $14.28 levels. Overall, the sentiment remains positive and prices are expected to show further gains, taking triggers from the US dollar and equity markets. For the week ahead, spot gold is likely to trade in the range of $964-985 per troy ounce while silver is likely to trade in the range of $14.20-16.41 per troy ounce.

Base metals review

The prices of the metals complex remained range-bound due to volatile equity markets and high trading at the LME. Prices managed to hold their support levels after a week-long fall resulted in short covering in the markets. In addition, the LME cancelled-warrants ratios for base metals declined last week. Aluminium was more vulnerable to price fluctuations as its stockpiles increased to 36,550 tonnes last week. However, copper prices remained positive due to decreasing stockpiles and a fall in cancelled warrants. Copper, nickel and lead gained by 3.04%, 5.55%, 2.71%, respectively, last week.

Meanwhile, the dollar index recovered its losses in the later part of the week due to better-than-expected economic data. The US Consumer Confidence rose to 54.9 while the Durables Goods Order increased by 1.9% and the Initial Jobless Claims declined to 6,23,000, giving positive signals regarding the economy.

Metals prices did not witness sharp improvement due to bleak demand; the only exception is China where the demand is expected to rise by 7%. The oversupply situation in China may decline as China's State Reserves Bureau (SRB) might sell additional 50,000 tonnes. In the nickel space, Russian miner Norilsk Nickel trimmed its 2009 output forecast to 2,85,000-3,00,000 tonnes from its earlier estimates of 2,90,000-3,05,000 tonnes.

The demand from major importing and consuming nations would be closely monitored. However, we expect base metal prices, barring aluminium, to trade higher as the US shows optimistic signs of recovery.

Agri market review

Soybean: Soybean futures rebounded sharply from its penultimate week's losses due to short covering amidst bearish fundamental factors. Soybean futures prices fell by ~7% in the penultimate week because of selling pressure and sluggish demand for the produce; hence, short covering was seen in the market. However, overall sentiment remained weak. Sluggish demand for soy meal from the South East Asian countries and the availability of imported oils in large quantities kept the market under pressure. According to Solvent Extractors Association of India, the nation exported 100,106 tonnes of soy meal against 539,175 tonnes a year ago. In April, India imported a record quantity of edible oil at 659,477 tonnes against 309,629 tonnes bought in the same period a year ago. This week, we expect a downward trend for soybean futures prices on continued selling pressure coupled with poor demand for the produce. It is expected that the area under soybean cultivation is likely to increase as farmers are encouraged by higher price realization in the last season. The early onset of monsoon may also result in a further fall in prices.

- Commodities Research Desk

Bright Stars

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

Unique features

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

Decrease in premium: The policy allows for a decrease in the premium amount to help the policyholder in case of a financial crisis. This facility is available anytime after completion of two policy years. A decrease in premium will result in a decrease of the policy sum assured in the same proportion and is subject to the minimum premium payable under the policy.

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

Cover continuance option: In case the policyholder is unable to pay the premium, he can opt for the cover continuance option. When this is opted for, the policy continues with all benefits. Once this option is operational, the policyholder cannot pay any further premiums or top-ups under the policy. The availability of this option depends on the choice of the policy term, the details for which are given in the table below:

Policy term	7 years	10 years	15 years	17 years	20 years
Cover continuance option is available after payment of	3 annualized regular premiums	3 annualized regular premiums	5 annualized regular premiums	5 annualized regular premiums	5 annualized regular premiums

At any time during the policy benefit period, after completion of three policy years, if the policy fund value falls below 120% of the annualized regular premium, then the policy will be terminated and the surrender value will be paid out.

Policy benefits

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

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

Eligibility parameters

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

Maximum age at maturity: 70 years

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

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

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

Sum assured value: Calculation of sum assured depends on the choice of the premium amount and the policy term. Details of this calculation are:

Policy term	Value of sum assured
7 years	5 times the annualized regular premium
10 years	5 times the annualized regular premium
15 years	8 times the annualized regular premium
17 years	10 times the annualized regular premium
20 years	10 times the annualized regular premium

Policy charges

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

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

Premium Band 1 is equal to annualized regular premium between Rs15,000 and Rs99,999. Premium Band 2 is equal to annualized regular premium of Rs1,00,000 & above. For top-up premium, the premium allocation charge is 1.50%.

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

Policy administration charge: This is a fixed charge and is deducted on a monthly basis. This charge is Rs65 per month for policies where the

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

Fund name	Investment objective	Risk return profile	Asset allocation in			
			Listed equities	Cash & money market instruments	Corporate bonds	Govt bond & securities
Growth Opportunities Fund	Long-term capital appreciation by investing in stocks of all market capitalization ranges (large, medium or small)	High	80% to100%	0% to 40%	0%	0%
Grow Money Fund	Long-term capital appreciation through investing across diversified high-quality equity portfolio.	High	80% to 100%	0% to 40%	0%	0%
Save'n'grow Money Fund	Steady accumulation of income in medium to long term by investing in high-quality debt paper and government securities, with a limited opportunity of capital appreciation.	Moderate	0% to 60%	0% to 40%	0% to 50%	0% to 40%
Steady Money Fund	Steady accumulation of income in medium to long term by investing in high-quality debt paper and government securities.	Low	0%	0% to 40%	20% to 80%	20% to 80%

The policy provides for the premium re-direction facility to change the allocation for future premiums. This facility is available after the first policy year and can be availed of any number of times free of charge. The minimum allocation in any chosen investment fund should be 5%.

The policy also provides the option of switching between the funds. Four switches are available free-of-charge in a policy year. The minimum value of a switch should be Rs2,500.

premium is paid annually and semi-annually, and is Rs80 per month for policies where the premium is paid every month.

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

Fund name	Growth Opportunities Fund	Grow Money Fund	Save'n'Grow Money	Steady Money Fund
Fund Management Charge	1.75%	1.50%	1.25%	1.00%

Surrender charge: The details of the surrender charge, expressed as a percentage of the fund value, and depending on the chosen policy term are:

Year of surrender	Surrender charge (% of the fund value as in for a policy term of)				
	7 years	10 years	15 years	17 years	20 years
1st policy year	65%	65%	90%	90%	90%
2nd policy year	40%	40%	75%	75%	75%
3rd policy year	20%	20%	50%	50%	50%
4th policy year	0%	0%	15%	15%	15%
5th policy year	0%	0%	3%	3%	3%
6th policy year & onwards	0%	0%	0%	0%	0%

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

Partial withdrawal charge: A subsequent partial withdrawal after four free-of-charge switches in a policy year is to be charged at Rs100 per partial withdrawal.

The above policy charges are subject to revisions as per the policy conditions.

Partial withdrawal facility

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

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

Rider available

Critical Illness Benefit Rider: The protection under the policy can be enhanced by adding Critical Illness Benefit Rider. This rider will pay the chosen rider sum assured in case the life assured is diagnosed with any of the below mentioned critical illnesses, subject to policy terms and conditions in this regard. The critical illnesses covered are:

• Cancer; • Coronary Artery Bypass Surgery; • Heart Attack; • Kidney Failure; • Major Organ Transplant; • Stroke

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

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

- Atul Stanley Hermit

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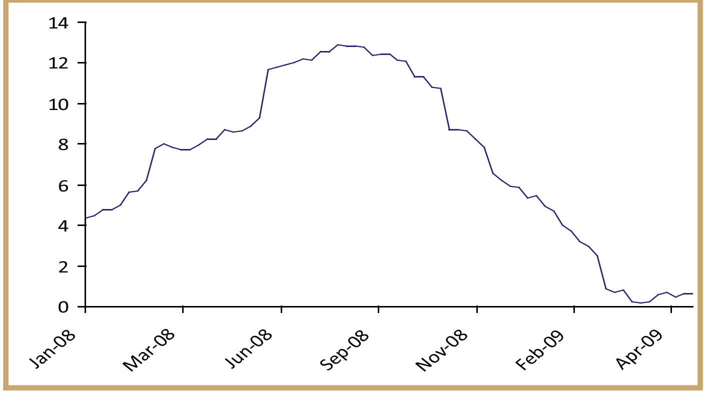
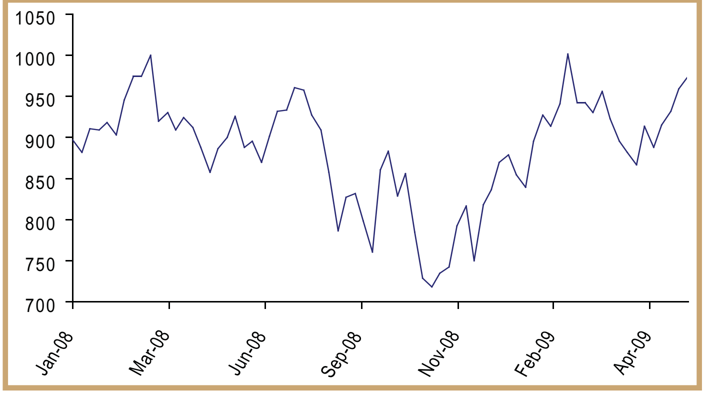
MARKET DATA

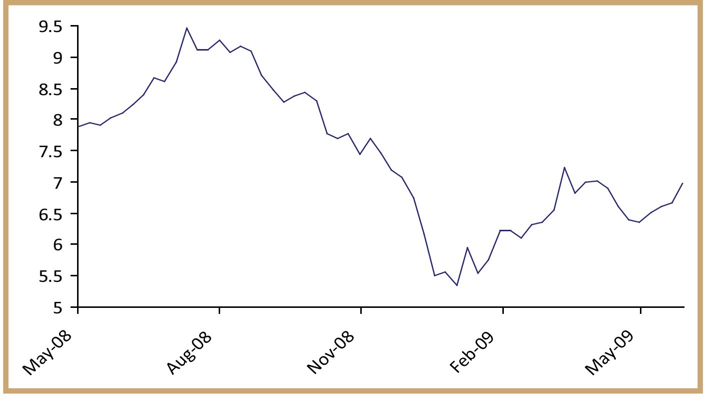
Inflation remained unchanged at 0.61%



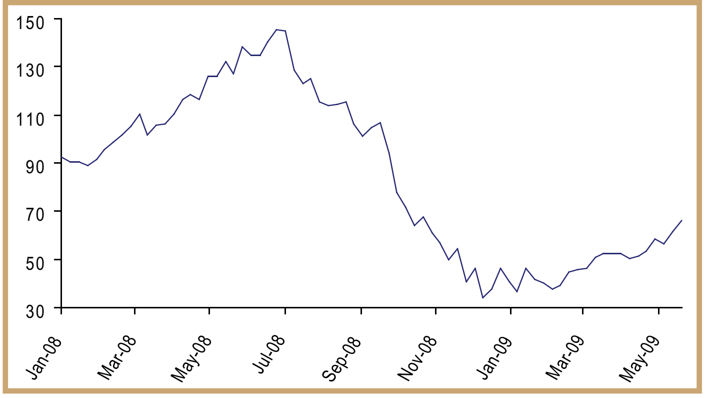
Gold (US$/oz)



10-year bond yield (%)



Crude (US$/bbl)



Global indices: Weekly performance

	Close (May 29)	Close (May 22)	Weekly (%)	6M (%)	12M (%)	PE Ratio
ASIA						
Hang Seng	18171.00	17062.52	6.50	30.84	-25.07	16.35
STI	2329.08	2245.27	3.73	34.43	-26.31	12.30
S. Korea	1395.89	1403.75	-0.56	29.72	-24.19	28.99
Nikkei 225	9522.50	9225.81	3.22	11.87	-32.58	-
AMERICA (closing as of May 28)						
Dow Jones	8403.80	8277.32	1.53	-4.82	-33.55	20.77
S&P 500	906.83	887.00	2.24	1.18	-35.15	14.83
NASDAQ	1751.79	1692.01	3.53	14.08	-30.16	26.35
Brazil Bovespa	53040.74	50568.49	4.89	44.94	-26.13	22.20
EUROPE (closing as of May 28)						
FTSE-100	4458.43	4365.29	2.13	3.95	-26.55	29.02
DAX 30	4994.13	4918.75	1.53	6.97	-29.20	25.85
CAC 40	3310.75	3227.97	2.56	1.43	-33.49	11.72

Source: Bloomberg

Domestic indices: Weekly performance

	Close (May 29)	Close (May 22)	Weekly (%)	6M (%)	12M (%)	PE Ratio
Sensex	14625.25	13887.15	5.31	60.85	-10.36	15.61
Nifty	4448.95	4238.50	4.97	61.48	-7.99	16.06
BSE 500	5520.25	5235.69	5.44	67.50	-14.78	15.07
BSE Auto	4610.61	4378.81	5.29	97.83	4.53	14.98
BSE Bankex	8258.43	7827.56	5.50	77.78	6.99	13.82
BSE Consumer Durables	2758.07	2507.79	9.98	53.78	-36.35	8.63
BSE FMCG	2096.64	2080.53	0.77	8.26	-13.34	20.08
BSE Healthcare	3435.95	3377.31	1.74	18.98	-20.60	31.41
BSE IT	2997.55	2829.93	5.92	17.14	-34.09	14.03
BSE Oil & Gas	10419.47	9814.23	6.17	85.46	-1.44	16.59
BSE Metal	10878.42	9740.89	11.68	148.17	-34.78	7.15
BSE Realty	3819.89	3310.79	15.38	144.71	-46.33	12.00
BSE PSU	8427.44	7675.71	9.79	83.77	18.49	57.86
BSE Power	2881.36	2736.83	5.28	76.59	-5.49	27.76
BSE Tech	2519.96	2469.14	2.06	25.90	-29.11	16.05

(Compiled by Amit Chopra)

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