Table of Contents

1 Apna Money

1.1 Commodity Watch : Maize: Marvellous performance

Maize: Marvellous performance

Related Tables

[International Grains Council November update]

Maize futures have been in great demand in the last few months on expectation of a shortfall in the domestic and global markets.

The rally in maize futures was reminiscent of the sharp spurt seen in the other major commodity in the cereals group: wheat.

Domestic spot prices also ruled at a higher level from June onwards. In the benchmark domestic market of Nizamabad, the spot prices went up from Rs 614.5 per quintal to close at Rs 751 on 9 November — a surge of 22.35% in four weeks.

Prices have eased slightly afterwards but remain markedly higher compared with the previous year's price levels.

Maize or corn is a popular cereal of American origin. It is the most important cereal in the world after wheat and rice. Apart from being used as human and animal feed, it serves as a basic raw material for the production of starch, oil and protein and food sweeteners. Of late, maize is also used for produce bio fuel.

Major producing countries are the United States, China, European Union (EU)-25, Brazil, Mexico, Argentina and India. These countries account for around 80 % of total world corn production. Major consuming nations of corn are China and the US.

There has been continuous increase in the consumption demand of corn mainly owing to increase in the demand from meat and starch sector. There is growing requirement of maize from poultry sector, which uses corn feed.

Major importing nations of maize are Japan, Korea, Taiwan, Mexico, Egypt, Malaysia, EU and Colombia. The US dominates the international trade of corn as exporter.

India's maize production fluctuates between 10-14 million tonnes, with majority of the production in the kharif (April-September) season. Major states that contribute to maize production are Karnataka, Andhra Pradesh, Bihar, Punjab, Uttar Pradesh and Madhya Pradesh.

Rising household incomes have led to increased consumption of meat, particularly of poultry, which has increased the demand for maize as feed.

Maize has been yet another outperformer in the major agricultural commodities in the second half of the year.

The International Grains Council (IGC) has been repeatedly lowering the global maize output estimates this year. In its latest monthly update, the London-based organisation placed the international maize output at 688 million tonnes. Though this estimate is marginally lower by five million tonnes than the output last season, a sharp increase in the consumption has been instrumental in pulling the global maize stocks strikingly down to only 92 million tonnes — down 33 million tonnes from the previous year and marking their lowest level in more than two decades.

The latest estimates by the United States Department of Agriculture (USDA) also account for a bullish scenario. The current USDA corn output forecast for the US, the world's largest producer, is already 2% below the 2005 level and about 7% below the record 2004 year. A shortfall in US corn production tightened the global corn market, with global inventories near 25-year low and demand increasing 16% in the last five years.

The global maize futures heated up this season with the CBOT corn futures soaring to a 10-year high in the first week of November after USDA lowered the global corn production estimates.

The global cereals markets were also supported by a relatively lean phase in the metals and energy prices. After topping in the first half of the year, both these sectors eased quite substantially in the second half, prompting funds to buy grains heavily in anticipation of the supply crunch.

The NCDEX futures also tracked the global trends initially to hit an all time high of Rs 870 per quintal on 9 November for the January futures. The counter eased afterwards but remained well supported due to a projected shortfall in the domestic output.

The local spot markets also firmed up from August onwards and consolidated at higher levels in the last two months.

This reinforced the view that the futures would rally once again on lower domestic output.

The domestic situation is equally worrying. The government's fourth advance estimate for maize pegged production at 12.41 million tonnes in the current year against the annual consumption of approximately 14 million tonnes.

Outlook

In its recent update, the IGC stated that though tighter supplies and higher prices are restraining feed use in the US, continued growth in Pacific Asia's poultry and pig meat industries is sustaining demand there. This is the prime reason why the council has placed the global trade at a record 92 million tonnes in the current year. This, coupled with shrinking global stockpiles is likely to keep the global market in a bullish mode in the near term.

The domestic crop has been estimated at a lower level and spot prices have gained nearly 50% in the last four months. Futures may rally once again as domestic maize stocks get wiped out in the next few months.

International Grains Council November update

	2002-03	**2003-04**	**2004-05**	**2005-06**	**2006-07**
Production	604	625	713	693	688
Consumption	623	644	686	700	721
Stocks	124	105	132	125	92
Change in stocks	-19	-19	27	-7	-33

Figures in million tonnes

1.2 TAX-MATTERS : (TDS on commission from trading NCDEX)

Is TDS applicable on commission received from trading on NCDEX?

Is the provision relating to tax deduction at source (TDS) applicable on brokerage/commission received from trading on NCDEX?

— Dharmendra Jhawar, e-mail

As per sec 194 H of the Income-Tax Act, 1961, any person (other than individual/HUF) who is responsible for paying to a resident any income by way of commission (not being insurance commission) or brokerage is required to deduct tax at source if the total amount of commission /brokerage in a financial year exceeds Rs 2500 per payee.

Tax is to be deducted at the time of payment or credit to the account of the payee, whichever is earlier.

Individuals and HUFs who are subject to tax audit (i.e. turnover from business exceeds Rs 40 lakh or receipts from profession exceeds Rs 10 lakh) in the preceeding financial year are also required to deduct tax at source.

Commission or brokerage includes any payment received or receivable, directly or indirectly by a person acting on behalf of another person: for services rendered (not being professional services); or for any services in the course of buying or selling of goods; or in relation to any transaction relating to any asset/ valuable article, or thing, not being securities.

In other words, commission/brokerage received on trading in securities is not covered. For the meaning of the term 'securities', refer to the Securities Contracts (Regulation) Act, 1956. (SCRA)

As per sec 2(h) of SCRA, securities include: shares, scrips, stocks, bonds, debentures, debenture stocks or other marketable securities of a like nature in or of any incorporated company or other body corporate; derivative; units or any other instrument issued by any collective investment scheme to investors in such schemes; security receipt as defined in clause (zg) of sec 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; government securities; such other instruments as may be declared by the Central government to be securities; and rights or interests in securities.

The definition is inclusive and, therefore broad, covering a wide range of financial instruments in its purview. Shares, debentures, bonds, derivatives (which would include options and futures), and securities issued by the government fall in the definition.

Derivative is a financial product whose value is derived from the value of one or more underlying assets like commodities, currency, securities, and index. The National Commodity & Derivatives Exchange (NCDEX) is an online multi-commodity exchange. It provides a world-class commodity exchange platform to trade in a wide spectrum of commodity derivatives.

TDS provisions are not applicable to commission obtained from trading in securities. Securities include derivatives. Therefore, TDS provisions will not apply to commission received as trading in derivatives. Thus, TDS provisions shall not apply to commodity derivatives.

However, if the transaction results in actual delivery of commodity, then one may argue that commission relates to services in the course of buying or selling goods and is accordingly subject to TDS.

It is advisable to take a legal opinion on the above and keep the same on record.

The service provider will have to pay service tax on commission/brokerage received under the category Business Auxiliary Services (BAS). Hence, various service tax provisions also have to be kept in mind (for instance, registration, taking Cenvat credit, payment in TR 6 yellow colour challan, and filing half-yearly service tax return in Form No ST-3).

On disposal of a long-term capital asset (a residential house property), the gain portion needs to be reinvested in another house property in two /three years from date of sale for purchase/construction, respectively. Another option is to invest the capital gains in three-year Rural Electrification Corporation (REC) and National Highway Authority of India (NHAI) bonds within six months from date of sale. Is the date of sale the date of registry/date of payment of full consideration? Assuming the gain is Rs 10 lakh in FY 2007, can the following actions be taken: l Investment of Rs 5 lakh in sec 54 EC bonds within six months from the date of sale. l Deposit the remaining Rs 5 lakh in the Capital Gain Scheme, 1998, before furnishing the return for assessment year (AY) 2007-08, i.e., 31 July 2007 l Utilise Rs 5 lakh for purchase of new residential house property within two years from the date of transfer?

Can one utilise both sections — 54 and 54 EC —for claiming exemption?

— Amol Kshirsagar, e-mail

Under sec 54, long-term capital gain arising on transfer of a residential house property will not be taxed if the gain is utilised to acquire a new residential house property within the prescribed time limits.

The new residential property can be purchased within two years/constructed within three years from the date of sale of the old property. The return of income is to be filed by the due date (i.e., 31 July or 31 October as applicable).

If the amount of gains is not utilised for purchase/construction of new property till the due date of submission of return of income, then the gain will have to be deposited in capital gains deposit account scheme with a nationalised bank. The proof of deposit should be submitted along with the return of income.

On the basis of the actual investment made under sec 54 and the amount deposited in the capital gains deposit scheme, the assessing officer (AO) will allow exemption under sec 54.

The amount so deposited in the Capital Gains Deposit Account Scheme should be utilised for purchase of new property within two years/construction within three years from the date of transfer of old property or else the gain so deposited shall be taxed as long-term capital gain at the end of three years.

Under sec 54EC, long-term capital gain arising on transfer of any long-term capital asset shall be exempt from tax if the gain is invested in NHAI/REC bonds within six months from the date of transfer. Under sec 54EC, the option of capital gains deposit account scheme is not available.

Assuming the gain at Rs 10 lakh (as stated by you), you may invest Rs 5 lakh in 54EC bonds and the balance Rs 5 lakh in the Capital Gains Scheme, 1998, which would be subsequently used to purchase or construct new house under sec 54. Thus, you may utilise both sec 54 and 54EC for claiming exemption.

Holding of legal title is not necessary. The date of sale is the date of transfer as per the definition of transfer given in sec. 2(47). The sale agreement may or may not be registered.

I run a furniture business and also am an online trader of shares and derivatives (options and futures). Before asking my question, I put the scenario below:

Brokers charge following expenses on trading: brokerage, service tax on brokerage, securities transaction tax, stamp duty, transaction charges

I put an entry in my accounts as follows: debting broker's name, brokerage, service tax on brokerage, securities transaction tax (STT), stamp duty, transaction charges and crediting profit and loss on shares and derivatives. So all the expenses are shown under these heads in my account.

To obtain profit or loss, all these expenses are deducted and I reach the net amount. My question is about STT. I have already shown it as an expense. Should STT be deducted or does it have any other treatement?

— Sandeep Garg, e-mail

STT is not allowed as a deduction while computing income from shares/derivative trading. Instead, rebate is allowed under sec 88E from tax payable for STT. However, rebate cannot exceed tax calculated at the average rate of tax on business income arising from share transactions (i.e., taxable income from share transactions/net total income x tax liability on total income before rebate, surcharge or cess).

So STT claimed as an expense in your accounts will have to be added back to the profit for determining income from share trading. You have to claim rebate under sec 88E.

I am an NRI. I earned long-term capital gain of Rs 2 lakh on 15 September 2005. I have short-term capital loss carried forward from 2000 for an equal amount .The broker has deducted transaction tax. Do I need to pay any capital gain tax?

— Prakash, e-mail

As per sec 10(38), long-term capital gain arising on transfer of equity shares or units of equity-oriented mutual fund on which securities transaction tax (STT) is charged by the broker is not chargeable to tax.

Accordingly your long-term capital gain of Rs 2 lakh on which STT has been deducted by the broker is exempt from tax. You need not pay any capital gains tax. You need not set off your short-term capital loss against the long-term gain as these are tax-free. Your short-term capital loss will be further carried forward.

The replies are only in the nature of guidelines. The tax counsellors and the publication are not responsible for any decision taken by readers on the basis of the same. Readers may address their queries on direct taxation to:

T K Doctor, C/o Capital Market, 101, Swastik Chambers, Sion-Trombay Road, Chembur, Mumbai-400 071.
E-mail: tax-matters@capitalmarket.com

1.3 Mutual Fund Scoreboard - Part II

Scheme/Index Name	N.A.V.	Corpus	Annualised			CAGR		Ranking Returns				
	(Rs)	Nov-06	3 mon	6 mon	1 year	2 years	3 years	3 mon	6 mon	1 year	2 years	3 years
Income Funds												
HDFC Income Fund (G)	16.7508	243.07	7.06	6.28	3.08	3.95	2.78	15	19	25	23	27
HDFC High Interest Fund (G)	24.6078	45.83	5.67	5.47	3.26	4.28	2.79	23	24	24	20	26
Magnum Income Fund - (G)	19.7859	83.22	6.89	7.43	4.14	4.96	3	16	11	19	14	24
Templeton India IBA - (G)	25.1373	109.43	12.1	8.73	4.32	4.52	3.05	3	6	16	19	21
Templeton India Income Fund - (G)	25.6859	196.65	8.54	7.13	4.3	4.73	3.19	9	12	18	17	19
Prudential ICICI Income Plan - (G)	21.7163	325.08	13.45	11.11	6.69	5.91	3.94	2	2	4	8	13
Grindlays Super Saver Income -	16.8249	64.08	8.65	8.2	4.87	4.77	2.94	8	8	12	16	25

Invest Plan (G)											
HSBC Income Fund - Invest Plan (G)	12.3272	33.18	6.45	7	5.04	5	3.66	17	13	11	13	15
DSP ML Bond Fund - Retail Plan (G)	24.713	58.6	5.73	5.88	4.13	4.66	3.29	22	20	20	18	18
Birla Income Plus - Retail (G)	30.4314	237.94	9.47	8.19	5.85	5.31	3.33	6	9	7	11	17
Birla Bond Index Fund (G)	11.5071	1.89	5.44	5.69	4.31	4.85	3.09	24	22	17	15	20
Birla Sun Life Income Fund (G)	25.6694	33.32	14.32	11.3	7.69	6.34	4.35	1	1	1	4	7
BOB Income Fund (G)	12.4913	0.47	4.06	3.83	3.74	3.6	4.17	26	28	22	26	10
Kotak Bond - Regular Plan (G)	19.4278	47.58	9.64	9.59	6.73	6.02	4.83	5	3	3	6	5
LICMF Bond Fund - (G)	20.0148	121.91	6.05	6.97	6.06	5.74	4.23	19	14	5	9	9
ING Vysya Income Portfolio - (G)	18.0599	13.25	6.26	5.33	3.69	4.22	3.01	18	25	23	22	23
Sundaram Bond Saver - Appreciation	22.6795	67.68	7.1	6.33	3.79	3.77	2.36	14	18	21	25	28

Sundaram Income Plus - (G)	12.6735	7.68	5.82	5.84	4.14	4.24	3.8	21	21	19	21	14
CanIncome (Growth)	13.0628	1.32	5.36	4.89	4.54	7.2	5.58	25	26	14	3	1
Chola Triple Ace - (Cumulative)	23.9128	15.33	1.85	3.18	2.4	3	2.17	28	29	28	27	29
Deutsche Premier Bond Fund - Regular Plan (G)	12.3028	3	13.45	9.42	4.37	5.68	4.33	2	5	15	10	8
JM Income Fund - (G)	28.4613	28.21	3.88	3.97	2.61	3.83	3.04	27	27	27	24	22
Principal Income Fund - (G)	17.4074	45.17	8.44	9.43	6.75	6.22	4.6	11	4	2	5	6
Reliance Income Fund - (G)	23.1797	100.66	9.75	8.7	6.05	5.94	4.94	4	7	6	7	4
Tata Income Fund - (AO)	24.8532	45.66	8.47	6.61	3.01	7.38	5.13	10	17	26	1	3
Tata Income Plus - RIP (G)	12.4398	4.38	9.28	6.81	5.33	5.91	4.02	7	15	9	8	12
UTI-Bond Advantage Fund - LTP (G)	18.6989	21.4	5.83	5.52	4.55	4.96	3.39	20	23	13	14	16
UTI-Bond Fund (G)	21.5652	330.69	7.2	6.78	5.1	7.37	5.36	13	16	10	2	2

Kotak Bond - Deposit Plan (G)	18.5655	47.58	7.85	7.93	5.6	5.25	4.11	12	10	8	12	11
Average			7.73	7.02	4.69	5.16	3.74					
Min			1.85	3.18	2.4	3	2.17					
Max			14.32	11.3	7.69	7.38	5.58					
Income Funds - Institutional												
Tata Income Plus - HIP (G)	12.4733	4.38	9.28	6.82	5.33	5.92	4.03	2	4	3	3	4
HSBC Income Fund - Invest Plan (G)	12.3272	33.18	6.45	7	5.04	5	3.66	5	3	4	5	5
ING Vysya Income Portfolio - Inst (G)	18.7615	13.25	7.33	6.41	4.79	5.32	4.1	4	5	5	4	3
Principal Income Fund - Inst Plan (G)	12.2805	45.17	8.84	9.85	7.29	6.82	5.24	3	2	2	1	1
Prudential ICICI Income Plan - Inst (G)	22.2629	325.08	14.01	11.67	7.33	6.71	4.68	1	1	1	2	2
Average			9.18	8.35	5.96	5.954	4.34					
Min			6.45	6.41	4.79	5	3.66					
Max			14.01	11.67	7.33	6.82	5.24					
Gilt Funds -Short Term Plan												
HDFC Gilt Fund Short Term Plan (G)	13.5365	11.65	6.36	5.51	4.69	4.53	3.79	7	9	9	9	7
Magnum Gilt	14.5366	11.19	5.38	4.12	3.61	4.11	3.3	9	11	12	10	8

Fund - Short Term (G)												
Kotak Gilt - Savings Plan (G)	17.9563	14.21	6.68	6.35	5.46	5.43	5.16	5	6	7	5	2
HSBC Gilt Fund - Short Term Plan (G)	10.9764	1.31	4.76	4.47	4.08	3.83	3.14	11	10	10	11	9
Grindlays G Sec Fund - STP (G)	12.3963	0.94	4.52	3.6	3.92	3.81	2.45	12	12	11	12	11
DSP ML G-Sec Fund - B (G)	16.7771	4.9	7.51	7.78	6.47	5.78	4.94	4	4	4	2	4
Birla Sun Life Govt Sec - Short Term (G)	15.718	0.3	13.19	8.84	6.69	5.2	3.03	1	1	1	7	10
Birla Gilt Plus - Liquid Plan (G)	17.9341	18.19	10.49	7.99	6.53	5.99	5.3	2	3	3	1	1
UTI-G-Sec Fund - STP (G)	11.5141	83.96	5.62	5.63	5.67	5.61	N.A	8	7	6	4	0
Templeton India G-Sec Fund - Treasury Plan (G)	13.7704	70.63	6.66	5.61	4.75	5.21	4.71	6	8	8	6	5
Reliance Gilt Securities -	11.3006	1.46	5.12	2.76	3.26	3.44	3.03	10	13	13	13	10

STP (G)												
Principal Govt Securities - Savings (G)	13.9004	0.96	4.34	8.64	6.32	4.9	4.33	13	2	5	8	6
Pru ICICI Gilt Fund (Treasury) - (G)	17.8861	35.57	7.52	7.09	6.59	5.71	4.99	3	5	2	3	3
Average			6.78	6.03	5.23	4.89	4.01					
Min			4.34	2.76	3.26	3.44	2.45					
Max			13.19	8.84	6.69	5.99	5.3					
Gilt Funds - Long Term Plans												
HDFC Gilt Fund Long Term Plan (G)	15.6745	39.46	8.28	6.2	2.81	3.26	1.72	12	15	20	20	20
Templeton G-Sec Fund - Composite - (G)	24.2582	136.96	10.71	8.03	5.06	4.81	3.48	8	11	12	13	11
ING Vysya Gilt Portfolio (G)	12.0502	0.04	4.28	4	3.52	3.96	4.25	20	21	19	18	6
JM G-Sec Fund - Regular Plan (G)	21.0105	4.71	4.35	4.37	3.82	4.47	3.32	19	20	17	16	12
LICMF G-Sec Fund - (G)	18.8607	62.92	7.8	5.91	4.87	4.71	3.18	14	16	13	14	13
Reliance Gilt Securities - LTP (G)	12.775	44.09	14.82	11.94	6.69	7.08	6.89	3	4	6	2	1

Sundaram Gilt Fund - (G)	13.2414	1.27	4.82	4.62	4.19	3.68	3.64	18	19	16	19	10
Templeton India G-Sec Fund - Composite (G)	24.2582	136.96	10.71	8.03	5.06	4.81	3.48	8	11	12	13	11
Templeton India G-Sec Fund - LTP (G)	16.62	56.9	14.63	11.26	6.74	6.26	5.23	4	6	5	7	2
UTI-Gilt Advantage Fund - LTP (G)	15.284	56.64	10.01	9.25	6.26	6.27	4.25	9	9	7	6	6
Magnum Gilt Fund - Long term (G)	17.162	70.66	7.86	8.95	5.4	5.03	2.95	13	10	10	10	14
Kotak Gilt - Invest Plan (G)	24.0255	35.1	12.42	10.98	5.84	5.09	4.05	6	7	8	9	9
Pru ICICI Gilt Fund (Investment) - (G)	22.6206	107.75	20.61	14.59	8.63	6.75	4.61	2	1	1	5	3
Principal Govt Securities - Invest (G)	16.3883	20.39	12.04	11.66	6.79	7.06	4.54	7	5	4	3	5
Birla Gilt Plus - Regular Plan (G)	23.6031	60.62	21.84	14.29	8.38	7.21	4.58	1	2	2	1	4
Birla Sun Life	19.7432	2.3	9.46	6.91	4.43	4.82	2.63	10	13	15	12	16

Govt Sec - Long Term (G)												
BOB Gilt Fund (G)	11.1351	7.02	5.2	4.93	4.69	4.92	2.23	17	18	14	11	18
Can Gilt (PGS)-(G)	18.3361	79.66	6.47	5.33	3.67	4.48	2.65	16	17	18	15	15
Chola Gilt Investment Plan-(G)	18.5589	2.64	7.4	6.8	0.77	1.67	1.97	15	14	21	21	19
DSP ML G-Sec Fund - A (G)	23.3204	33.36	8.91	10.48	5.51	5.55	4.12	11	8	9	8	8
Grindlays G Sec Fund - Invst Plan (G)	13.8158	5.25	14.48	12.78	8.02	6.76	4.14	5	3	3	4	7
UTI-G-Sec Fund (G)	19.0586	136.89	8.28	7.35	5.1	4.44	2.59	12	12	11	17	17
Average			10.24	8.58	5.28	5.14	3.66					
Min			4.28	4	0.77	1.67	1.72					
Max			21.84	14.59	8.63	7.21	6.89					
Gilt Funds - Long Term PF Plans												
UTI-Gilt Advantage Fund - PF Plan (G)	11.3667	56.64	10.01	9.26	6.27	6.23	4.22	6	6	4	3	2
Templeton India G-Sec Fund - PF Plan (G)	10.655	141.01	10.76	8.14	5.12	4.84	N.A	5	8	9	11	0

Magnum Gilt Fund - LTP - PF (G)	10.9742	6.1	8.08	9.2	5.64	5.29	3.24	8	7	7	7	5
Principal Govt Securities - Provident (G)	10.9997	65.47	9.07	9.61	5.71	5.74	N.A	7	5	5	5	0
Pru ICICI Gilt Fund - Treasury - PF Option	11.3576	30.73	6.55	6.48	5.67	4.98	N.A	10	9	6	10	0
LICMF G-Sec Fund - PF Plan (G)	10.8758	62.92	7.79	5.91	4.87	4.71	N.A	9	10	10	12	0
Kotak Gilt Invest - PF & Trust Plan (G)	24.3127	38.63	12.86	11.41	6.27	5.51	4.46	4	3	4	6	1
JM G-Sec Fund - PF Plus (G)	11.0753	9.87	5.69	5.7	4.69	5.14	N.A	12	12	11	8	0
JM G-Sec Fund - PF Plan (G)	21.8798	2.95	4.49	4.35	3.87	4.44	3.49	13	13	12	13	4
Grindlays G Sec Fund - PF Inst (G)	11.2081	21.54	13.49	12.73	8.18	7.05	N.A	3	2	2	2	0
Grindlays G Sec Fund - PF (G)	11.1757	21.54	13.6	12.84	8.29	7.08	N.A	2	1	1	1	0
Chola Gilt - PF Plan (G)	N.A	N.A	N.A	N.A	N.A	N.A	N.A	0	0	0	0	0
BOB Gilt	10.5174	2.1	6.38	5.84	5.17	5.13	N.A	11	11	8	9	0

Fund - PF Plan (G)												
Birla Gilt Plus - PF Plan (G)	20.9439	95.6	17.26	10.98	6.34	6.16	3.7	1	4	3	4	3
Average			9.69	8.65	5.85	5.56	3.82					
Min			4.49	4.35	3.87	4.44	3.24					
Max			17.26	12.84	8.29	7.08	4.46					

1.4 Home loan : The 15% question

How to finance your down payment

Getting a home loan today is easier than ever with competitive interest rates and flexible repayment options. However, all home loan providers lend up to 85% of the total value of the house. The remaining 15%, known as down payment, needs to be arranged by the borrower. This amount is to be paid upfront to the builder before the housing loan is sanctioned.

Housing finance companies insists on 15% down payment to ensure that the home loan user has some financial stake in the home. This greatly insulates lenders from the risks arising out of defaults on repayment of the loan. The home purchased under the home loan scheme acts as collateral for lenders and they can recover any outstanding dues by taking its possession.

The down payment is the key consideration while purchasing a house. This down payment will in turn depend on the disposable funds that the buyer of the house has. If the home costs Rs 30 lakh, the down payment is around Rs 4.5 lakh (15% of Rs 30 lakh).

How does a borrower raise the down payment? By tapping his investments and savings. Returns earned on investments should the primary factors deciding which of your total assets can be liquidated should for the down payment.

Tap investments bearing low rates of return: Gauge the ‘real’ return earned on investments, i.e., post-tax-post-inflation returns, to zero in on the investments which can be liquidated to fund the down payment. Generally, consider debt instruments such as bank and company fixed deposits (FDs) and debt funds as these do not provide attractive ‘real’ returns. Even investments in stocks and equity funds that have been under-performing and have little chances of recuperating in future can be considered.

Another important aspect is calculating the real cost of borrowing of the loan and liquidating those investments whose returns are lower than the effective cost of borrowing. Assure the interest rate on the home loan is 10%. For those in the highest tax category of 30%, the post-tax loan rate gets reduced to as low as 5.8 to 6.5% depending on the loan amount and assuming that the borrower has availed of the maximum tax deduction of Rs 1.5 lakh for interest payment.

Liquidation of investment comes at a cost: When an asset is redeemed, specially a premature withdrawal, it attracts a penalty. This is true of some company FDs. Also, certain investments such as the Reserve Bank of India (RBI) bonds come with a minimum lock-in period of three years from the date of issue and cannot be redeemed before that.

Sources of existing funds to avoid: All investments undertaken for meeting any unforeseen contingencies and fulfilling long-term needs such as retirement should not be tampered. This includes retirement and pension funds, public provident fund (PPF), and life/health insurance policies. Avoid dipping into these investments once you undertake their redemption, it becomes difficult to top them up again.

As a last resort, avail of a personal loan: Though this is not the most viable strategy, it can be looked into if it is not possible to finance the entire downpayment. However, personal loans attract a high rate of interest and this option should be exercised only if there are sufficient financial resources at the borrower's disposal for paying off the personal loan as well as the home loan.

1.5 Mutual Fund Scoreboard - Part I

Performance as on 08 December 2006

Scheme/Index Name	N.A.V. (Rs)	Corpus Nov-06	Absolute 3 mon	6 mon	1 year	CAGR 3 years	5 years	Ranking Returns 3 mon	6 mon	1 year	3years	5 years
Equity Funds -Diversified												
HDFC Core & Satellite Fund (G)	25.966	25.966	11.29	33.6	45.33	N.A	N.A	24	25	21	0	0
HDFC Top 200 Fund (G)	109.465	109.465	11.52	36.37	43.79	46.41	49.88	23	20	22	2	4
HDFC Equity Fund - (G)	144.533	144.533	10.03	34.8	42.07	45.99	50.02	27	24	23	4	3
HDFC Growth Fund (G)	47.743	47.743	14.07	41.79	47.2	41.95	44.68	18	10	19	11	8
HDFC Premier Multi-Cap Fund (G)	18.303	18.303	11.14	35.37	34.45	N.A	N.A	25	23	25	0	0
Birla Top 100 Fund (G)	16.0126	492.79	14.28	60.12	46.45	N.A	N.A	1	1	1	0	0
Birla Dividend Yield Plus (G)	41.33	41.33	3.95	22.71	11.64	28.2	N.A	29	28	27	13	0
Reliance Vision Fund - (G)	178.24	178.24	13.03	39.02	47.83	43.17	61.98	20	14	17	9	1
Reliance Equity Opportunities Fund (G)	21.1302	21.1302	14.68	41.14	53.49	N.A	N.A	14	11	8	0	0
Pru ICICI Dynamic Plan	63.88	63.88	17.48	43.67	63.05	46.09	N.A	7	8	4	3	0
Franklin India Flexi Cap Fund (G)	20.95	20.95	11.91	37.47	47.95	N.A	N.A	21	17	16	0	0
Franklin India Bluechip Fund - (G)	130.99	130.99	14.37	38.89	50.53	41.97	45.65	16	15	13	10	5
Franklin India Prima Plus - (G)	134.37	134.37	15.99	43.01	51.81	44.01	45.25	11	9	10	7	6
Franklin India Opportunities Fund - (G)	26.34	26.34	16.09	53.86	60.71	45.8	39.15	10	1	6	5	9

Templeton India Equity Income Fund (G)	11.59	11.59	13.63	28.07	N.A	N.A	N.A	19	27	0	0	0
DSP ML Opportunities Fund (G)	55.999	55.999	16.11	39.47	51.55	47.62	50.74	9	13	11	1	2
Pru ICICI Infrastructure Fund - (G)	18.42	18.42	18.46	50.24	66.55	N.A	N.A	6	2	3	0	0
Birla Advantage Fund (G)	125.31	125.31	15.88	37.07	41.72	40.56	38.88	12	18	24	12	10
HSBC Equity Fund (G)	71.8042	71.8042	17.16	40.95	47.47	44.96	N.A	8	12	18	6	0
HSBC India Opportunities Fund (G)	28.4865	28.4865	18.78	46.38	55.17	N.A	N.A	5	5	7	0	0
DSP ML India T.I.G.E.R. Fund (G)	32.851	32.851	19.41	47.38	60.8	N.A	N.A	3	3	5	0	0
Reliance Equity Fund (G)	11.57	11.57	10.4	29.42	N.A	N.A	N.A	26	26	0	0	0
UTI-Opportunities Fund (G)	14.2	14.2	4.11	20.24	17.45	N.A	N.A	28	29	26	0	0
UTI-Basic Industries Fund (G)	28.23	28.23	20.85	47.34	68.34	N.A	N.A	1	4	1	0	0
Magnum SFU - Contra Fund (G)	37.41	37.41	14.16	35.94	52.07	N.A	N.A	17	21	9	0	0
Magnum Multicap Fund (G)	15.88	15.88	15.16	37.73	48.55	N.A	N.A	13	16	15	0	0
Magnum Comma Fund (G)	16.01	16.01	11.72	36.95	51.32	N.A	N.A	22	19	12	0	0
Fidelity Equity Fund (G)	20.747	20.747	18.81	44.15	49.01	N.A	N.A	4	7	14	0	0
Tata Infrastructure Fund (G)	24.1097	24.1097	19.63	45.53	66.96	N.A	N.A	2	6	2	0	0
Tata Pure Equity Fund - (G)	61.5403	61.5403	14.5	35.92	46.55	43.76	45.19	15	22	20	8	7
Average			14.28	39.49	49.01	43.11	47.14					
Min			3.95	20.24	11.64	28.2	38.88					
Max			20.85	60.12	68.34	47.62	61.98					
Index												
Sensex	13799.49	N.A	15.78	40.66	54.94	39.02	32.01					
Nifty	3962	N.A	14.13	38.23	46.38	33.97	28.89					
CNX 500	3295.6	N.A	14.26	38.69	40.18	35.39	34.67					
CNX Midcap	5099.5	N.A	13.21	36.83	30.56	34.45	N.A					
Equity Funds - Pure Midcap Funds												
HDFC Capital Builder -(G)	63.092	792.21	11.41	31.43	24.73	43.01	46.37	6	6	6	3	3

Pru ICICI Discovery Fund (G)	27.14	1174.18	3.87	31.62	36.04	N.A	N.A	7	5	5	0	0
Franklin India Prima Fund - (G)	210.47	1810.41	14.83	36.21	23.64	42.77	58.56	4	4	7	4	2
Pru ICICI Emerging S.T.A.R. Fund (G)	27.17	1136.05	15.18	37.01	41.22	N.A	N.A	3	3	4	0	0
Reliance Growth Fund - (G)	259.24	2750.91	15.23	37.72	45.16	55.27	65.39	2	2	3	2	1
Magnum Global Fund (G)	43.55	838.52	23.76	44.73	60.76	N.A	N.A	1	1	2	0	0
Sundaram Select Midcap - (G)	90.4175	1391.7	12.89	27.75	67.17	57.06	N.A	5	7	1	1	0
Average			13.88	35.21	42.67	49.53	56.77					
Min			3.87	27.75	23.64	42.77	46.37					
Max			23.76	44.73	67.17	57.06	65.39					
Index												
Sensex	13799.49	N.A	15.78	40.66	54.94	39.02	32.01					
Nifty	3962	N.A	14.13	38.23	46.38	33.97	28.89					
CNX 500	3295.6	N.A	14.26	38.69	40.18	35.39	34.67					
CNX Midcap	5099.5	N.A	13.21	36.83	30.56	34.45	N.A					
Tax Plans												
HDFC Long Term Advantage Fund (G)	91.433	557.78	10.27	29.76	26.26	46.73	55.27	13	14	13	5	2
HDFC TaxSaver Fund (G)	146.355	721.26	12.49	35.82	38.01	58.8	53.38	11	10	5	2	3
Magnum Tax Gain Scheme	54.34	1090.26	17.52	43.04	44.07	70.3	58.08	4	1	3	1	1
UTI-Equity Tax Savings Plan (G)	31.19	278.25	12.52	32.61	26.58	N.A	N.A	10	11	12	0	0
Tata Tax Saving Fund	41.8703	126.59	9.75	31.43	26.59	35.44	43.32	14	13	11	9	7
Sundaram Tax Saver	27.0847	86.77	17.43	37.82	39.87	N.A	N.A	5	8	4	0	0
ABN AMRO Tax Advantage Plan (ELSS) (G)	13.91	152.51	21.02	38.16	N.A	N.A	N.A	2	7	0	0	0
Reliance Tax Saver (ELSS) Fund - (G)	14.32	1395.24	15.67	39.57	36.25	N.A	N.A	7	5	7	0	0
ING Vysya Tax Savings Fund (G)	26.51	41.95	18.45	41.92	36.16	N.A	N.A	3	2	8	0	0

Fidelity Tax Advantage Fund (G)	12.27	579.46	14.83	38.71	N.A	N.A	N.A	8	6	0	0	0
Birla Sun Life Tax Relief ‘96	193.94	59.94	17.11	41.82	45.57	38.92	40.1	6	3	2	8	9
Birla Equity Plan	56.72	98.45	13.12	36.71	36.39	44.21	50.27	9	9	6	6	5
Principal Tax Saving Fund	80.08	171.49	21.24	40.17	46.91	46.77	46.77	1	4	1	4	6
Prudential ICICI Tax Plan - (G)	91.74	546.98	2.65	32.51	29.89	48.6	50.67	15	12	10	3	4
Franklin India Taxshield - (G)	127.07	339.08	10.37	28.74	34.51	40.65	40.82	12	15	9	7	8
Average			14.3	36.59	35.93	47.82	48.74					
Min			2.65	28.74	26.26	35.44	40.1					
Max			21.24	43.04	46.91	70.3	58.08					
Index												
Sensex	13799.49	N.A	15.78	40.66	54.94	39.02	32.01					
Nifty	3962	N.A	14.13	38.23	46.38	33.97	28.89					
Balanced Funds												
HDFC Balanced Fund (G)	32.332	123.74	10.59	26.92	29.55	27.49	26.92	9	9	12	9	9
HDFC Prudence Fund - (G)	112.118	2119.3	10.87	32.64	35.34	38.45	41.3	6	1	6	1	1
UTI-Balanced Fund (G)	55.92	1198.32	8.79	23.44	27.99	25.02	26.66	13	13	13	14	10
Tata Balanced Fund - (App)	49.0711	155.39	12.58	27.99	38.02	31.26	33.3	4	5	2	6	2
Birla Sun Life ’95 Fund (G)	176.59	128.72	14.39	27.31	33.1	33	31.5	1	8	8	3	5
Birla Balance -(Growth)	28.21	125.7	11.55	27.94	30.24	26.73	26.61	5	6	10	10	11
DSP ML Balanced Fund - (G)	38.202	402.46	10.63	27.81	37.27	32.31	32.5	7	7	3	4	4
Sundaram Balanced Fund - (G)	32.1212	45.48	10.61	23.54	29.58	26.05	27.66	8	12	11	13	8
Magnum Balanced Fund (G)	35.62	252.91	13.62	29.62	36.79	N.A	N.A	2	3	4	0	0
Principal Balanced Fund - (G)	21.93	31.12	7.92	22.04	24.6	26.49	26.54	14	14	14	11	12
Pru ICICI Balanced Fund - (G)	34.29	482.62	10.54	25.6	32.75	31.76	30.81	10	10	9	5	7
Kotak Balance	23.394	104.59	7.51	19.84	35	36.42	32.68	15	15	7	2	3
JM Balanced Fund - (G)	23.04	15.92	13	29.29	42.22	28.29	25.97	3	4	1	8	13
ING Vysya Balanced Portfolio (G)	18.17	8.21	10.12	23.94	20.73	26.41	22.76	12	11	15	12	14

FT India Balanced Fund - (G)	32.4801	246.54	10.46	29.75	35.67	29.75	31.27	11	2	5	7	6
Average			10.88	26.51	32.59	29.96	29.75					
Min			7.51	19.84	20.73	25.02	22.76					
Max			14.39	32.64	42.22	38.45	41.3					

1.6 Canbank AMC : 'Interest-rate cycle nearing peak'

Canbank Investment Management Services, a wholly-owned subsidiary of Canara Bank, is the asset management company of Canbank Mutual Fund. At present, Canbank manages 18 schemes under various categories. The AMC recently launched a five-year close-ended equity diversified scheme, with an aim to provide the relative safety of large-caps and growth potential of mid and smalls, **S. R. Ramaraj,** Senior Vice President, Canbank AMC, tells *Capital Market's* Balasaheb Langote. Excerpts:

In the last couple of months, there is a shift in new fund offers from open-ended schemes to close-ended schemes. What factors do you attribute to the increased number of close-ended schemes?

2006 can be termed as the comeback year of close-ended mutual funds. At present, there are more than 145 close-ended schemes in both equity and debt categories, with dividend and growth option. Basically, investments in mutual funds like in purely equity scheme should be for a long-term horizon. Unfortunately, the market movements in the last couple of years have encouraged investors to take a short-term view and use equity schemes as a speculative asset.

Studies prove that with increased time horizon the chance of earning positive returns from equity investments increases. There is a 61% chance of earning a positive return in six month rolling return, 62% chance for one-year rolling return, which increases to 79% for a three-year rolling return, and is 87% for a five-year rolling return.

Second, recent Sebi guidelines covering initial issue expenses also contributed to the launch of a number of such schemes in the recent past. As per Sebi regulations, initial issue expenses incurred by new fund offers (NFOs) can be charged and amortised over the scheme's life is permitted only for close-ended schemes. Open-ended scheme have to meet the sales, marketing and other such expenses incurred on NFOs from the entry load. Since close-ended schemes are allowed to amortise initial issue expenses they will not charge any entry load.

At a time when the equity market is buoyant and reaching new highs, what factors do you attribute to the impressive growth in the net inflow into fixed income funds?

The risk profile of a fixed income fund investor is entirely different from that of an equity investor. The investor of a fixed-income scheme is looking for low-risk return and maximising his return among the various low-risk instruments available.

Most of the companies that invest in fixed income schemes look to their core business, i.e., manufacturing and services to generate income, and not at equity trading. They always invest in fixed-income and liquid schemes, thereby maintaining a balance of their current assets with current liabilities.

Of late, many banks are offering 8% to 8.5% interest (even 9% for senior citizens). Also, investment in deposits for five years or more qualifies for deduction under sec 80c of the Income-Tax Act, 1961. Will this adversely affect inflow into debt funds?

Section 80c has a cap of Rs 1 lakh. So the scope for tax benefit is very limited in fixed deposits. Second, the liquidity is the most important factor that will differentiate fixed deposits and debt funds. Any pre-mature withdrawal of fixed deposits are subject to penalty as well as lower rates. Interest income earned on fixed deposits is again subject to tax. However, dividend earned /income distributed by a debt scheme is tax-free in the hand of investors.

Moreover, though debt funds had a pretty tough time over the last couple of years because interest rates were going up and prices of bonds falling. Probably we are nearer the peak of the domestic interest-rate cycle. In fact, over the past few months, we have already seen the 10-year yield coming down from 8.40% to about 7.40% levels. Despite interest rate shocks, the debt funds will always outperform bank deposits due to the taxation benefit and liquidity offered which could well be the reason for debts funds to be more attractive.

Top 10 schemes of Canbank Mutual Fund

Scheme Name	Corpus**	Category	Base NAV*	Returns (%)			
				1 Month	3 Months	6 Months	1 Year
CanIndex (G)	2.03	Equity	21.56	2.76	13.29	36.11	42.69
Canbalance II	81.45	Balanced	37.78	1.07	4.92	18.03	39.31
CanInfrastructure (G)	97.4	Equity	14.07	4.38	16.57	36.73	36.07
Canequity Diversified (G)	94.34	Equity	30.65	3.83	13.77	34.9	32.57
CanEquity - Tax Saver	17.23	Equity	21.77	2.83	18.7	37.96	32.37
Canexpo (Growth)	26.26	Equity	52.62	2.33	10.55	30.28	27.1
Can D'MAT	4.57	Equity	30.32	1.92	6.42	27.99	25.24
CanEmerging Equities (G)	17.57	Equity	15.91	3.31	10.41	29.88	25.08
Cangrowth Plus	11.33	Equity	39.71	3.47	9.94	32.32	24.76
Canfortune '94	74.65	Equity	32.47	1.95	6.91	27.78	22.67

*NAV as on 08 November 2006. ** Corpus as on 30 November 2006. Source:www.navindia.com

2 Bulletin

BOOK CLOSURES & RECORD DATES

Company	Dt. of Cl, Rec. Dt.	Purpose
Ahmednagar Forg.	27.12 to 30.12	20% Div & AGM
Alchemist	25.12 to 30.12	AGM
Alfavision Overs	25.12 to 30.12	AGM
Amtek Auto	22.12 to 26.12	AGM & 100% Div
Amtek India	27.12 to 30.12	AGM & 50% Div
Anik Industries	25.12 to 27.12	11% Div & AGM
Anil Modi Oil	30.12 to 30.12	AGM
Ashnoor Textile	18.12 to 20.12	AGM
Bagalkot Udyog	21.12 to 29.12	AGM
Balrampur Chini	27.12 to 11.01	AGM & 150% Div
Bank of Baroda	26.12 to 01.01	Payment of Int.
BCL Forgings	27.12 to 29.12	AGM
BPL Engineering	23.12 to 29.12	AGM
Bright Brothers	25.12 to 29.12	AGM
Centron Indl	28.12 to 28.12	AGM
Centrum Capital	21.12 to 28.12	10% Div & AGM
Chandni Text	26.12 to 29.12	AGM
Coimb. Lak. Inv.	26.12 to 26.12	AGM
Computer Point	21.12 to 27.12	AGM
Core Healthcare	21.12 to 27.12	AGM

Coventry Coil.	26.12 to 29.12	AGM
DCM	20.12 to 27.12	AGM
DCM Financial	20.12 to 28.12	AGM
Design Auto Sys.	22.12 to 26.12	AGM
Devaki Hospital	23.12 to 27.12	AGM
Dolphin Medical	27.12 to 28.12	AGM
Dujodwala Prod	26.12 to 30.12	AGM
Ensa Steel Inds.	23.12 to 30.12	AGM
ERP Soft Systems	20.12 to 27.12	AGM
Escorts Finance	20.12 to 27.12	AGM
Fedders Lloyd	28.12 to 30.12	8% Final Div & AGM
Fischer Chemic	26.12 to 29.12	AGM
Garware Marine	27.12 to 29.12	5% Div & AGM
Genesys Intl.	22.12 to 28.12	AGM
Gillanders Arbut	27.12 to 29.12	AGM
Global Boards	27.12 to 28.12	AGM
Goa Carbon	21.12 to 30.12	15% Div & AGM
Goldmines Media	20.12 to 22.12	AGM
Goldstone Tech.	26.12 to 27.12	AGM
Granules India	26.12 to 28.12	12.5% Div & AGM
Guj. Containers	18.12 to 23.12	AGM
Hazoor Media&Pow	30.12 to 04.01	10% Div & Bonus issue AGM
Integ. Fin. Co.	19.12 to 22.12	AGM
Jindal Saw	27.12 to 29.12	AGM & Div

Kanika Infras.	23.12 to 30.12	AGM
Kitply Inds.	23.12 to 27.12	AGM
Lanco Global Sys	27.12 to 29.12	Nil Div & AGM
Mafatlal Finance	28.12 to 29.12	AGM
Mangalam Cement	20.12 to 27.12	AGM
Media Video	21.12 to 26.12	AGM
Melstar Infotech	18.12 to 20.12	AGM
Mid East Portfol	29.12 to 30.12	AGM
Modi Rubber	26.12 to 29.12	AGM
Modipon	18.12 to 23.12	AGM
Morgan Ventures	25.12 to 29.12	AGM
Mount Shivalik	26.12 to 30.12	AGM
MSL Inds.	21.12 to 23.12	AGM
MTZ Polyfilms	26.12 to 30.12	AGM
N R Agarwal Inds	27.12 to 29.12	AGM
N.R Internat.	26.12 to 30.12	AGM
Niwas Spinning	29.12 to 30.12	AGM
Nova Electro	20.12 to 27.12	AGM
Nova Steels (I)	19.12 to 28.12	AGM
Orient Press	26.12 to 29.12	AGM
Oswal Spg.& Wvg	29.12 to 30.12	AGM
Peninsula Land	22.12 to 29.12	25% Div & AGM
Pentamedia Graph	20.12 to 29.12	AGM
Pion. Embroider.	23.12 to 28.12	15% Div & AGM

Powersoft GSL	26.12 to 26.12	AGM
RAS Extrusions	28.12 to 30.12	AGM
RAS Propack	28.12 to 30.12	AGM
Regency Hospital	29.12 to 30.12	AGM
Ruchi Soya Inds.	26.12 to 28.12	AGM& 22% Dividend
Sh. Karthik Pap.	26.12 to 30.12	AGM
Shakti Press	27.12 to 30.12	AGM
Shalimar Wires	28.12 to 30.12	AGM
Shaw Wallace	21.12 to 27.12	AGM
Sheetal Bio-	28.12 to 31.12	AGM
Shree Renuka Sug	18.12 to 28.12	AGM & 20% Final Div
Shriram AMC	22.12 to 27.12	AGM
Shriram Overseas	28.12 to 30.12	AGM
SIP Inds.	21.12 to 28.12	AGM
Skyline NEPC	26.12 to 29.12	AGM
Snowcem India	22.12 to 27.12	AGM
Software Tech.	19.12 to 29.12	AGM
Southern Online	27.12 to 29.12	AGM
SRG Infotech	28.12 to 29.12	AGM
Sri Jayalak. Sp	26.12 to 30.12	AGM
Starchik Special	21.12 to 27.12	AGM
Ster. Holid. Res	21.12 to 28.12	AGM
Sujana Metal Prd	27.12 to 28.12	AGM
Sujana Univ. Ind	27.12 to 28.12	AGM

Symphony Comfort	21.12 to 31.12	AGM
Synergy Log-In	20.12 to 27.12	AGM
T. Spiritual	26.12 to 30.12	AGM
Thana Electric	28.12 to 30.12	AGM
Thiru Aroor. Su.	22.12 to 29.12	18% Div & AGM
Transworld Info.	23.12 to 30.12	AGM
Ushdev Intl.	30.12 to 30.12	15% Div & AGM
Usher Agro	22.12 to 29.12	AGM
Viceroy Hotels	26.12 to 30.12	AGM
Vivo Bio Tech	24.12 to 28.12	AGM
Willard India	26.12 to 30.12	AGM
Wopolin Plastics	22.12 to 23.12	AGM
Worldwide Leath.	27.12 to 29.12	AGM
Zee Telefilms	24.12 to 28.12	100% Div
Zora Pharma	29.12 to 31.12	AGM

FORTHCOMING BOARD MEETINGS

Date	**Company**	**Purpose**
18/12/2006	Krone Comm.	Accts
19/12/2006	Advent Computer	Qtly Rslt
20/12/2006	GAIL (India)	Inter. Div
20/12/2006	MRF	Qtly & FY Rslt
22/12/2006	Indian Oil	Inter. Div
22/12/2006	Riga Sugar	Accts & Div

3 Apna Money

3.1 Car loans : Get the best deal

How to wade through the maize of financing schemes

Related Tables

One for the road

The beginning of the new year sees a rush to buy cars. In another three months, the financial year comes to an end and companies are anxious to book depreciation to offset their tax liabilities. What better asset to acquire than a car? It achieves the twin objectives of keeping employees happy as well as reducing the company’s tax outgo.

Individuals too prefer to buy car at the start of the calendar year as they get the benefit of the full year when they put up the car for resale as against a few months if they were to buy the car somewhere in the middle. For instance, a car bought in January 2007 will attract the 2007-year tag for resale as well as a car purchased in, say, October 2007. So why put off the purchase once the decision to buy a car has been made?

Now that you have decided to buy the car, it is time to focus on financing options.

Like most financial transactions, getting the right car loan comes down to doing a little bit of homework and shopping around for the best deal. Many financers and dealers start the negotiating process by trying to get you to tell them what monthly payment or EMIs you can afford, which leaves room for them to bump the interest rate up to your monthly payment level.

Just because you are getting an EMI which suits your pocket does not mean you have got the best possible loan. There are many tricks that the financer will use to convince you that you are getting the best deal…..Beware!.

A rose by any other name will still be a rose. Similarly, car financing schemes come in many disguises but they all require you to put in some money upfront. You can suit the scheme best suited to your sensibilities.

Margin Money Scheme: In this scheme, the car is financed for up to 90% depending on the models. You will have to give the financer a down payment for the margin amount, (invoice value minus finance amount). The financed amount can be repaid as per your convenience in tenures of 12 months to 60 months either through equated monthly instalments (EMIs) or a differential plan that can be tailored for you to minimise your outflow.

Security Deposit Scheme: This scheme requires payment of a refundable security deposit upfront. The amount of the deposit can be up to 25% of the loan amount. The deposit will earn interest even as the car buyer pays EMI. This scheme is for those who plan to invest in bank fixed deposits and yet want their car financed.

Advance EMI Scheme: This scheme requires payment of a few monthly instalments upfront. The balance is to be paid through EMI. With the advance instalments, the loan can be repaid much faster.

There is no need a pay a higher rate of interest for a larger loan. There is no upper limit for the amount of a car loan. It is limited only by your repaying capacity. A maximum loan amount is usually of 2.5 times the net annual income. If married, the spouse's income could also be considered provided the spouse guarantees the loan. The loan amount includes finance for one-time road tax, registration and insurance.

Interest rates are very negotiable in car finance deals. How much the financing will cost will depend on the agent, the financing company, the car dealer, the make of the car and your negotiating skills *(see table for some ball park figures).*

Go in for the shortest tenure possible. A smaller tenure of the loan means you are paying the interest for a shorter time. Take this example: Interest rate = 9% per annum; Loan amount = Rs 1000000; Tenure = 5 years / 60 months; EMI = Rs 21424. Total amount you will pay over the 5 years = Rs 1285440.

Another example: Interest rate = 9% per annum; Loan amount = Rs 1000000; Tenure = 3 years / 36 months; EMI = Rs 32921; Total amount you will pay over three years = Rs 1185156.

Take a reducing balance rate: In a flat rate of interest (which is what many players charge), the interest is calculated for the full tenor of the loan on the amount advanced. In effect, you continue to pay interest on the amount you have already repaid. Similarly, on an annual reducing balance method, you will continue to pay interest on amounts you repay during the coming one-year.

For daily/monthly reducing balance, interest is calculated only on the outstanding loan amount, which reduces every time the borrower pays EMIs or makes prepayment. This lowers the effective rate of interest significantly.

Bargain: Ever wondered why finance companies quote a standard rate. It is because there is a lot of room for bargaining.

Get discount through the dealer: Car dealer have tie-ups with finance companies and they offer percentage discounts on the value of the car. This does not bring down the rate of interest but reduces the amount you will pay for the car.

Cash in on an existing relationship: If you are a customer of a bank or have taken a loan from one, then approach them first for their best rate. Most banks will give you loyalty discounts: an existing customer gets loan at a lower rate.

Car finance deals reinforce the jungle law of the survival of the fittest. You need to be fit and alert to get the best deal.

One for the road

Name of the lender	**Rate of Interest**	**Period of Loan**	**Other Charges**	**Prepayment penalties**
SBI	9.5%-10.25% p.a.	3-7 years	0.50% of loan amount	2% of loan amount prepaid
ICICI Bank	10-13% p.a.	3-7 years	Rs. 650 processing fees	5% of the outstanding amount
HDFC	10.5-12% p.a.	1-7 years	Rs.400	3% of the outstanding amount

3.2 Commodity Market Round-Up : A spell of chill

Agri commodities relinquish gains

Related Articles

Interest-rate watch

Trading in the commodity futures market reflected a bearish undertone in the fortnight ended 9 December 2006, with major agricultural commodities paring the gains recorded in the previous fortnight. The amendment to the essential Commodities Act acted as a major damper.

Futures exchange regulator Forward Markets Commission (FMC) banned commodity futures brokers from offering portfolio advisory and/or management services and other similar services to clients.

These factors adversely impacted market sentiments. Major agri commodities like pulses and spices tumbled sharply. Bullion prices dipped a bit but remained well supported on dollar weakness.

Here is a round-up of the major commodities in the fortnight ended 9 December:

Chana: Chana futures have been declining gradually in the last couple of months on expectation of heavy crop in the current rabi (October-March) season. The commodity failed to get buying support in the physical market and spot prices in the benchmark domestic market of Delhi dropped to a multi-month low of Rs 2867 per quintal on 9 December.

NCDEX January, the benchmark futures, also declined continuously and closed at Rs 2689 per quintal on 7 December, shedding a massive 7.30% in the fortnight.

The commodity has failed to sustain at higher levels, witnessing a sell-off at every spurt. This is indicative of the near-term bearish nature of the market.

Spot prices are currently trading at the lowest level in the last three months and ended at Rs 2869 per quintal— down 3.40% in the fortnight ended 9 December.

Futures have come down substantially in the last two months and may get support soon. Global markets are tight and declining domestic stocks are likely to lend the prices support at the current levels.

Mentha: Profit booking pulled mentha oil futures down. The commodity, used primarily in the food, pharmaceutical and perfumery industries went up at a decent pace in November on good demand in the spot market. However, a decline in export demand from

China and the European Union (EU) resulted in lackluster trading of the commodity in the spot market. Mentha oil slipped by 5.26% to close at Rs 651.75 per kg In the fortnight ended 9 December.

Following this, futures also eased down considerably. The NCDEX January mentha oil recorded a gradual fall and closed at Rs 626.5 per kg — down 10.50%.

Volatility should continue in the next couple of weeks as the December futures expire.

Refined soy oil: After stirring the commodity futures market in the previous month, refined soy oil futures eased a bit as traders refrained from fresh buying at higher levels. This prompted a partial sell-off and the futures moved down after starting on a firm note. The NCDEX January futures softened from Rs 472 on 27 November to end at Rs 465.25 per 10 kg on 9 December — shedding 2.88% in the fortnight.

Physical prices at Indore also retreated by 3% to close at Rs 453.6 per 10 kg in the same period.

In the next few weeks, futures are likely to trade in a sideway manner. However, the commodity should get support at every marginal dip due to the projected decline in the rabi oilseeds acreage.

The latest estimates by the agricultural ministry suggest that the rabi oilseeds acreage has dipped to 85 lakh hectares — down 8.66% compared with the previous year.

Jeera: The across-the-board under-performance continued for jeera futures in the absence of export demand. Local stockists also abstained from buying due to bearish cues from futures. Spot prices traded as low as Rs 8600 per quintal — the lowest level in nearly two months. The lack of export demand kept the Indian variety unchanged at $2315 per tonne in the international markets.

NCDEX December series continued its southward journey and closed at Rs 8395 per quintal — down 4.50% in the fortnight ended 9 December. Spot prices traded in a range of Rs 8808 – Rs 8600 per quintal in Unjha amidst substantial stocks.

Some short covering ahead of the expiry of the December series is likely to push the futures marginally up in the next few days.

Wheat: After experiencing a meteoric rise in September-October, wheat futures have been under pressure on continued profit booking. Tremendous elevation in spot prices in the current year has prompted farmers to sow more wheat. As a result, there has been a sharp increase in the wheat acreage in the rabi season. The government announced rabi wheat has been sown over 207.44 lakh hectares till 9 December compared with only 169.27 lakh hectares in the year-ago period. This marks a heavy jump of 22.5% and may result in a substantial increase in wheat crop this season.

This kept the commodity under check in the spot market while futures extended their slide. NCDEX January futures continued to fall and closed at Rs 1063.4 per quintal on 9 December — down 6.64% in the fortnight.

Spot prices also shed 1.39% to close at Rs 1125.15 per quintal in Delhi.

The next few weeks should see mixed activity. The domestic stock position is still tight. After the expiry of the December series, there may be some upside movement in the futures.

Crude oil: Crude oil prices witnessed a decent move-up in December on bullish geopolitical cues and falling inventories in the US. The benchmark NYMEX futures for January delivery of light, sweet crude oil traded around $62-$63 per barrel. Political developments in Venezuela buoyed the commodity in the first week of the month. Venezuelan President Hugo Chavez claimed reelection on 3 December as official results showed him heading for a victory that may affect the country's oil supplies to the US, given Chavez's outspoken opposition to the Bush administration.

Venezuela is the world's fifth largest oil exporter and has the largest reserves outside the Middle East.

In its latest weekly update, the Energy Information Agency (EIA) reported inventories of distillate fuel, which include heating oil and diesel, shed 4,00,000 barrels to 132.4 million barrels, or 1%, below year-ago levels. This continuous fall has been a concern for the market in the last few weeks and was instrumental in keeping the commodity well supported at the lower levels.

The market is now focusing on the Organisation of the Oil Exporting Countries (Opec) meet, scheduled on 14 December. Opec might announce another output cut in this meeting, after cutting the production by 1.2 million barrels a day in November.

Though inventories posted their second consecutive decline, expectation of a moderate temperature in the north-eastern US in the coming days should keep the gains limited for the commodity.

Interest-rate watch

Gold vaults to a 16-month high of $ 655.55 per troy ounce

Gold witnessed some profit booking at higher levels and closed marginally down. The yellow metal witnessed a move-up in the last month on weakness in the US dollar. The commodity vaulted to a 16-month high of $ 655.55 per troy ounce on the New York Mercantile Exchange (Comex) on 1 December as a lackluster Chicago Purchasing Management survey accelerated a further slide in the dollar. The greenback hit a fresh low of 1.3361 against the euro, a level unseen since March 2005. This slide also brought the pound sterling within striking distance of $2 for the first time in the last 14 years.

However, in the next week, the commodity traded on a bearish note as $650 per troy ounce proved to a stubborn resistance. The dollar went up on short covering ahead of the all important European Central Bank (ECB) interest-rate announcement and the release of the US non-farm payroll data.

ECB raised its benchmark interest rates by 25 basis points to 3.50%. However, in the accompanying statement, the hawkish stance of ECB softened a bit, keeping the losses limited for the greenback.

According to the Bureau of Labor Statistics of the US, US Non-farm payroll index increased by 1,32,000 while the unemployment rate remained almost unchanged at 4.5% in November.

Though these data releases confirmed a weakening US economy, the dollar still managed to hold on and closed on a stronger note at 1.3199 against the euro.

Gold finished at $631 per ounce —a moderate fall of 0.70% in the February futures on the Comex. The Multi-Commodity Exchange (MCX) February gold futures also tracked global cues and settled at Rs 9231 per 10 gm — down 1.7% in the fortnight ended 9 December.

FOMC’s interest-rate decision is due on 13 December 2006. It is expected the US Federal Reserve will leave its benchmark rate unchanged at 5.25%. Gold may consolidate at the current levels and the market should closely watch the developments in the currency market.

3.3 Mutual Fund Scoreboard - Part III

Scheme/Index Name	N.A.V. (Rs)	Corpus Nov-06	Annualised 3 mon	6 mon	1 year	CAGR 2 years	3 years	Ranking Returns 3 mon	6 mon	1 year	2 years	3 years
Monthly Income Plans -short Term												
HDFC Multiple Yield Fund-Plan 2005 - (G)	10.9333	306.39	6.6	8.02	5.95	N.A	N.A	24	24	24	0	0
HDFC Monthly Income Plan - STP (G)	12.8838	377.55	9.07	12.95	6.92	9.31	N.A	21	15	19	14	0
HDFC Multiple Yield Fund (G)	12.037	356.7	7.04	6.42	6.44	8.04	N.A	23	25	22	17	0
Tata Monthly Income Fund - (App)	14.3364	43.47	8.28	9.8	5.06	6.61	5.95	22	22	25	23	11
FT India Monthly Income Plan - (G)	20.6571	653.71	15.92	19.96	10.85	11.18	10.35	7	3	7	6	2
HSBC Monthly Income Plan (G)	12.2861	55.95	13.96	15.55	10.12	8.95	N.A	12	10	9	15	0
ING Vysya MIP Fund - Plan B (G)	12.1152	6.1	16.91	14.71	8.57	8.56	N.A	6	11	13	16	0
JM Monthly	13.2361	15.16	14.97	13.47	11.33	10.23	8.74	10	13	6	9	6

Income Plan - (G)											
Kotak Income Plus (G)	13.031	111.53	11.78	10.46	9.37	11.25	9.07	16	19	11	5	4
LICMF Monthly Income Plan - (G)	24.0586	192.15	15.11	17.84	12.8	12.57	10.51	8	5	3	2	1
Magnum Monthly Income Plan - (G)	16.591	136.07	6.46	10.32	8.54	9.38	8.1	25	20	14	13	8
Principal Monthly Income Plan - (Growth Accum)	15.0742	64.2	12.63	12.27	6.34	7.42	6.89	15	16	23	21	10
Pru ICICI MIP (G)	18.9693	709.61	18.06	17.57	13.7	12.14	10	4	6	2	3	3
Sundaram Monthly Income Plan - (G)	12.6603	56.21	9.51	10.9	8.5	10.08	N.A	20	18	15	10	0
Birla MIP - Savings 5 (G)	11.4925	6.81	9.59	8.82	6.55	5.93	N.A	19	23	21	24	0
Tata MIP Plus Fund - (G)	11.9117	59.45	11.19	13.75	6.68	7.58	N.A	18	12	20	20	0
Chola Monthly Income Plan (G)	13.2166	6.97	14.95	13.19	7.62	7.65	7.61	11	14	17	19	9

DSP ML Savings Plus Fund Conservative (G)	11.9474	12.01	11.31	10.19	8.29	7.4	N.A	17	21	16	22	0
DSP ML Savings Plus Fund Moderate (G)	15.0695	199.32	15.05	15.64	11.77	10.63	10	9	9	5	8	3
Deutsche Monthly Income Plan A (G)	12.8458	6.01	20.29	16.82	9.08	10.93	N.A	2	8	12	7	0
Deutsche Monthly Income Plan B (G)	12.1437	1.87	13.47	11.01	7.19	7.86	N.A	13	17	18	18	0
Templeton MIP - (G)	19.8279	144.39	13.01	16.9	9.93	10.07	8.92	14	7	10	11	5
ABN AMRO Monthly Income Plan (G)	12.7905	53.1	28.18	20.97	12.68	11.92	N.A	1	2	4	4	0
Birla Monthly Income Plan - (G)	19.1987	189.16	17.57	18.3	10.66	9.61	8.55	5	4	8	12	7
Reliance Monthly Income Plan (G)	13.8049	514.31	18.61	21.01	16.04	15.4	N.A	3	1	1	1	12
Average			13.58	13.87	9.24	9.61	8.03					

Min			6.46	6.42	5.06	5.93	5.95					
Max			28.18	21.01	16.04	15.4	10.51					
Monthly Income Plans - Long Term												
HDFC Monthly Income Plan - LTP (G)	14.5696	1120.72	14.55	20.76	13.3	15.49	N.A	8	5	5	2	0
UTI-MIS Advantage Plan (G)	14.0291	112.58	20.87	21.02	13.96	15.05	N.A	2	3	4	4	0
Reliance Monthly Income Plan (G)	13.8049	514.31	18.61	21.01	16.04	15.4	N.A	6	4	1	3	1
Pru ICICI Income Multiplier Fund - Regular (G)	14.3308	509.25	21.28	24.33	15.94	16.81	N.A	1	1	2	1	0
Principal Monthly Income Plus - (G)	12.6738	23.97	15.64	15.72	8.3	9.82	N.A	7	8	8	8	0
HSBC Monthly Income Plan - Savings (G)	13.186	78.73	19.85	21.55	12.78	12.2	N.A	3	2	7	7	0
DSP ML Savings Plus Fund Aggressive	13.6507	62.48	18.86	20.5	14.56	13.03	N.A	5	6	3	5	0

(G)												
Birla MIP - Wealth 25 (G)	13.5264	110.38	19.38	20.19	12.8	12.8	N.A	4	7	6	6	0
Average			18.63	20.64	13.46	13.83	N.A					
Min			14.55	15.72	8.3	9.82	N.A					
Max			21.28	24.33	16.04	16.81	0					
Arbitrage Funds												
JM Equity & Derivative Fund (G)	11.2636	394.49	6.75	6.12	7.52	N.A	N.A	4	3	2	0	0
Kotak Cash Plus (G)	10.8607	148.63	7.28	6.15	7.33	N.A	N.A	2	2	3	0	0
Pru ICICI Blended - Plan B (G)	11.0232	137.32	7.14	6.15	6.97	N.A	N.A	3	2	4	0	0
Pru ICICI Blended - Plan A (G)	11.168	698.72	8.36	6.28	8.07	N.A	N.A	1	1	1	0	0
Average			7.38	6.18	7.47	0	0					
Min			6.75	6.12	6.97	0	0					
Max			8.36	6.28	8.07	0	0					
Dynamic / Flexi Debt Funds												
Tata Dynamic Bond Fund - Plan B (App)	11.8163	1.78	5.66	5.44	5.03	5.92	4.83	6	6	6	4	1
Sundaram Select Debt - DAP (G)	12.8943	0.45	4.1	4.06	3.75	3.35	2.65	7	7	7	7	4
Pru ICICI Flexible	13.3952	146.47	7.21	7.01	5.82	5.78	4.35	5	5	5	6	3

Income Plan												
Kotak Flexi Debt (G)	11.3585	550.66	7.23	7.19	6.95	6.5	N.A	4	4	2	1	0
Grindlays Dynamic Bond Fund - (G)	13.4204	14.09	8.3	9.78	6.44	5.94	4.38	3	2	3	3	2
Birla Dynamic Bond Fund - Retail (G)	11.2873	5.58	8.48	7.74	6.26	5.8	N.A	2	3	4	5	0
ABN AMRO Flexi Debt Fund (G)	11.3117	18.98	10.83	10.17	8.13	6.03	N.A	1	1	1	2	0
Average			7.4	7.34	6.05	5.62	4.05					
Min			4.1	4.06	3.75	3.35	2.65					
Max			10.83	10.17	8.13	6.5	4.83					
Children Gift Funds - Savings Plan												
HDFC Children's Gift Fund-Savings Plan	15.054	59.18	10.56	13.81	3.45	9.4	9.64	2	2	2	2	2
Prudential ICICI Child Care Plan-Study Plan	19.3729	29.07	22.52	19.46	14.99	14.82	12.34	1	1	1	1	1
Average			16.54	16.64	9.22	12.11	10.99					
Min			10.56	13.81	3.45	9.4	9.64					
Max			22.52	19.46	14.99	14.82	12.34					

3.4 Mutual Fund Scoreboard - Part IV

Scheme/Index Name	N.A.V. (Rs)	Corpus Nov-06	Annualised 1 WK	1 mon	3 MON	6 MON	1 year	Ranking Returns 1 WK	1 mon	3 mon	6 mon	1 year
Short Term Plans												
HDFC High Interest Fund - STP (G)	13.3702	59.25	9.02	8.1	7.49	7.33	6.34	1	5	9	8	9
HDFC Short Term Plan (G)	13.1779	113.91	7.49	7.38	7.07	6.9	6.17	12	15	14	15	13
Birla Bond Plus - Retail (G)	13.6535	796.48	7.5	7.44	7.43	7.3	6.8	11	13	11	10	2
Templeton India Short Term Income (G)	1347.033	927.9	8.36	8.22	7.58	7.47	6.28	2	4	7	5	10
Pru ICICI Short Term Plan (G)	13.9497	1134.8	7.34	7.57	7.38	7.11	6.52	13	11	12	12	8
Grindlays Super Saver Income - Short Term (G)	14.5717	102.77	7.49	7.34	6.63	6.65	5.83	12	16	18	16	16
Chola Freedom Income-Short Term Fund (Cum.)	11.6128	172.38	7.6	7.64	7.83	7.76	6.04	9	10	1	2	14

Deutsche Short Maturity Fund (G)	12.3937	134.47	8.34	8.29	7.55	7.31	5.77	3	3	8	9	17
DSP ML Short Term Fund (G)	12.8042	125.78	7.67	7.41	7.05	7.12	6.73	7	14	15	11	3
HSBC Income Fund - Short Term Plan (G)	12.3768	207.55	7.68	7.14	6.96	7.04	6.18	6	17	17	14	12
ING Vysya Select Debt Fund (G)	11.0764	7.5	3.77	4.29	4.53	5.35	3.56	18	20	20	17	19
UTI-Liquid - Short Term Plan (G)	12.0933	45.66	7.51	7.13	6.97	7.05	6.92	10	18	16	13	1
Birla Sun Life Short Term Fund (G)	13.0189	18.24	6.7	8.66	7.47	7.11	6.53	17	1	10	12	7
JM Short Term Fund - (G)	13.096	88.06	7.18	7.04	6.97	7.12	5.85	15	19	16	11	15
Kotak Bond - Short Term Plan (G)	13.2422	526.78	7.65	7.88	7.82	7.58	6.67	8	7	2	3	5
LICMF Short Term Plan - (G)	11.7816	1.03	0.71	2.17	5.11	5.17	5.41	19	21	19	18	18
Principal Short Term Plan (G)	13.2649	1468.08	7.72	7.66	7.67	7.57	6.62	5	9	5	4	6
Reliance Short	12.7686	785.46	7.65	7.52	7.66	7.57	6.73	8	12	6	4	3

Term Fund - (G)											
Sundaram Select Debt - STAP (G)	12.7853	9.88	6.82	7.98	7.32	7.44	6.52	16	6	13	7	8
Tata Short Term Bond Fund - (G)	13.0214	94.43	7.3	8.39	7.75	7.46	6.22	14	2	3	6	11
ING Vysya Income Portfolio - Short Term (G)	12.9976	356.66	7.96	7.83	7.68	7.82	6.7	4	8	4	1	4
Average			7.12	7.29	7.14	7.11	6.21					
Min			0.71	2.17	4.53	5.17	3.56					
Max			9.02	8.66	7.83	7.82	6.92					
Short Term Plans - Institutional												
Principal Income Fund - STP - Inst (G)	12.3174	1468.08	7.93	7.85	7.87	7.72	6.72	3	3	1	2	3
JM Short Term Fund - Inst Plan (G)	12.3686	88.06	7.51	7.38	7.32	7.48	6.21	8	8	6	5	8
Grindlays SSIF - STP - Super Inst (G)	10.7865	102.77	7.89	7.78	7.02	7.1	6.34	4	4	7	8	6
Grindlays SSIF - STP - Inst (G)	N.A	102.77	N.A	N.A	N.A	N.A	N.A	0	0	0	0	0
Chola Freedom	11.7512	172.38	7.6	7.68	7.84	7.79	6.25	7	5	2	1	7

Income-Short Term-Inst (Cum)												
Birla Bond Plus - Institutional Growth	13.7768	796.48	7.69	7.64	7.63	7.52	7.04	5	6	4	4	1
HSBC Income Fund - STP - Inst Plan (G)	12.5306	207.55	8.04	7.53	7.38	7.47	6.61	2	7	5	6	4
Templeton India Short Term Income - Inst (G)	1076.47	927.9	8.46	8.32	7.69	7.58	6.41	1	1	3	3	5
Pru ICICI Short Term Plan - Inst (G)	14.076	1134.8	7.64	7.87	7.69	7.42	6.84	6	2	3	7	2
Average			7.85	7.76	7.56	7.51	6.55					
Min			7.51	7.38	7.02	7.1	6.21					
Max			8.46	8.32	7.87	7.79	7.04					
Liquid Funds												
HDFC Liquid Fund (G)	14.5183	2450.59	6.98	7	6.95	6.75	6.41	4	3	5	3	8
UTI-Money Market Fund (G)	20.5286	113.66	6.84	6.9	7.04	6.57	6.51	9	9	2	11	5
Templeton India TMA - Reg (G)	1820.405	3778.07	6.7	6.74	6.65	6.48	6.13	16	16	13	16	17
Prudential ICICI Liquid	17.9303	14571.67	6.55	6.66	6.59	6.46	6.22	19	19	16	17	14

Plan - (G)											
DSP ML Liquidity Fund (G)	17.9171	3520.24	6.94	6.79	6.74	6.55	6.52	6	12	10	12	4
Birla Sun Life Cash Manager (G)	17.972	210.92	6.97	6.98	6.93	6.59	6.3	5	5	6	10	11
Birla Cash Plus - Retail (G)	19.6876	8170.28	6.74	6.86	6.8	6.62	6.43	13	10	8	8	7
HSBC Cash Fund (G)	12.3182	2580.38	6.7	6.72	6.64	6.49	6.21	16	18	14	15	15
ABN AMRO Cash Fund (G)	11.218	1191.06	6.75	6.76	6.58	6.1	5.68	12	14	17	22	23
BOB Liquid Fund (G)	13.1096	66.88	6.65	6.65	6.62	6.48	6.37	18	20	15	16	9
Sahara Liquid - Fixed Pricing (G)	1310.44	144.62	6.89	6.95	6.75	6.22	6.03	8	8	9	20	19
UTI Liquid - Cash Plan (G)	1198.14	12817.28	6.83	6.99	6.98	6.71	6.35	10	4	3	5	10
Reliance Liquid Fund - Treasury Plan (G)	17.6569	1860.69	6.74	6.73	6.65	6.34	5.9	13	17	13	18	21
Chola Liquid Fund - Cum Plan	14.8122	833.88	6.94	6.96	6.96	6.79	6.56	6	7	4	2	3
Canliquid (G)	13.3391	1085.13	7.01	7.02	6.89	6.74	6.69	2	2	7	4	2
ING Vysya Liquid Fund -	15.5103	2401.51	6.73	6.78	6.73	6.54	6.19	14	13	11	13	16

(G)											
JM High Liquidity Fund - (G)	20.0958	1768.39	6.68	6.84	6.95	6.61	6.04	17	11	5	9	18
LICMF Liquid Fund - (G)	13.2742	11537.56	7.28	7.39	7.38	7.12	6.95	1	1	1	1	1
Principal Cash Mgmt - Liquid (G)	14.3898	5841.74	6.71	6.78	6.66	6.49	6.24	15	13	12	15	13
Grindlays Cash Fund - (G)	13.5013	575.57	6.23	6.19	6.38	6.24	5.83	21	22	18	19	22
Kotak Liquid - (G)	14.482	5528.2	6.38	6.44	6.35	6.18	5.95	20	21	19	21	20
Deutsche Insta Cash Plus Fund (G)	12.2844	1023.81	6.93	6.97	6.8	6.69	6.48	7	6	8	7	6
Tata Liquid Retail Invest Plan - (G)	1694.3	4707.91	6.99	7.02	6.93	6.7	6.35	3	2	6	6	10
Sundaram Money Fund - Appreciation	15.3599	1702.88	6.76	6.75	6.73	6.52	6.25	11	15	11	14	12
Average			6.79	6.83	6.78	6.54	6.27					
Min			6.23	6.19	6.35	6.1	5.68					
Max			7.28	7.39	7.38	7.12	6.95					
Floating Rate Income Fund - Short Term												
Deutsche Floating Rate Fund (G)	11.8413	167.47	6.88	6.88	6.82	6.75	6.48	9	10	11	8	6

Chola Floating Rate Fund (G)	11.2832	4.13	5	4.69	5.13	5.37	5.39	19	20	19	18	18
Templeton Floating Rate Income - ST (G)	13.1598	1038.29	6.82	6.82	6.85	6.6	6.1	10	12	10	13	11
Pru ICICI Floating Rate - Option A (G)	11.3588	1613.22	6.43	6.57	6.55	6.4	6.25	14	16	14	14	10
Pru ICICI Floating Rate Plan Option B(G)	12.1816	1613.22	6.69	6.81	6.79	6.65	6.51	12	13	12	12	5
Principal FRF - SMP Regular (G)	11.3538	598.65	7.31	7.25	7.08	6.9	6.55	3	4	4	4	3
HSBC Floating Rate Fund - STP (G)	11.215	388.25	6.42	6.48	6.44	6.4	6.05	15	17	16	14	12
Grindlays Floating Rate Fund - (G)	12.1505	364.26	6.66	6.7	6.45	6.36	5.94	13	14	15	15	15
ABN AMRO Floating Rate (G)	11.2286	160.63	6.28	6.37	6.27	6.19	5.78	18	19	18	17	17
Kotak Floater Short Term (G)	12.0226	815.72	7.21	7.36	7.13	6.74	6.42	5	2	3	9	7
UTI-Floating Rate Fund -	1195.757	902.91	6.91	6.9	6.89	6.77	6.55	8	9	8	7	3

STP (G)											
JM Floater Fund - STP (G)	12.0695	314.36	6.88	6.95	6.96	6.79	6.52	9	8	7	6	4
Reliance Floating Rate Fund (G)	11.386	819.04	7.06	7.17	7.17	6.94	6.55	7	5	2	3	3
Sundaram Floating Rate - ST (G)	11.1055	180.23	6.39	6.4	6.37	6.24	5.95	16	18	17	16	14
Tata Floating Rate Fund - STP (G)	11.7163	425.63	7.18	7.12	7.02	6.72	6.33	6	6	5	10	9
ING Vysya Floating Rate (G)	11.2832	28.31	6.29	6.68	6.98	6.83	5.92	17	15	6	5	16
LICMF Floating Rate Fund - STP (G)	11.6662	1667.84	8.15	8.07	7.66	7.27	7.03	1	1	1	1	1
Tata Floating Rate Fund - STP Inst (G)	11.4206	425.63	7.32	7.28	7.17	6.97	6.72	2	3	2	2	2
Magnum Floating Rate Plan-STP (G)	11.3753	97.59	7.25	7.09	6.76	6.7	6	4	7	13	11	13
Birla Floating Rate Fund - STP (G)	12.0391	212.33	6.77	6.87	6.87	6.7	6.37	11	11	9	11	8
Average			6.8	6.82	6.77	6.61	6.27					
Min			5	4.69	5.13	5.37	5.39					

Max			8.15	8.07	7.66	7.27	7.03					
Floating Rate Income Fund - Long Term												
Magnum Floating Rate Plan-LTP Regular(G)	11.3	22.45	11.61	8.53	7.11	6.49	5.64	1	1	4	5	11
Tata Floating Rate Fund - LTP (G)	11.3409	7.01	5.38	6.82	5.93	5.34	5.24	13	6	13	13	12
Sundaram Floating Rate - LT (G)	11.0845	12.01	6.69	6.5	6.62	6.41	6.06	6	8	6	7	5
JM Floater Fund - LTP (G)	11.7902	13.63	6.02	6.12	6.1	6.19	6.1	12	11	10	8	4
Kotak Floater Long Term (G)	11.4205	202.48	7.36	7.27	7.23	7.18	6.47	4	4	3	2	2
Principal FRF - FMP Regular (G)	11.3951	215.21	7.42	7.41	7.38	7.17	6.6	3	3	2	3	1
Pru ICICI Long Term Floating Rate Plan A (G)	11.2766	258.95	6.39	6.43	6.45	6.43	5.99	8	9	8	6	6
Birla Floating Rate Fund - LTP (G)	12.0297	76.61	6.6	6.52	6.53	6.11	5.85	7	7	7	9	9
Grindlays Floating Rate Fund LTP (G)	11.2712	95.68	6.3	6.1	6.05	6.02	5.23	10	12	11	12	13

HSBC Floating Rate Fund - LTP (G)	11.1965	81.84	6.15	6.23	6.02	6.04	5.69	11	10	12	11	10
Templeton Floating Rate Income - LT (G)	13.1673	1091.63	6.9	6.97	7.03	6.79	5.96	5	5	5	4	7
DSP ML Floating Rate (G)	12.0707	620.12	6.31	6.23	6.19	6.07	5.91	9	10	9	10	8
ABN AMRO Long Term Floating Rate (G)	10.7178	254.05	8.72	8	7.58	7.2	6.41	2	2	1	1	3
Average			7.07	6.86	6.63	6.42	5.93					
Min			5.38	6.1	5.93	5.34	5.23					
Max			11.61	8.53	7.58	7.2	6.6					

Returns are calculated for the respective period ended 08 December 2006.

4 Editorial : Till delisting do us part

Sebi moves to create a level-laying field for issuers after reverse book building throws up mixed results

The new delisting guidelines proposed last month by the Securities and Exchange Board of India has met with muted reception. This was unlike the controversy that followed Sebi's introduction of reverse book building for companies wishing to delist. This could be because in the current giddy times of galloping share prices of small- and mid-caps and even hitherto comatose stocks, delisting is the last thing on the minds of promoters. Or, it could be the recognition that in an efficient market both issuers and subscribers need a level playing field. Else, issuers will take flight to other markets not burdened with cumbersome regulations. The trend is visible. Of late, the Wall Street in New York and the City in London are emerging as a preferred choice of many companies including unlisted ones over the domestic markets to raise equity as well debt. The proportionate allotment system and reservation for small investors has made raising resources in the primary market an excruciating exercise. In contrast, companies can place the entire issue with institutional investors at favourable pricing in the US and the UK markets. To stem the drain, the market regulator now allows issuers to place all the shares with qualified institutional buyers (QIBs). As such the revised framework for going private should be viewed as an attempt to change direction mid-course after getting mixed results with the first set, which gave minority investors a say in determining the exit price. In practice, this was not always the case as companies had the option to withdraw if they did not like the price at which most of the small investors were willing to tender their shares. If a rights issue and an open offer can be decided by a formula based on historical pricing, why not the exit price?

Instead of bringing in rating agencies to determine fair pricing, which has been offered as an alternative, Sebi should have given issuers the option to go either for reverse book building or fixed pricing just as in the primary market. It is time the capital market watchdog realises that rating is not an answer to a safe equity market. Rather insistence on disclosures and swift penal action are. There are two types of companies whose shareholders may want to leave. The fist category belongs to companies where they are in a minority and the stock has become illiquid as a result of high promoter holding. The company, however, has to stay listed if it has a minimum 10% ordinary shareholders. Since the implementation of the reverse book building, it is mainly the Indian subsidiaries of foreign companies that have chosen to delist. Earlier, the holding of the parent company was restricted to 49% and listing was mandatory. Now, with 100% FDI allowed in most sectors, there is no such prohibition and these companies prefer to go private. The increasing incidence of open offers following the growing wave of mergers and acquisitions is also shrinking the base of retail investors in companies. So it makes sense for these companies as well as the minority shareholders to part. Another group of investors who might want to quit is those who hold shares of companies not traded due to sickness or irregular disclosures to stock exchanges.

The test of the proposed guidelines will, therefore, be in its success to attract the delinquent companies. If these companies are sick, would they be in a position to even seriously consider the relaxed norms to buy out their shareholders? And if they are not, and the promoters are playing truant after collecting the IPO proceeds, it really does not matter whether the delisting process is through reverse book building or fixed pricing. Yet, the revision is welcome because it will help companies and particularly investors in the New Economy companies. These companies were allowed to list with a minimum 10% public holding primarily to provide an exit route to venture capitalists at a time when access to the overseas markets was still restricted. The growing recognition of India as a technology hub has eased the reliance of these companies on the domestic market for resources. Recently, Infosys Technologies floated a second sponsored ADR issue to transfer yet another chunk of domestic ownership to foreign investors without diluting the equity so as to get better valuation that is a function of liquidity and market efficiency. More tech companies are bound to follow. The day will not be too far when many companies with a global outlook will cease to be listed in the Indian markets. The proposed delisting norms following the earlier move to permit issuers to bypass retail investors by offloading their offering in favour of QIBs are signs of Sebi's pragmatism arising from the realisation that market forces and not restrictions are the best antidote to attract and retain capital in the country.

5 Cover Story : E&P Allied Services : So far so good

The search for oil has spurred demand for exploration and production support services. But capacity is inadequate and contracts were locked at earlier prices

Related Tables

Catching the market's fancy

What the numbers tell

Related Articles

Portraits of the supporting actors

In search of oil black gold

Buoyant bottom lines

The rising oil prices has not translated into bulging bottom lines for Indian petroleum refiners and marketers. The Central government's decision to maintain prices of petroleum products robbed them their moment of glory. Even the largest producer of crude oil in India, ONGC, did not benefit much from the uptrend in crude prices as it had to share part of the subsidy of downstream players.

While all the big players in Indian petroleum industry were suffering, a group of small companies was busy partying. The steep climb in crude oil prices has led to a spurt in petroleum exploration and production (E&P) activities all over the world, bringing cheer to the small players providing allied services to the E&P players. Their services are being actively sought. In fact, demand is outpacing growth in supply.

E&P activities in the global petroleum sector had waned in the 90s as crude oil prices were very low. But the current scenario is quite different, with heavy investments lined up in petroleum E&P. The incentive is of course the booming crude oil prices, which are now more than three times higher than in December 2001. And this is after a 25% meltdown in crude prices couple of months ago!

A huge number of players are investing heavily in petroleum E&P globally. More and more obscure and remote areas are being explored (*see box: In search of black gold*). This has brought the players providing services to E&P activities in the limelight. The hire rates of assets as well as the services of these companies have gone up significantly due to heavy demand and stagnant supply.

The change in fortunes of the companies providing technical and logistical support and allied services to the offshore and onshore exploration activities has not gone unnoticed by the stock market. Most of the companies operating in this segment have proved to be multi-baggers over the last five years. The Aban Offshore stock has appreciated 145 times in five years to Rs 1160 in December 2006, from just Rs 8 in December 2001. Garware Offshore has risen 63 times in the last five years. Dolphin Offshore has appreciated 32 times, and Shiv-Vani Oil 23 times.

In the last 12 months, these players have added 100% in market capitalization compared with just a 47% growth in the benchmark BSE 30-share Sensex. However, the performance of individual players has been mixed. Garware Offshore has been the best performer, with more than 230% appreciation, while Aban Offshore, with the largest market capitalisation in this group, has had a

129% run-up. Seamec has also generated handsome returns of over 85%, and Shiv-Vani had appreciated 18%. But Dolphin Offshore turned out to be the only company in this group to register negative returns over the last one year. Dolphin's market capitalisation came down by over 26% to Rs 175 crore on 11 December 2006, from Rs 237 crore a year ago despite healthy operating performance.

Among all these companies, Aban Offshore has been a favorite with investors, enjoying PE around 50 on the basis of profit of trailing 12 months (TTM). Aban is followed by Shiv-Vani Oil, trading at a PE of 35.9. Jindal Drilling and Garware Offshore have marginally lower PE multiples. But Seamec and Dolphin Offshore are trading at the lowest PE in the group.

The stock market performance is but a reflection of the spurt in the top line and bottom line of the support players (*see box:Buoyant bottom lines*). Luckily for rig owners, there exists no technique that can find hydrocarbons deep inside the earth without actually drilling exploratory wells. Seismic surveys only describe rock patterns deep in the crest of the earth. Favourable patterns holding oil or water can be found only after drilling. For this reason, any E&P company has to drill dozens of exploratory wells before deciding if a particular geographical area holds reserves of hydrocarbons. If some wells hit on hydrocarbon deposits, further wells will be necessary to decide the extent of the reserves and then develop the field, if found commercially viable.

Most of the drilling has to be done to depths ranging from, 2,000 to 9,000 meters. This specialised work of drilling is done by rigs, which are short in supply today compared to the spurt in demand. Short supply and high demand have naturally led to a spurt in charter rates of these offshore rigs. The charter rates in the offshore E&P industry have shot up multifold from $60,000 per day a few years back to anywhere between $170,000 to $200,000 per day, depending on specifications. Apart from drilling rigs, multi-support vessels (MSVs) used in sub-sea engineering, diving, inspection, maintenance and repair work have also experienced substantial growth in charter rates.

Other vessels used in the offshore industry such as platform support vessels (PSVs) and anchor handling tugs (AHTs), used typically for logistical support, have not registered very high spurt in charter rates. The increase in charter rates has been modest compared to that in rigs or MSVs.

Industry sources believe the heavy demand for rigs and other marine spread was at its peak in FY 2007 due to the massive restoration work undertaken in the US Gulf of Mexico, which had suffered heavily last year due to hurricanes. The charter rates should stagnate at present levels for another year of so before the new assets start entering the markets, improving the supply.

Aditya Garware, Vice Chairman and Managing Director of Garware Offshore also does not expect the charter rates to go up further. "The charter rates are definitely showing an upward trend," says Garware. "However, the rates in India may not fluctuate as much as in the international markets since here most of the work is on 'term' basis. The rates for PSVs will hover at current levels in the near future."

However, Padam Singhee, managing director of Shiv-Vani Oil, differs: "The onshore drilling rates range from $5,000-$25,000 per day depending upon the technical specifications, capacity of rigs, place and duration of the contract. This marks an increase of 100% over the past two-third years. Given the time lag associated with procuring a new rig and the quantum of new orders issued by oil / gas operators for drilling services, a further firming of the day rates cannot be ruled out."

Apart from the booming oil prices supporting E&P activity in India, the Union government's New Exploration Licensing Policy (NELP) introduced to the first time in 1999 has also contributed to the buoyancy. By now six editions of NELPs are successfully over and the government has offered 170 blocks spread over 12.7 lakh square km for petroleum exploration.

A number of foreign as well as Indian companies evinced great interest in the NELP rounds. At the same time, many Indian companies such as GAIL, Reliance Industries (RIL), Gujarat State Petroleum Corporation (GSPC), Videocon Industries, and ONGC's arm ONGC Videsh (OVL) have started investing in overseas oilfields and exploration blocks.

In India, over $20 billion of investments are expected to be channeled in E&P activities over the next five years by a number of players. RIL, which found natural gas in the KG basin, recently submitted a development plan with an investment outlay of $5.2 billion. Cairn Energy, which has discovered oil in Rajasthan, is expected to spend $2.1 billion to develop this field by year 2009.

India's largest E&P company ONGC, which holds the largest number of E&P blocks offered under the NELPs so far, also has drawn up big plans for coming years. Its planned capital expenditure stands at about $3.7 billion in FY2007 and about $ 4.1 billion in FY 2008: a total approximately $18.3 billion over the next five years 2007-2012. A large chunk of this capex will be incurred on core activities of the company exploration and production as well as development of marginal fields. ONGC currently spends more than $ 2 million per day on chartering of drilling rigs, used for drilling of wells for exploration and production.

Due to high crude oil prices, ONGC has decided to take special efforts on developing its marginal fields, lying idle so far with estimated oil and oil equivalent gas (O&OEG) reserves of more than 180 million tonne. The company will make investment of $ 2.8 billion and expects these marginal fields to contribute 50,000 barrels per day (bpd) of oil and 10 million cubic meters per day (MMSCMD) of gas by 2012.

Gujarat State Petroleum (GSPC) is expected to raise around $2 billion in the coming months for financing its E&P activities.

Hindustan Oil Exploration Company (HOEC), a relatively small player in the E&P industry, is mobilising funds to finance the development of its PY-1 field and has entered into a loan agreement in November 2006 availing a term loan of $100 million with a consortium of Indian banks.

In the international markets, there has also been a major upswing in exploration, development and installation of new infrastructure, and in India in wproduction and distribution. However, there have not been many new finds in the world, and exploration activities are increasing in the hope of discoveries. A lot of new infrastructure development is taking place in existing oil and gas producing fields to meet the increasing demand.

Global energy consumption has been rising at a CAGR of over 2% since more than a decade, driven by the rising energy needs of developing nations. China and India have reported a CAGR of 5.4% and 4.3%, respectively, in their energy consumption over the last decade. Oil and natural gas occupy prominent place with almost 60% share of the energy basket globally.

With the existing marine assets falling short of the spurt in demand, all the companies in global E&P allied services industry have drawn up plans to augment fleets and have placed orders with various shipyards. The furious scramble for new assets has left all the shipyards all over the world fully booked till 2010! As a result, companies are also considering purchase of second-hand assets and are incurring heavy expenditures for refurbishment or upgradation. Besides buying singular assets, acquiring companies with a view to strengthen asset base is also not ruled out.

Aban Offshore acquired rig Aban VII and drillship Aban Abraham in FY 2006. The company made a strategic investment in Norway's Sinvest by purchasing a 39.99% stake at of $528 million in June 2006. This was further raised to 48.41% through deals with other third parties. The Oslo Stock Exchange has asked Aban either to make an open offer for the remaining shares of Sinvest or bring its stake below 40% within four weeks. Aban is presently making arrangements for reduction in shareholding and is also scouting for finances (estimated at around $660 million) to make an open offer for Sinvest.

Dolphin Offshore Enterprises (DOEL) bought two second-hand anchor-handling tugs cum supply vessels (AHTSV) for $3 million in May 2006. The company further went on to acquire entire shareholding of Procyon Offshore in India for Rs 14 crore, which added seven tugs and one utility vessel to its fleet. It is presently in the process of transferring all its vessels to this new subsidiary, which enjoys the tonnage tax benefits.

"Five offshore vessels are in our present possession. Four are presently working, and the fifth is due to commence operations after drydocking shortly. We have placed orders for two new-build workboats, slated for delivery in October 2007, and one dynamically positioned work-barge to be delivered in mid-2008. In addition, we have in possession seven tugs," says Satpal Singh, Joint Managing Director, Dolphin Offshore. All in all the company will be acquiring vessels worth $30 million over the next 18 months.

Garware Offshore, which acquired one platform support vessel (PSV) in October 2006, will be adding three more PSVs to the fleet in April 2007, March 2008, and December 2008, respectively, totaling nearly Rs 400 crore (about $88 million) of capex. The company may also acquire two-four additional AHTSVs in next 18-36 months with a capex of Rs 350 crore. By December 2008, will have a fleet size of four AHTSVs and five PSVs.

Jindal Drilling has also ordered an offshore jack-up rig to be delivered by end-2008 at a cost of $173 million. The company already has one rig deployed with ONGC and has chartered one rig from Noble Drilling of the US, which has been deployed with ONGC at a higher rate. This arrangement will be over by 31 December 2006. Seamec acquired one large diving support vessel (DSV) in June 2006

Great Offshore is also expanding its fleet with a total capex plan of $250 million. The company owns two offshore rigs, one construction barge, 23 offshore support vessels (OSVs), and 11 AHTs. It has added two OSVs and two AHTs over the last one year for $95 million and awaits delivery of three more vessels by March 2007 costing nearly $30 million. Great Offshore also has ordered couple of other vessels for $220 million including one jack-up rig costing $165 million, the delivery of which is expected in December 2008.

Shiv-Vani Oil has ordered four onshore drilling rigs for the work on CBM project, which are expected to arrive by end 2006, at a capex of Rs 220 crore. The company is planning to enter the high margin offshore industry by buying two shallow water offshore drilling rigs.

Companies in this E&P support industry have raised significant resources over the last year to finance the planned investment. With the industry catching the fancy of investors, raising funds – either equity or debt – has not been difficult. The top five companies in the industry have raised around Rs 1200 crore through equity or debt over the last 12 months. The aggressive fund-raising activities are expected to continue in time to come.

Industry leader Aban Offshore raised Rs 150 crore through the issue of cumulative redeemable preference shares (CRPS) on a private placement basis, followed by a foreign currency convertible bonds (FCCB) issue equivalent to approximately US$ 100 million (around Rs 450 crore) in April 2006. While the preference shares will be redeemed from 2011 to 2013 in phases, FCCBs are convertible in equity shares by year 2011.

Garware Offshore chose to expand its equity base before arranging for loans to finance its expansion plans. The company raised around Rs 22.6 crore by issuing equity and warrants to promoters and strategic investors in March 2006. It further allotted equity shares, warrants and unsecured convertible debentures to Mauritius-based India Star to raise Rs 47.75 crore in June 2006. Besides these funds from equity dilution, Garware Offshore also arranged for Rs 300-crore loans for purchase of vessels in phased manner. The company further plans to raise $25 million by issue of a combination of equity and debt through qualified institutional placement (QIP) mechanism to buy a fleet of six second-hand OSVs.

Dolphin Offshore issued $15 million worth of FCCBs in December 2005 and also arranged for a foreign currency loan of $20 million for its expansion.

Shiv-Vani Oil raised $55 million through an FCCB issue in the quarter ended December 2005. Marine engineering company Seamec used its cash reserves in excess of Rs 80 crore to finance acquisition of one diving support vessel.

Asian Oilfields, a Gujarat-based company in the business of geophysical data acquisition, shot-hole drilling and seismic job services for exploration of petroleum with around Rs 10-crore annual turnover, is raising around Rs 6.6 crore through preferential allotment of equity shares and warrants.

Domestic players have realised that going solo is not going to help in the long term in this highly competitive environment. These companies, specially those providing technical or specialised services, have roped in foreign partners with differing motives such as access to better technical capabilities, control over more and better marine assets.

Dolphin Offshore established a 90:10 joint venture in Saudi Arabia to bid for exploration and construction (E&C) and inspection-maintenance-repair (IMR) of oil major Saudi Aramco. The company also tied up with Ukranian state-run firm NaftoGaz to jointly bid for projects in India and the Gulf. It may provide outsourcing services to NaftoGaz for projects in the Black Sea and other parts of the world. A 60:40 joint venture has been established with drilling services company GlobalSantaFe. The benefits of these tie-ups have started accruing to the company. It has executed a few jobs in Saudi Arabia and with NaftoGaz has won ONGC's $32.2-million contract to be completed by February 2008

Garware Offshore Services will be Norwegian shipyard Havyard Leirvikas's sole agent in India. It has placed orders with the foreign company for most of its new vessels. Garware Offshore Services has submitted one bid to ONGC to construct 28 new offshore vessels on behalf of the Norwegian company for an estimated deal size of Rs 1600 crore. Another bid has been placed with the Shipping Corporation of India (SCI) for five vessels for around Rs 350 crore. Garware Offshore is entitled to 3%-5% marketing commission on the bids won.

Shiv-Vani Oil roped in Express Drilling Systems of the US with vast experience in horizontal drilling to bid for coal bed methane (CBM) blocks in India. The consortium of Shiv-Vani, Express Drilling and Mineral Corporation of India has won a contract from ONGC for providing integrated services for development of Central Parbatpur (Part-I of the project), drilling, completion and testing of pilot wells in Jharia, Karanpura, and North Bokaro (Part-II of the project) CBM blocks. The Rs 931.38-crore contract is to be executed over 43 months. Shiv-Vani has also partnered with Vizag-based manufacturer of offshore platforms and structures with an offshore platform fabrication (OPF) yard spread over 26 acres.

However, all is not well for this fast-growing industry. The surge of growth in a very short time is proving to be a shortcoming. The main problem is the shortage of trained manpower. Companies are typically facing shortage as well as high cost of technically skilled manpower for specialised jobs such as drilling rig or diving operations.

"The biggest impediment is the availability of qualified diving personnel. Due to the worldwide demand, retirement, and the absence of training schools in India, there has been a drain of qualified manpower to the overseas markets," says Satpal Singh, of Dolphin Offshore. He adds, "Steps are underway to set up a training school with the government’s assistance. Shortage of marine spread is another impediment for Dolphin, which has resulted in increase in costs. This problem will be redressed by our current acquisition plans."

A number of existing assets have been chartered out on long terms at fixed rates. This meant that although the charter rates shot up through the skies in the open market, many Indian assets are still earning meager rates contracted in the past. Of the six rigs owned by Aban Offshore, five are presently chartered at nearly a third of the prevailing rates for contracts, which will be over only towards end 2007.

Great Offshore has one of its two rigs contracted with ONGC till 2009 at charter rates significantly lower compared with the prevailing rates. This is hampering the growth plans of these companies.

The new assets for which orders have been placed are taking longer than usual to complete due to heavy order book positions of the shipyards. At the same time, most of the existing assets of Indian players are over 20–30 years old making them costlier to maintain and operate. The average age of the six drilling rigs of Aban Offshore is 28 years, while the two rigs owned by Great Offshore are more than 30 years old. Indian players are also facing stiff competition from foreign players such as Transocean with superior technical knowledge and better quality assets.

Another area of risk can be a substantial fall in crude oil prices, affecting the investment plans of E&P players. Says Aditya Garware of Garware Offshore, "Falling crude prices can see a drop in the charter rates. But we do not foresee any substantial fall in the utilisation of vessels."

Outlook

The outlook for the E&P allied services industry will continue to remain bright for the next couple of years at the least, with the petroleum E&P activity remaining at the peak. The industry is investing heavily to ramp up capacities and capabilities. New assets are lined up to join the industry over the next 12-18 months, which can be deployed at prevailing high charter rates. Existing assets will benefit as and when contracts are up for renegotiation.

Charter rates for rigs and other marine assets are not expected to fall significantly from the present high levels in the near future. The charter rates will stay at the current levels for a few more months before cooling as new assets join the industry. This trend may prove detrimental to companies with assets under long-term charter.

The market fancy for the sector has remained with the news of rising charter rates for drilling rigs and other marine assets. In reality, the benefits of rising rates have not accrued to players due to the long-term charter contracts. On the other hand, players providing technical on-going services such as inspection, maintenance and repair or sub-sea engineering have remained neglected. The future offers excellent opportunities of growth for players with the right technical capabilities backed by supporting infrastructure.

Catching the market's fancy

Company	**Market Price#**	**PE on TTM**
Aban Offshore	1081.05	48.9
Shiv-Vani Oil	234.75	35.9
Jindal Drilling*	319.6	31.1
Garware Offshore	202.85	26.4
Dolphin Offshore	295.65	12.2
Seamec	157.35	11

#Market price in Rs is closing price on 12 December 2006. *Trading in shares of Jindal Drilling was suspended from 12 September 2006 on account of scheme of amalgamation. Listing of Great Offshore is expected by end December 2006

What the numbers tell

Company	**Aban Offshore**	**Dolphin Offshore**	**Garware Offshore**	**Great Offshore**	**Seamec**	**Shiv-Vani Oil**
Year End	200603	200603	200512	200603	200512	200512
Equity	7.37	5.6	14.42	38.12	33.9	21.62
Preference	150	0	0	0	0	5
Reserves Total	275.87	29.53	58.79	478.14	145.15	151.07
TOTAL EQUITY	433.24	35.13	73.21	516.26	179.05	188.03
Secured Loans	677.09	27.13	79.83	373.16	0	133.16
Unsecured Loans	0	78.15	1.25	0	0	288.82
TOTAL DEBT	677.09	105.28	81.08	373.16	0	421.98
D/E ratio	1.6	3	1.1	0.7	0	2.2

Changes till date: Aban Offshore raised Rs 450 crore through FCCB. Dolphin Offshore raised Rs 155 crore through FCCB / foreign currency loan. Garware Offshore diluted equity to Rs 18.49 crore. Figures in Rs crore.

Portraits of the supporting actors

Who are the main oil exploration and production (E&P) support services providers in India?

Great Offshore, the demerged arm of GE Shipping yet to be listed on stock exchanges, owns 37 vessels needed in the offshore support business. Apart from just drilling services, the company also offers offshore logistics, engineering and other allied services.

Aban Offshore is India's leading private company in offshore drilling services and owns six jack-up offshore drilling rigs, two drill ships and India's only floating production unit (FPU).

Jindal Drilling and Industries, the B C Jindal group company, is mainly providing drilling services by operating leased rigs for ONGC. The company also offers mud-logging services essential in drilling process.

Garware Offshore offers offshore and platform support vessels providing logistical support to the offshore industry.

Seamec is the subsidiary of French company Technip, which is the global leader in sub-sea engineering. The company is exclusively into charter hiring of multipurpose support vessels (MSVs), used for diving and for providing underwater/sub-sea engineering, construction and maintenance services to offshore oil and gas companies. Seamec owns three of the only five MSVs owned by Indian companies, while the other two belong to ONGC.

Dolphin Offshore is India's only company providing integrated diving, underwater engineering, offshore structure development and modification, pipeline inspections, geo-physical and geo-technical services. The company holds the technical capacities of carrying out marine engineering projects on a turnkey basis.

Shiv-Vani is a large-sized, integrated player in the onshore E&P services industry. With 21 drilling rigs, five seismic crews and four offshore vessels. The company enjoys complete ownership of its asset base. Shiv-Vani has established an international presence with a 15-year contract for drilling services in Oman.

Apart from these, there are various other players, who cater to the needs of offshore activities. But their main line of business is different. In fact, ONGC, the largest E&P company in India, owns the largest fleet of offshore support vessels in India. Shipping major Shipping Corporation of India (SCI) holds 10 offshore supply vessels.

In search of oil black gold

Even at a time demand was rising steadily in the world, very little efforts were being put in petroleum exploration and production (E&P). The greatest exploration successes occurred prior to 1980, driven by large discoveries in the Middle East and Russia. Since then, hydrocarbon resource additions have lagged behind the growing demand, pushing up prices in the process.

However, with crude oil prices continuing the strong upward trend over the last five years, petroleum E&P has risen dramatically. With the easily accessible oil fields already exploited, the new E&P activity has to take place at greater depths where cost of finds and production are high.

E&P activities require a number of services such as conducting seismic and other geological surveys, equipment charters, drilling services, engineering and construction and others. The E&P services business is asset and labour intensive and presents high entry barriers in terms of technical qualification, exposure and standards.

Offshore E&P for oil and gas often pose more challenges than onshore operations. The daunting depths coupled with harsh environmental conditions and lack of facilities make it a tough task to accelerate productivity and ensure cost effectiveness. As a result, E&P support services in offshore become more complex and, hence, more costly.

Assets used in the offshore exploration activities such as offshore rigs, drilling ships, floating production unit, offshore and other support vessels are capital intensive, while different locations / situations require different types of assets. Most of the E&P players, therefore, prefer to hire such assets on charter rather than owning them. As a result, players, who have technical capabilities to maintain such assets and financial muscle to own them have found a ready and thriving demand for the same. .

"With the past five New Exploration and Licensing Policy (NELP) rounds, we have seen that more than 67% of the oil and gas reserves are in the offshore side. With the new sixth NELP round too, we have seen the same trend," notes Aditya Garware of Garware Offshore. "In fact, in the sixth round, there are more deepwater activities involved. Further, the commitments given by the E&P players are much more and, hence, we see a good potential for the allied services."

Buoyant bottom lines

Major oil exploration and production (E&P) support services providers have reported good numbers for the September 2006 quarter.

Garware Offshore reported excellent growth in the top line as well as profit in the quarter ended September 2006 despite two of its vessels undergoing dry-docking. The revenue was higher 84% to Rs 13.49 crore, while the bottom line registered a strong 71% spurt to Rs 4.42 crore. The company has received one newly-built platform support vessel in November 2006, which will be deployed with Transocean in Indian waters for three years. The annual contract size for this vessel, estimated at Rs 25 crore, should reflect in the quarterly results of the company from March 2007 onwards. The equity expanded to Rs 18.49 crore on account of conversion of warrants.

Shiv-Vani Oil’s top line jumped 66% to Rs 42.37 crore, while net profit spurted 93% to Rs 4.87 crore. The company’s prowess in coal-bed-methane (CBM) projects along with the present order book of around Rs 3000 crore is expected to drive its growth in future.

Dolphin Offshore came out with average performance, with revenue 47% higher at Rs 25.37 crore, translating into a 20% higher net profit at Rs 2.62 crore. The company’s acquisition of Procyon, which was completed only on 31 August 2006, was not fully reflected in the September 2006 results of quarter. The full benefits will be reflected only in future. It is also considering issue of bonus shares in the ratio of three shares for every five held.

However, the performance of Aban Offshore was disappointing. It reported a flat top line and fall in bottom line in the second consecutive quarter. The company’s smallest, 200-feet rig Aban II completed its contract with ONGC in November 2006. It is expected that the rig will be employed at significantly higher rates after undergoing necessary repairs and refurbishment. The benefit of this development is expected only in March 2007 quarter and beyond.

The results of Seamec were a big disappointment. The company reported a huge 81% erosion of net profit despite nearly doubled revenue in the September 2006 quarter. The spurt in revenue was on account of the company’s ability to deploy its three vessels at higher rates. However, it incurred heavy expenses on upgradation of its newly acquired vessel affecting its profitability.

The results of Jindal Drilling were not comparable with corresponding previous quarter due to the scheme of amalgamation and demerger it underwent. The company merged Newsco Newtech (NNPL) and Discovery Hydrocarbons (DHPL) with itself and demerged Casinvest Division into Haryana Capfin. Pursuant to the scheme of merger and demerger, it has cancelled the existing equity share capital and allotted new one share for two shares of Rs 10 each to existing shareholders. Further, by virtue of merger of NNPL and DHPL, the company also allotted 0.58 crore equity shares of Rs 10 each to the shareholders of these two amalgamating companies.

6 Sector : Banks : Pouring cold water

RBI increases CRR by 50 basis points in two tranches to cool the overheated stock and real-estate markets

Related Tables

[Trends in the Indian banking sector]
[Major monetary measures]

Foreign fund managers are supposed to get into the holiday mood as Christmas approaches. But not in India, it seems. The nip in the weather is missing. Things are heating up. The stock markets kissed the 14,000 mark early December 2006 and the data released indicated an economy riding a bullet train. Time for the signal to turn amber from green. And who could do this job better than the country's central bank? And how!

Late on 8 December, the Reserve Bank of India (RBI) raised the cash reserve ratio (CRR) rate by 50 basis points. The hike will be effective in two tranches of 25 basis points from 23 December 2006 and another 25 basis points from 6 January 2007.

Presently, CRR is 5%. It will increase to 5.25% on 23 December 2006 and to 5.5% from 7 January 2007. The apward revision in CRR has come after over two years, after an increase in the repo rate by 25 basis points to 7.25% in October 2006.

The market was expecting RBI not to hike short-term interest rates in its next review as inflation, which is falling, may decline further. Inflation slipped to 5.30% in the week-ended November 25 against 5.45% in previous week. A decline in food and energy prices kept the inflation down RBI has set an inflation target of 5-5.30% for FY 2007.

Though a seasonal decline in prices of food articles could moderate inflation pressures, WPI inflation excluding food articles is close to 5%. The recent reduction in prices of petrol and diesel will moderate inflation. Nevertheless, the overall impact on inflation expectation requires to be monitored and moderated.

But these two increases, earlier in the repo rate and now in the CRR, give some indication that RBI is still concerned with relatively higher inflation, which can go up further due to the acceleration in the economy if suitable fiscal and monetary measures are not taken. The central bank, has clearly signaled its intent, and taken action. The after-effect were immediate. On the next trading, the markets shaved 400 points as a result.

CRR is the percentage of bank's net demand and time liabilities (which include money from deposit and bonds raised by banks) that has to be kept with the banks for their transactions. To the extent this rate is hiked, they are not available for lending, thereby restricting the amount available with the banking system for advances. RBI has cited the following reasons for its decision to hike CRR rates:

* Real GDP growth at 9.2% in July-September 2006 and 9.1% in the first half of 2006-07.

* Year-on-year increase in non-food bank credit up to 24 November was 30.1% on top of an increase of 31.1% a year ago.

* Year-on-year money supply (M3) growth at 19.4% by 24 November — up from 17.3% a year ago.

* Year-on-year expansion in reserve money as on 24 November was 17.5% — higher than 14.9% a year ago.

* Additional liquidity amounting to Rs 12342 crore was absorbed under the market stabilisation scheme (MSS) in FY 2007 up to November 2006. The balances under MSS increased from Rs.29000 crore on 31 March to Rs 39233 crore by 30 November 2006.

* Year-on-year Wholesale Price Index (WPI) inflation has increased from 4.1% end-March 2006 to 5.3% on 25 November — higher than 4.5% a year ago.

* Year-on-year inflation based on the consumer price index (CPI) for industrial workers, urban non-manual employees, agricultural labourers and rural labourers is 7.3%, 7.2%, 8.4% and 8.1% in October 2006, from 4.2%, 4.6%, 3.2% and 3.2%, respectively, a year ago.

* As per the RBI's Industrial Outlook survey, a majority of respondents from the private corporate sector expect higher increase in prices of both inputs and outputs. There are reports of growing strains on domestic capacity utilisation. There are also reports that expansion of capacity is underway but the realisation could be constrained over the next two years.

RBI's move gains significance in view of the signs of overheating of select sectors (like real estate and credit cards) and the relatively high rise in advances. The BSE 30-share Sensex had risen 1,000 points in a month. Besides, the Central government had days earlier cut the administered diesel and petrol prices to control inflation. So, this was one of the monetary measures by the central bank to curb inflation.

Much of the spurt in inflation has been largely due to rise in primary articles (predominantly food article) prices, which have witnessed 8.01% increase in September 2006 (over September 2005), 7.46% in October 2006, and 6.88% in November 2006. As a result, WPI of all commodities went up by 5.38% in September 2006, 5.26% in October 2006, and by 5.34% in November 2006. But for the rise in select agri commodity prices, the inflation would have been below 5% in this period.

Strangely, advances to food credit are coming down. The outstanding food credit of the banking system was Rs 38680 crore on 24 November 2006 — Rs 2011 crore lower from the beginning of the FY 2007, and about Rs 3775 crore less than the same day of FY 2006.

The hike in CRR will absorb Rs 13500 crore from the banking system, and make it unavailable for advances. It will have impact on the lending side in the banking system.

The cut in CRR will impact banks, in particular public sector banks. Nevertheless, the net interest income of banks will improve due to the impressive surge in advances. Also, banks have enriched their advance mix with increase in share of retail loans, where the interest charged are invariably higher than that charged for companies.

The impact on banks' profitability will be restricted to the interest cost on deposits to the extent of the incremental CRR. For Rs 13500 crore, at an average cost of 8% (actual weighted average cost is very less for the banking sector), the maximum impact will be Rs 1080 crore.

On 24 November, deposits stood at Rs 2331372 crore — is 21% higher from 24 November 2005. But advances grew at a higher pace of 29% to Rs 1683730 crore. With about 30% of the deposits [25% statutory liquidity ratio (SLR) and 5% CRR] not available for advances (which will go up to 30.5% due to hike in CRR), the amount available for advances from incremental deposits was Rs 287588 crore (70% of incremental deposits of Rs 410840 crore). But incremental advances were actually Rs 287588 crore, evidencing the adverse impact of a slower pace of growth in deposits over advances.

Already, various banks have raised interest rates on deposits in the past couple of quarters. The latest to join was State Bank of India (SBI), ironically on 8 December 2006 — the day when CRR was hiked. SBI hiked deposit rates by 25-75 basis points from December 11 depending on various maturity periods.

We expect firming up of interest rates on both deposits and advances by banks, partly due to tightening of liquidity, partly due to slower pace of growth in deposits over advances and largely due to signals emanating from RBI.

Outlook

Has RBI acted in haste? Data released on 12 December indicated industrial production growth had slowed down to 6.2% per annum in October 2006 from October 2005. Manufacturing production, comprising more then 75% of industrial output, rose just 6% in October compared with a 12% annual growth in September.

So far the Indian economy is growing fabulously. It galloped 9.2% per annum in Q2 (July-September), higher than the 8.9% rise in Q1 (April-June) of FY 2007. The country is possibly heading towards a 8.5% growth in FY 2007.

If this is, however, going to be achieved with high inflation, it will have a devastating impact on masses, and will rob them the benefit of higher growth. Hence, it is imperative that appropriate fiscal and monetary measures are taken to ensure inflation remains under control. RBI's action is the right step in this direction. But it should step back and relax its hold on the monetary reign if it finds the economy slowing.

Trends in the Indian banking sector

Month	**Total Bank Credit**		**Total deposits**		**Total investments**	
	Rs Crore	**% Var**	**Rs Crore**	**% Var**	**Rs Crore**	**% Var**
Jan-06	1434310	36.86	2023939	21.03	739101	3.67
Feb-06	1407254	31.87	1981247	16.9	709611	-2.93
Mar-06	1507077	36.95	2109049	24.05	717454	-2.94
Apr-06	1485778	31.72	2134738	20.39	746831	0.8
May-06	1493433	30.88	2137009	20.13	745836	-0.4
Jun-06	1521127	31	2143643	19.55	741218	0.4
Jul-06	1556343	24.7	2203553	15.72	761239	-2.33
Aug-06	1578585	31.35	2236353	21.25	758501	-0.4
Sep-06	1654734	29.66	2302382	19.74	752764	-0.51
27-Oct-06	1655567	28.61	2292525	19.79	760336	0.75
24-Nov-06	1683730	28.8	2331372	21.39	765361	3.12

Major monetary measures

Financial year	Bank rate	CRR	SLR
1996	12	14	31.5
1997	12	10	31.5
1998	10.5	10.3	25
1999	8	10.5	25
2000	8	9	25
2001	7	8	25
2002	6.5	5.5	25
2003	6.3	4.8	25
2004	6	4.5	25
2005	6	5	25
2006	6	5	25
Till December 2006	6	5.5*	25

The figures in percentage pertain to the rates prevailing at the end of March for every financial year. * CRR will come into existence since 6 January 2007

7 IPO Centre

7.1 Pyramid Saimira Theatre

To capitalise on existing theatre infrastructure and make the most of new film releases

Related Tables

Issue Highlights
Pyramid Saimira Theatre: Objects of Issue

Pyramid Saimira Theatre (PSTL), promoted by V Natarajan, P S Saminathan and N Narayanan, has produced 10 films since inception. It has since taken a strategic decision to concentrate on film distribution and exhibition. The company set up its first theatre in September 2005 and thereafter embarked on the mega-digital-theatre-chain project in November 2005. Till filing the prospectus, PSTL had tied up with 148 screens with 90,906 seats in existing theatres in Tamil Nadu, Andhra Pradesh and Karnataka. The company's project is the first of its kind in the world.

The objective of PSTL is to have presence in all categories of theatres including malls, multiplexes, cineplexes and standalones across the country in Tier I, II and III locations through long-term leases, improvement in their infrastructure and conversion into digital theatres. The company is establishing an integrated network-operating center to convert films into digital formats. Digital theatres will also function as the delivery medium for other entertainment content and educational centres.

PSTL has tied up with Spirit Global Constructions Pvt. Ltd. for managing the operations of 60 malls in Punjab and Himachal Pradesh. It has a walk-in agreement with Swatantra Land and Finance to manage the operations of 22 malls in Haryana and 20 malls in Rajasthan. The malls will be fully complete with all facilities such as multi screens, food courts, entertainment zones, retail space, and parking space.

Strengths

* PSTL's strategy of digital distribution of films in a large number of theaters simultaneously as well as improving the film viewing experience will help it to get maximum revenues from the first week of release of new film. Shelf life of films has reduced significantly and showing new films every week/fortnight is the key to success in distribution and exhibition.

* The business model is an asset-light model. PSTL has signed a pay-per-view contract with Value Media Pvt. Ltd. for 1,000 theatres for equipment and services for the digital cinema system thereby avoiding a capital expenditure of Rs 160 crore. Also, all the standalone theatres, malls, multiplexes and cineplexes are on long-term lease or revenue sharing model, further lightening the capex burden.

* PSTL has the first-mover advantage in digitisation of theatres and digitisation of films. The company will exhibit films and other content in digital mode without physical prints. This will the company Rs 60,000 – Rs 70,000 per movie per theatre and approximately Rs 20 lakh per theatre per annum.

Weaknesses

* Since June 2006, promoters have bought and sold substantial number of shares at various prices. Pre-issue, investment advisor Nirmal Kotecha's equity stake at 41.92% is higher than promoters' stake of 27.34% (which will go down to 22% post-IPO). This is quite low.

* PSTL is exhibiting films only for about a year. The company plans to scale up in a very big way in a short span of time. It has plans to cover 1,550 locations and manage 2,000 theatres by 2010. Negotiating, handling and managing a large number of small theater owners spread all over India will be a highly demanding job.

* PSTL is a new player in the exhibition/distribution industry and competes with other established players, some of whom have been operating for a very long time and also have deeper pockets as compared with PSTL. Its capability in Hindi film distribution is unproven. In digital distribution, the company may have to contend with the Anil Dhirubhai Ambani group, which is planning to enter the field using Reliance Communications' optic fiber network. Also, increase in the price of content on account of competition may restrict profit.

Valuation

At the price band of Rs 88 - Rs 100, the annualised EPS for the half-year ended September 2006 on post-issue equity works out to Rs 3.3 - Rs 3.5 and PE works out to 26.4 – 28.6. TTM PE of Entertainment/Electronic Media Software is 39.7. Companies in similar business such as Adlabs Films has a PE of 36.4, and Inox Leisure 44.9. However, the business model of PSTL is different from its competitors. The company's project is exciting and can produce fast growth at a lower capital cost (which is what stock market fancies), provided it gets executed as planned. The job will be highly demanding.

Issue Highlights

Sector	**Entertainment/Electronic Media Software**
Sector TTM P/E	39.7
No. of shares fresh issue (in lakh)	84.44 - 95.95
No. of shares reserved for promoter (in lakh)	9.31 - 11.61
No. of shares reserved for employees (in lakh)	4.22 - 4.78
Price band (Rs)	88 - 100
Post-issue promoter stake (%)	22.37 - 22.47
Issue open / close	11-12-2006 / 18-12-2006
Listing	BSE/NSE

Pyramid Saimira Theatre: Objects of Issue

Particulars	**Amount**
Cost of renovation & upgradation of theatres & other footfall rights	36.8
Plant & machinery & installation cost for digitisation of theatres	24.14
Plant & machinery and other cost for central network operating center	3.01
Recovery security deposit with theatres & multiplexes	20.34
Recovery security deposit with VMPL	7.1
Preliminary expenses	15
Brand building	4
Working capital	7.8
Cost relating to public issue	5
Contingencies	1.5

Figures in Rs crore

7.2 Shree Ashtavinayak Cine Vision

Targeting mass production of movies **The success of the films produced and distributed will script its future**

Related Tables

Issue Highlights

Shree Ashtavinayak Cine Vision (SACVL) was taken over by current promoter 24-year-old Dhilin Mehta on 1 April 2002. The company discontinued producing television serials and commenced production of full-length films and subsequently entered film distribution with a strong hold in the Mumbai territory, i.e., Mumbai city, Gujarat, Western Maharashtra and Northern Karnataka. SAVCL has entered exhibition with tie-up with 31 theatres across Mumbai Territory. The company has distributed 23 films, the last being Jaan-e-man, and produced five films including Bhagam Bhag releasing on 22 December 2006.

Strengths

* The revenue of the film industry is expected to grow at a CAGR of 18%. Territorial break-up of domestic theatrical sales of the industry shows that the Mumbai territory contributes the highest, at about 36%.

* The management is targeting producing at least one film in every quarter. SAVCL's recent production Bhagam Bhag will be released on 22 December 2006. The company plans to produce eight films over a period of two years.

Weaknesses

* The revenue and profitability are dependent on movie releases. The revenue tends to rise/fall depending on the number of films released and the success of these films in a financial year. Investors should be prepared for sharp volatility in revenue and profit quarterly as well as yearly.

* The shelf life of a commercial theatrical screening of films has reduced from more than a year to less than six weeks. With many players planning large-scale production of films, value and success rate of films are bound to come down.

Valuation

In FY 2006, SAVCL produced one film and distributed eight films. Film production accounted for 52%, distribution 45%, and exhibition 1% of the sales revenues. In the four months ended July 2006, the company produced one film and distributed three. Film production contributed 60% and distribution 40% of the revenue. Going forward, the release of Bhagam Bhag on 22 December 2006 will drive the production revenue in the remaining part of FY 2007. The FY 2006 EPS on post-issue equity works out to Rs 10.6. At the price band of Rs 140- Rs160, PE works out to 13.2–15.1. Though this is substantially lower than TTM PE of around 40 for the entertainment and media sector, one should bear in mind the volatile nature of its profit. Stock market's experience with similar companies in the past has been far from encouraging. Mukta Arts, Pritish Nandy Communications and K Sera Sera are trading below their IPO offer prices.

Issue Highlights

No. of shares	33,00,000
Price band (Rs)	140-160
Post-issue promoter stake (%)	67.1
Issue open / close	14-12-2006/20-12-2006
Listing	BSE/NSE

8 Corporate News

8.1 Asian Electronics : Gaining energy

Close to 100% growth in the top line projected for FY 2007

With the importance of reducing energy consumption gaining ground across the globes, energy service companies (Esco) are much in demand. Esco is a business model designed to improve energy efficiency and reduce maintenance cost of customers. The compensation is directly linked to the amount of energy and capital that is saved. Asian Electronics is one of the 12 companies in India to receive the Esco designation. The company got a US patent on 8 August 2000 and the Indian patent on 24 July 2006 for T5 retrofit fixing.

Of the total cost of lighting, cost of energy consumed is 88% and of installation and maintenance (without taxes) 12%. By conserving 5% of the cost of lighting, one can pay the cost of installation and maintenance.

The global energy saving lighting market is slated to reach US$ 10billion-US$ 16 billion per year. The global lighting fixtures market is approximately US$ 70 billion and growing at 4.4% CAGR. It is expected to be around US$ 90 billion in 2010.

The growth is driven by demand from emerging countries such as India and China, efforts across the world to conserve energy and environment, and energy-efficient replacement products in traditional heavy-user markets such as North America and Western Europe. The Indian Parliament has passed a bill mandating all government facilities to reduce energy consumption by 30% using Esco methods from 2007 onwards.

The three segments in which Asian Electronics operates is:

* Esco lighting, which includes performance contracts for operation and maintenance. Fees are a percentage of savings effected in energy costs.

* Lighting solutions, which include domestic products and solutions and Westinghouse lighting products and solutions.

* Esco capacitors, which include lease rent/performance-based fees, and sale of automatic load management systems and electrical distribution revamp contracts.

Asian Electronics has an installed base over three million fixtures, built over only four years. Esco lighting contributed 9%, lighting solutions 54% and Esco capacitors 37% in FY2006. The company is shifting its focus from capacitors to lighting. By FY 2010, it is targeting Esco lighting to contribute 50%, lighting solutions 48%, and Esco capacitors 2%.

Asian Electronics reported an 88% growth in revenue to Rs 59.36 crore in the second quarter ended September 2006, with operating profit margin (OPM) dipping 380 basis points (bps) to 21.5%. The resultant operating profit (OP) grew 60% to Rs 12.76 crore. On a 210% increase in other income (OI) to Rs 3.47 crore, a 115% surge in interest cost to Rs 3.94 crore, and a 7% rise in to Rs 2.18 crore, the resultant PBT grew 93% to Rs 10.11 crore. After a 91% dip in tax to Rs 16 lakh, net profit zoomed to Rs 9.95 crore — up by 191%.

The top line grew 92% to Rs 113.08 crore in the first half of FY2007, with OPM dipping by 370 bps to 21.4. The resultant OP advanced 64% to Rs 24.23 crore. On a 164% increase in OI to Rs 5.06 crore, 100% rise in interest cost to Rs 7.13 crore, and 6% jumped in depreciation to Rs 4.30 crore, the resultant PBT was up 96% to Rs 17.86 crore. After a 48% dip in tax to Rs 1.66 crore, net profit surged to Rs 16.20 crore — up by 173%.

Asian Electronics sees good demand coming from the huge Indian retail market, expected to grow to 3,000 stores by 2008. Going forward, the company is focusing on maintaining over 20% EBIDTA margin through strong controls on overheads, general and administration expenses, continued product innovation to stay in the high-margin business, and increasing emphasis on Esco lighting revenue. It is benefited by the location of its units in tax-sheltered zones in Silvassa in Gujarat and Solan in Himachal Pradesh.

In an expansion mode, Asian Electronics has earmarked a capex of about Rs 20 crore for FY 2007 and FY 2008. Currently, the company is working on full capacity utilisation with new machinery coming up in the next two-three years. The company also has depreciation of Rs 8 crore–Rs 10 crore, which will finance the capex.

On a fully diluted basis, the equity capital will be Rs 14.9 crore. Asian Electronics has been growing at almost 100% for the last two quarters, and the growth rate is expected to be about the same in the second half.

8.2 Sterlite Optical Technologies : Transmitting global demand

Rs 1475-crore order book

The global optical fiber industry has entered a buoyant phase. Recent quarters have seen a revival in global demand for optical fibers with annual demand in 2006 estimated to grow at over 25% and reach 90-100 million km. In the first three quarters (January-September) of 2006, global production was about 75 million km.

To keep pace with the growing demand for optical fibers, Sterlite Optical Technologies (SOTL) is increasing the manufacturing capacity at its integrated optical fiber plant from four million km to six million km. This expanded capacity will be operational by the end of FY 2007.

SOTL is the seventh largest optical fiber manufacturer, with a 66% share in the Indian fiber market, a 12% share in the Chinese fiber market, and a 5% share of the global fiber market. It is among the top 10 companies globally in power transmission conductors and telecom cables.

A vertically integrated optical fiber company, SOTL is the only company (out of the US, Europe and Japan) to manufacture whole glass requirement for its optical fiber production. As per the management, SOTL is the least cost producer in the world with 100% capacity utilisation level.

In Q2 (July-September) of FY 2007, SOLT's telecom business earned a net revenue of Rs 103.64 crore, with EBIDTA of Rs 21.50 crore compared with the September 2005 quarter's net revenue of Rs 124.16 crore and EBIDTA of Rs 12.41 crore.

Under its access business, SOTL manufactures copper cables and structured cables. It has a 30% market share in the access business in India. In H1 of FY 2007, 8% of the revenue came from exports. The company expects to produce 3.3 million-km copper cable in FY 2007 an against 3.6 million km in FY 2006. For structured cables, it expects to manufacture 1,50,000 boxes in FY 2007 against 15,000 boxes in FY 2006. In HI of FY2007, SOTL produced 45,000 boxes of structured cable.

SOTL purchased the power transmission business from Sterlite Industries on a going concern basis with all assets and liabilities at a net consideration of Rs 148.51 crore from July 1, 2006. It is expanding of its existing power transmission conductor manufacturing capacity from 75,000 tonnes per annum to 115,000 tonnes per annum by setting a new facility at Haridwar, Uttarandhal, with a capacity of 40,000 tonnes. In FY2007, the company expects a production of 55,000 tonnes of power transmission conductors. For the power transmission business also, the company is vertically integrated as it makes conductors from aluminium ingots.

In Q2 of FY 2007, SOTL's power transmission business earned net revenue of Rs 276.01 crore with an EBIDTA of Rs 16.64 crore. The segment's revenue in H1 (April-September) of FY 2007 stood at Rs 476.82 crore, with net profit of Rs 23.18 crore against Rs 182.69 crore and Rs 3.27 crore, respectively, in H1 of FY 2006.

SOTL has an order book of Rs 1475 crore. Of this, about Rs 1100 crore is for power transmission business and Rs 375 crore for the telecom cable business.

8.3 Glenmark Pharmaceuticals : New prescription

Set to derive $69 million in FY2008 from NCEs

The bottom line of Glenmark Pharmaceuticals (Glenmark) spurted 131% the quarter ended September 2006. The growth was supported by a 56% jump in net sales and a 480 basis-point improvement in the operating profit margin.

Entry into new markets and new product launches in existing markets helped the company in this spirited performance. The US and Latin American markets led the growth with multifold growth. Oglemilast and GRC 8200, the new chemical entities (NCEs) of the company, continued to progress well in their phase 2 clinical trials. The company presently has six new NCEs in various stages of development. Two molecules are in phase 2 clinical trials, two leads will start phase 1 clinical trials by January 2007, while another two are expected to begin phase 1 trials by June 2007.

Glenmark expects its top line to grow 63% to $279 million (Rs. 1200 crore) in FY 2007, from $171 million (Rs 750 crore) in FY 2006. Further, the topline growth is projected to rise 42% to $397 million (Rs 1800 crore) in FY 2008. The company expects to derive $31 million (Rs 140 crore) in FY 2007 and $69 million (Rs 310 crore) in FY 2008 from new chemical entities that it has in its development pipeline.

Net profit is expected to move up to $62 million (Rs 280 crore) in FY2007, translating into on EPS of Rs 23.6. Net profit is estimated to shoot up 85% to $115 million (Rs 510 crore) in FY 2008, translating in an EPS of Rs 43.8.

The growth in the active pharmaceutical ingredient (API) segment is slated to remain in excess of 30% in FY 2007. The company plans to complete capacity expansion in Ankleshwar in Gujarat and start construction in Aurangabad in Maharashtra.

Sales from the domestic formulations business are expected to grow at 15% in FY 2007 as Glenmark strengthens its presence in respiratory, pain management and metabolic diseases in less regulated markets. The company plans to focus on Russian and South Africa and other high potential countries. It expects to achieve a 40% growth to Rs 150 crore in FY 2007 over FY 2006 in these markets.

In the Latin American markets, Glenmark plans to use Argentina as the hub and expand its presence in oncology to other markets. The margin is tipped to expand as the increased revenue will come from products from India. The company wants to double its FY 2006 sales to Rs 150 crore by FY 2007.

Glenmark has established a front-end in the European markets and is reviewing potential acquisitions. The company wants to exploit the European opportunities through niche generic products and by way of partnering and creating alliances with European companies.

In the US markets, Glenmark has established partnerships with Shasun and InvaGen and plans to build up a diversified product portfolio. The company has launched two out of five controlled substance products licensed from two US firms. It will introduce the rest by February 2007. Glenmark's revenue from the US market likely expected to move to Rs 190 crore, from around Rs 60 crore in FY 2006.

Glenmark has set up a biological research centre in Switzerland and has employed scientists to develop bioimprovics and new biologics skill sets with a vision towards future.

8.4 PTC India : Capacity-addition spree

Expects to post quantum jump in revenue in FY 2009

PTC, formerly Power Trading Corporation, has signed its first major agreement for trade in power from cross/border sources. The company has started trading power from the 1,020-MW Tala Hydroelectric Project (HEP) in Bhutan.

There has been consolidation of long-term business with the signing up of the 1,200-MW Teesta Urja project in Sikkim, and the 600-MW Dheeru Powegen in Chhatisgarh in addition to the ongoing supply source of 1,020-MW from Tala HEP. A special purpose vehicle (SPV) for financing equity investments in generation has gone on stream.

PTC reported a 4% rise to 3,268 million units (MU) in electricity traded volume in the quarter ended September 2006 over the quarter ended September 2005. Half-year volumes were up by 26% to 5,893 MU.

Revenue from operations increased 53% to Rs 1314.68 crore. Net profit, however, declined 9% to Rs 8.65 crore. The fall was on account of the fall in margin due to the Central Electricity Regulatory Commission's (CERC) regulation capping trading margin at four paisa unit. The growth in revenue was driven by the increase in power cost.

Revenue from operations jumped 81% to Rs 2356.78 crore in the half-year ended September 2006, while net profit declined marginally by 1% to Rs 20.69 crore.

PTC entered into a long-tem purchase agreement for project capacity of approximately 6,700 MW in October 2006, and has signed a memorandum of understanding (MoU) for 1,5400-MW capacity. The company has entered into a power sale agreement (PSA) for an aggregate capacity of 3,000 MW, while tie-ups for another 2,300 MW are in the MoU stage.

PTC expects to report trading volumes of 15 billion units in FY 2008 and post a quantum jump in FY 2009.

8.5 Uni Abex Alloys : Casting its net wide

Sets revenue target of Rs 100 crore by FY2010

Uni Abex Alloys manufactures centrifugal-casting alloy. This casting can be further divided into heat resistant alloy and corrosion resistant alloy. Non-ferrous metals like nickel, chromium and stainless steel are the major raw material for the company's products.

Users can be broadly classified into decanters (43% of revenue), and petrochemical industry (21%), and iron & steel industries (8%). The rest of the demand comes from chemicals, fertilizers and other sectors.

Uni Abex Alloys is one of the major suppliers of decanter components to Alfa Laval. Nearly 63% of the revenue of the company come from Alfa Laval.

After selling nearly 745 tonnes of castings in FY2005 and 879 tonnes in FY2006, Uni Abex Alloys has a target to sell at least 1,000 tonnes of castings in 2007.

In FY2006, the installed capacity of castings increased by 50% to 1,500 tonnes, which will be further ramped up to 2,000 tonnes in phased manner over of two years. The capex was Rs 3 crore in FY2006 and will be of Rs 1.5 crore in FY2007.

Export realisation is better than domestic realisation at present as many foundries in the European Union (EU) and US have been closed down and the orders are being diverted to India. The company expects its export revenue to reach to 50% in the next couple of years from the present 30%.

Uni Abex Alloys reported net sales of Rs 11.96 crore in the quarter ended September 2006 — up by 3%, and profit after tax (PAT) of Rs 0.63 crore — down 56% compared with the quarter ended September 2005. The main reason for the fall was the orders not executed in the September 2006 quarter and Rs 10 crore of work in progress (WIP). The company expects to outperform in a major way in H2 (October-March) of FY2007.

Normally it takes time to pass on the rise in raw material cost. But Uni Abex Alloys has reached a stage where it can pass on the rise in the raw material cost fully in the export markets and partially in the domestic market.

Of the Rs 54-crore revenue target set for FY2007, Uni Abex Alloys expects to garner Rs 35 crore from the domestic market and the rest from exports. The company is in the process of signing a joint venture (JV) with an EU company for manufacturing reformer tubes. The JV will manufacture the tubes in India and the EU company will market those products. Negotiations are going on and a concrete picture will appear only before the year end.

Uni Abex Alloys has set an internal target of Rs 100 crore of revenue by FY2010, with EBIDT margin of about 25%. The order book stood at Rs 21 crore end October 2006 as against Rs 12 crore end October 2005.

9 Market watch : Movers and shakers

Prices as on 08 December 2006 with variation over the fortnight

Company	**Share Price**	**Var.(%)**
Flex Industries	105.65	78.76

The New Delhi-based packaging company got approval from the Delhi High Court for the merger of two other group companies, Flex Engineering and FCL Technologies with itself, enabling the accumulation of resources under a single entity providing end-to-end solutions in the packaging industry.

Shreyas Shipping & Logistics	136.3	35.68

The Mumbai-based shipping and logistics services provider will raise up to Rs 150 crore for buyouts in India or abroad. Shreyas Shipping may also utilise the funds to invest in other logistics companies.

Bayer Diagnostics India	918.35	35.05

The MNC associate medical equipment manufacturer set 22 December 2006 as record date for paying a hefty interim dividend of Rs 97 per share on face value of Rs 10 per share.

Godfrey Phillips	1396.35	34.06

The Mumbai-based cigarette manufacturer reportedly expects to declare a highly liberal bonus issue. Godfrey Phillips has an equity base of Rs 10.40 crore and a hefty book value of Rs 344.30 per share on face value of Rs 10. Since 1991, it has issued bonus three times. On all the three occasions, the bonus issue was a liberal 1:1. The last bonus was in 1993. But the company later denied this rumours.

Essar Shipping	32.4	32.51

The Essar group shipping company’s board of directors approved delisting of its shares from the Bombay Stock Exchange. Essar Shipping will seek shareholders‘ approval next month for this purpose.

Rajesh Exports	300.1	30.95

The Bangalore-based jewellery exporter bagged an order for gold coins from Life Insurance Corporation of India. Rajesh Exports also formed an equal joint venture with US-based watch designer Fossil Inc. The joint venture will make watches and sell jewellery.

Bayer Cropscience	270.65	26.97

The MNC associate pesticide manufacturer is likely to sell its Thane property. As per reports, the company has already got its large freehold land at Kokshet, Thane (near Mumbai), evaluated and is close to reaching a deal with a large corporate. The evaluation places a price tag of Rs 1200 crore — a huge premium to the existing rates in the area.

i-flex solutions	2048.8	24.36

The MNC associate software solutions provider parent Oracle Corporation raised the open offer price for the company to Rs 2100 per share. Oracle now intends to raise its stake in i-flex to 90% from the earlier intent of raising its holding to 75%, from existing 55%. In September 2006, Oracle had announced an open offer for 20% stake at Rs 1475 per share.

Teledata Informatics	18.45	22.1

The Chennai-based software company to split the company into three separate entities, each focusing on a specific business. The three entities will be Teledata Marine Solutions, Teledata Technology Solutions and Teledata Informatics. Teledata Marine Solutions will focus on software solutions for the marine sector and will also operate ships. Teledata Technology Solutions will provide ERP and CRM solutions, whereas Teledata Informatics will provide education and agro biotech.

Honeywell Automation India	1776.95	17.67

The MNC associate integrated automation and software solutions provider is reportedly eyeing $1 billion in sales by 2010.

Lakshmi Machine Works	37511.15	17.61

The Coimbatore-based textile machinery manufacturer fixed 20 December 2006 as record date for a 10-for-1 stock-split. The current face of Rs 100 will be reduced to Rs 10 per share after the split.

AIA Engineering	1387.05	16.23

The Ahmedabad-based engineering company is to raise Rs 125 crore through placement to qualified institutional buyers. AIA Engineering will use this funds to further expand capacity up to 1,00,000 tonnes to meet growing market requirement, either through greenfield/brownfield expansion or both and also for suitable inorganic growth opportunities, if available, simultaneously.

Infomedia India	157.95	14.04

The Mumbai-based publisher of Yellow Pages launched UK's popular gadgets magazine, T3, in India. Priced at Rs 100, the monthly will have an initial print run of 22,000 copies.

Gitanjali Gems	222.05	8.55

The Mumbai-based jewellery exporter is reportedly said to be in talks to acquire US jewellery retailer Samuels Jewelers Inc. in a transaction valued at $25 million. Reports state the acquisition is likely to be clinched within a month.

Royal Orchid Hotels	191.75	7.75

The Bangalore-based hotel signed an agreement with a global major for developing new hotels in India. The agreement with Ramada, part of Wyndham Group World-wide, which runs about 900 hotels across 25 countries, aims to set up these hotels under the Ramada brand.

PBA Infrastructure	141.55	7.35

The Mumbai-based construction company bagged a Rs 297-crore order for providing four laning to Aurangabad Jalna road from the World Bank Project Division, Maharashtra, in joint venture with Sadbhav Engineering, known as Sadbhav-Prakash. The concession period of the project is 23 years and six months. PBA Infrastructure has a 49% while Sadbhav Engineering has a 51% stake in the joint venture. PBA Infrastructure's latest order book position stands at Rs 900 crore.

Gujarat NRE Coke	28.6	7.13

The Kolkata-based coke manufacturer acquired controlling stake in Zelos Resources NL (ZCO), a company listed on the Australian Stock Exchange and which is now called Gujarat NRE Resources NL.

Punj Lloyd	1028.3	7.08

The New Delhi-based turnkey constrction services provider signed a contract for constructing an LDPE plant in Thailand. Punj Lloyd Group, a global infrastructure services provider, bagged the Rs 1000-crore order through Simon Carves, UK, a group company. The order is from PTT Polyethylene Company (PTT PE), a wholly-owned subsidiary of PTT Chemical Company, jointly with its partner Toyo Thai Corporation.

Tata Motors	866.8	5.01

The Tata group auto manufacturer reported a 43% surge to 49,061 units in total vehicle sales for November 2006 compared with the same month a year ago. Sales of commercial vehicles rose 46% to 25,793, while sales of cars advanced 48% to 19,475, helped by the rise in sales of its Indica model. Exports increased 9.6% to 3,793 units.

Granules India	92.6	4.89

The Hyderabad-based pharma company signed an agreement with a Dutch firm for joint development and marketing of formulations in Europe. The arrangement will start with Dutch firm PharmaMatch, transferring existing marketing authorisations to Granules India for products such as paracetamol.

Graphite India	304.6	4.69

The Kolkata-based graphite electrodes manufacturer's shareholders approved sub-division of each equity share of Rs 10 into five of Rs 2 each. It has also been decided that 18 December 2006 will be the record date for the same.

Thomas Cook India	544.15	4.13

The MNC associate travel services provider acquired a 100% stake in Travel Corporation (India) (TCI) for about Rs 182 crore. TCI will become a wholly owned unit of Thomas Cook, but function as a separate entity.

Greenply Industries	98.25	3.36

The Assam-based plywood maker signed a deal to sell carbon credits worth $5 million. The deal will add 500,000 euros annually to its revenues from FY 2007 to till FY 2012. Greenply Industries will invest Rs 40 crore for capacity expansion at its Behror plant in Rajasthan. The expansion will be completed by July next year.

Panacea Biotec	353.6	2.7

The Punjab-based biotech company acquired a 10% stake in UK-based vaccine maker Cambridge Biostability for £1.935 million. Panacea Biotec also entered into an agreement to in-license Cambridge's stable liquid technology for vaccines pertaining to diptheria, tetanus, whooping cough, hepatitis B and a virulent form of influenza. Clinical trials of these will start in 2008, and the first product should hit the market in 2010. Panacea Biotec is also setting up another facility near Chandigarh to produce 100 million doses of the vaccine per annum, initially.

Sterlite Industries	555.85	2.54

The Sterlite group metal producer commissioned an aluminium smelter with an annual production capacity of 2,45,000 tonnes. Sterlite Industries said the latest expansion would take the aluminium capacity at its plant in Korba in Chhatisgarh to 3,45,000 tonnes annually. The company also said changes at its copper smelter at Tuticorin had lifted capacity by 1,00,000 tonnes annually to 4,00,000 tonnes without any additional capital spending.

TCS	1176.15	2.42

The Tata group software major is reportedly said to have bagged a five-year outsourcing contract from UK's United Biscuits. The size of the order is not known. TCS had also won a $65-million (Rs 292.5 crore) seven-year deal from Somerfield, a UK-based small-format food retailer, to provide a range of IT services. TCS will take over the entire IT operations, asset management and planning for Somerfield.

Maruti Udyog	932.4	2.23

The New Delhi-based auto manufacturer reported selling 55,033 vehicles in November 2006 — a 16.1% rise over November 2005. Maruti Udyog said domestic sales rose an annual 20.7% to 52,574, but exports fell 35.7% to 2,459 units.

GMR Infrastructure	384.6	2.16

The Bangalore-based diversified company's subsidiary tied up with a Singaporean hospitality firm to manage its first business hotel. As per the agreement, Accor will operate, manage and maintain the hotel in accordance with Novotel Brand standards. Accor will also provide technical support in the construction stage to build the hotel as per Novotel norms. The lease term for operating the hotel is for 10 years, which can be extended further on mutual agreement.

Ispat Industries	11.44	2.05

The Mumbai-based steel producer announced investment of Rs 2000 crore to scale up capacity to five million tonnes a year from the existing three million tonnes at its integrated steel plant in Maharashtra.

Strides Arcolab	332.6	1.93

The Mumbai-based pharma company tied-up with Akorn Inc to develop and market 10 new injectible drugs through their joint venture. The joint venture, formed in 2005, has so far developed and submitted 15 abbreviated new drug application (ANDAs), and plans to submit two more ANDAs, taking the total filed to 17 so far this year. The joint venture expects to generate revenue in 2007, based on initial product approvals and subsequent product launches. The additional funding provided to the joint venture will expand the pipeline of products to 29 ANDAs.

Tata Power Company	585.5	1.56

The Tata group power generation company reported a 60.99% rise in net profit to Rs 202.32 crore in Q2 September 2006 as compared with Rs 125.67 crore in Q2 September 2005. Total income increased to Rs 1279.17 crore (Rs 1097.21 crore).

Steel Strips Wheels	152.8	0.78

The Punjab-based auto ancillary company's November sales rose 35% to 4,10,086 units from November 2005. Steel Strips Wheels produced 4,00,824 rims in November compared with 2,68,555 rims a year ago.

Bajaj Auto	2649.2	0.6

The Bajaj group auto major reported a 36% rise in motorcycle sales to 2,14,321 units in November 2006, while sales of all two-wheelers grew 29% to 2,14,329 units. Sales of three-wheelers were up 71% at 29,384 units, while exports jumped 56% to 36,086.

Mahindra & Mahindra	833.95	-0.44

The Mahindra group auto manufacturer entered into an agreement to acquire 66% equity stake in DGP Hinoday Industries (Hinoday).

UTV Software	263.95	-0.73

The Mumbai-based media company acquired two gaming companies, one in India and another in the UK. UTV Software acquired controlling stake in Indiagames, a Mumbai-based mobile and online gaming company, for around Rs 68 crore. It also acquired controlling stake in Ignition Entertainment, a British console games developer, for around Rs 60 crore.

City Union Bank	146.8	-2.2

L&T is reportedly said to be acquiring a little over 10% stake in the Kumbakonam-based private sector bank. The deal is yet to be approved by the Reserve Bank of India (RBI) as corporate groups are barred from picking up stakes above 5% in a bank. The board of directors of City Union Bank has approved a preferential issue of 27 lakh shares to L&T at Rs 169 per share. The bank's board will seek approval from shareholders at an extraordinary general meeting (EGM) slated on 29 December 2006, after which it will approach the RBI for permission.

Dabur Pharma 72.45 -3.53

The Dabur group pharma company secured the FDA nod for generic paclitaxel injections, a formulation that fights cancer. Paclitaxel is the generic equivalent of Bristol-Myers Squibb's Taxol.

K Sera Sera Productions 29.5 -4.68

The Mumbai-based film production and television content maker agreed to buy 80% of Lemon Entertainment from Lemon's founders. Lemon Entertainment runs Lemon TV channel.

Praj Industries 182.85 -4.86

The Pune-based engineering company secured a 2-million euro order to design a bio-ethanol complex in Belgium.

IVRCL Infrastructures & Projects 402.5 -5.22

The Hyderabad-based construction company bagged Rs 388-crore orders from the irrigation department of the Andhra Pradesh government. The orders will be executed along with its joint venture partners.

MSK Projects 89.3 -6.78

The Baroda-based construction company bagged a Rs 21.20-crore order from Pimpri Chinchwada Municipal Corporation, Pune, for improvement, maintenance and repairs of roads.

Tide Water Oil 1531.85 -9.68

The PSU lube oil manufacturer reported a 49.40% fall to Rs 1.23 crore in net profit in Q2 September 2006 as compared with a net profit of Rs 2.43 crore in Q2 September 2005. Net sales rose 36.30% to Rs 96.6 crore (Rs 72.7 crore).

10 Market Snapshot

10.1 Market Snapshot - Part II

Group	08-Dec-06	24-Nov-06	Var (%)
Advance & Declines			
Bse			
Advances	1440	1034	39.26
Declines	1019	1429	-28.69
Unchanged	26	22	18.18
NSE			
Advances	488	393	24.17
Declines	453	552	-17.93
Unchanged	12	8	50
A			
Advances	100	110	-9.09
Declines	98	89	10.11
Unchanged	1	0	-
B1			
Advances	333	256	30.08
Declines	317	397	-20.15
Unchanged	5	2	150
B2			
Advances	562	327	71.87
Declines	297	527	-43.64
Unchanged	11	16	-31.25
S			

Advances	283	177	59.89
Declines	183	291	-37.11
Unchanged	3	1	200
T			
Advances	68	77	-11.69
Declines	72	63	14.29
Unchanged	0	0	-
BSE's PE Ratio			
BSE 30	22.83	22.63	0.88
BSE 100	20.24	20.18	0.3
BSE 200	19.89	19.88	0.05
BSE's Price to Book Value			
BSE 30	5.23	5.18	0.97
BSE 100	4.51	4.5	0.22
BSE 200	4.39	4.39	0
BSE's Dividend Yield (%)			
BSE 30	1.21	1.22	-0.82
BSE 100	1.25	1.25	0
BSE 200	1.23	1.23	0
Volumes			
A	54416869	60262794	-9.7
B1	87526730	105766959	-17.25
B2	57283455	28486343	101.09
S	20400633	18210002	12.03
T	7136305	10197958	-30.02
TS	1270834	2837783	-55.22
Market Cap			

A	2808715.2	2785751.22	0.82
B1	550231.16	545912.6	0.79
B2	72323.28	69704.23	3.76
S	82219.29	79082.01	3.97
T	16724.66	15356.87	8.91
TS	17954.02	17938.17	0.09

Market Cap Gainers & Losers

A

TOP GAINERS	**08-Dec-06**	**Var (%)**
I-Flex Solutions	16615.77	24.37
Aditya Birla Nuv	11224.33	21.22
Polaris Software	1449.43	19.3
Adani Enterprise	5752.13	16.52
Ipca Labs.	1358.25	14.73
Aurobindo Pharma	3615.07	14.26
Asahi India Glas	2189.83	14.08
Dena Bank	1061.23	12.29
IndusInd Bank	1445.79	11.41
Sterling Biotech	3779.2	9
TOP LOSERS	**08-Dec-06**	**Var (%)**
Bongaigaon Ref.	932.16	-13.77
Indian Oil	50843.48	-13.57
H P C L	9282.37	-13.56
IBP Co.	1000.74	-12.31
B P C L	12006.74	-11.52
Moser Baer	2755.41	-10.83

Corporation Bank	5138.02	-10.06
Castrol India	2732.44	-8.75
Suzlon Energy	38775.66	-8.62
Sun TV	9606.71	-7.73
B1		
TOP GAINERS	**08-Dec-06**	**Var (%)**
Flex Inds.	518.42	78.77
Atlanta	1962.52	62.86
Hindoostan Spg.	92.38	62.13
Flex Engg.	95.55	62
Guj. Themis Bio.	15.73	49.38
Axis IT&T	26.65	47.32
Malu Paper	74.21	44.27
Krishna Lifest.	121.67	43.38
FCL Technologies	45.75	39.48
Bayer Diagnostic	144.18	35.05
TOP LOSERS	**08-Dec-06**	**Var (%)**
Nova Petro	39.02	-25.89
Nandam Exim Ltd	126.6	-25.2
FCS Software	120.58	-22.97
Shivam Autotech	175.85	-22.04
Cybertech Syst.	32.39	-15.63
JHS Svendgaard	40.31	-14.69
Kernex Micorsyst	182.38	-13.08
Igarashi Motors	180.86	-12.84
KDL Biotech	22.78	-12.59
Shyam Telecom	142.17	-11.97

B2

TOP GAINERS	**08-Dec-06**	**Var (%)**
BDH Inds.	26.68	192.54
Mansi Fin.(Chen)	1.95	163.51
Rander Corporati	4.53	150.28
Supertex Inds.	5.51	134.47
Jainco Projects	2.29	133.67
Bellary Steels	65.83	130.82
Amrapali Develop	5.98	130
Manoj Housg. Fin	6.34	128.06
Ritesh Intl.	8.39	117.92
Ashish Polyplast	1.5	114.29
TOP LOSERS	**08-Dec-06**	**Var (%)**
Rotam Commercial	2.42	-57.91
HarvicManagement	1.44	-34.84
Prraneta Inds	7.34	-30.75
Nalin Lease Fin.	1.41	-26.18
Shyam Software	0.79	-24.76
Sri Jayalak. Spg	6.09	-23.68
KJMC Fin.	2.38	-22.73
Birla VXL	293.18	-22.03
Muller & Phipps	8.37	-20.89
Sika Interplant	13.7	-19.08
TOP GAINERS	**08-Dec-06**	**Var (%)**
Pion. Embroider.	201.72	127.5
Damodar Threads	17.3	108.18
Sumeet Inds.	14.96	78.73

Donear Inds.	1195.48	77.67
Kesar Enterprise	92.79	67.25
CHD Developers	49.77	62.17
VJIL Consulting	21.3	61.61
Permanent Mag.	15.04	60.68
Real Strips	16.22	49.22
Anjani Synth.	12.83	49.01
TOP LOSERS	**08-Dec-06**	**Var (%)**
Odyssey Tech.	8.17	-23.07
Srinivasa Ship.	88.34	-20.24
Arrow Webtex	142.64	-18.97
Spice	97.77	-18.63
Gulf Oil Corpn.	1914.2	-18.24
Synergy Log-In	13.95	-16.37
Danlaw Tech.	15.48	-15.27
Guj. Intrux	16.2	-15.14
Sybly Inds.	13.93	-14.07
Dynamic Inds.	12.98	-14.04

Figures in Rs cr

10.2 Market Snapshot - Part III

Market Capitalisation

Industries

TOP 15 GAINERS	**08-Dec-06**	**Var (%)**
Shipping	12516.38	45.76
Engineering	28413.89	32.61
Textile Machinery	4826.29	16.99
Textiles - Manmade	14867.42	15.72
Textiles - Processing	8134.23	15.71
Textiles - Spinning - Synthetic / Blended	2162.14	13.19
Cables - Power	1122.96	10.89
Fasteners	2014.48	9.38
Pumps	5600.99	8.04
Pesticides / Agrochemicals - Multinational	3349.49	8
Packaging	9409.97	7.36
Leather / Leather Products	2420.42	7.27
Diamond Cutting / Jewellery	6213.35	7.22
Aquaculture	68.84	7.04
Construction	119783.79	6.89
TOP 15 LOSERS	**08-Dec-06**	**Var (%)**
Transport - Airlines	7906.22	-6.71
Finance - Housing	41675.45	-5.54
Castings & Forgings	12002.12	-5.25
Finance - Term-Lending Institutions	942.31	-4.27
Pesticides / Agrochemicals - Indian	6747.52	-3.83
Computers - Hardware	8965.32	-3.67

Personal Care - Multinational	62953.07	-3.65
Detergents / Intermediates	3038.29	-3.61
Textiles - Composite	2372.4	-3.53
Refineries	295664.86	-3.5
Dry Cells	1307.45	-3.49
Entertainment / Electronic Media Software	45642.3	-3.41
Cycles And Accessories	1374.49	-3.34
Abrasives And Grinding Wheels	2386.89	-2.99
Couriers	1984.02	-2.68

Figures in Rs cr

IPO performance

Company	Issue Close	Times Over Subscb	Offer Price	LIST PRICE Open	LIST Price CLOSE	LIST Price high	LIST Price low	LIST DATE	Price 08-Dec-06	High /low frm date of listing	Var. (%) frm offer price	Var(%) frm list price
Parsvnath Develo	10/11/2006	56	300	540	526	579	482	30/11/2006	502	579/480	67	-7
Lanco Infratech	10/11/2006	12	240	270	241	275	240	27/11/2006	248	276/228	3	-8
Zenith Birla	20/10/2006	1	55	48	39	48	39	21/11/2006	39	49/36	-29	-18
Info Edge (India	02/11/2006	55	320	480	593	624	480	21/11/2006	582	647/480	82	21
Accel Frontline	05/10/2006	2	75	78	71	80	70	30/10/2006	64	80/58	-14	-17
Develop.Cr.Bank	06/10/2006	35	26	35	48	49	35	27/10/2006	59	67/35	128	68
Global Vectra	06/10/2006	4	185	175	187	195	175	27/10/2006	208	233/155	12	19
JHS Svendgaard	04/10/2006	3	58	60	57	62	56	21/10/2006	32	62/32	-44	-46
Hanung Toys and	05/10/2006	9	95	122	96	122	90	20/10/2006	122	144/87	28	0

Fiem Inds	27/09/2006	3	137	145	122	148	120	19/10/2006	123	148/87	-10	-15
Gayatri Projects	29/09/2006	6	295	333	299	348	293	17/10/2006	325	364/288	10	-2
Richa Knits	19/09/2006	2	30	31	30	40	30	12/10/2006	20	40/19	-35	-37
Usher Agro	11/09/2006	2	15	19	16	19	15	06/10/2006	14	19-Sep	-10	-30
Gwalior Chemical	14/09/2006	7	81	90	94	95	85	04/10/2006	91	112/83	12	1
HOV Services	07/09/2006	3	200	200	180	209	177	27/09/2006	171	211/141	-15	-15
Action Construct	07/09/2006	34	130	200	193	211	185	26/09/2006	365	408/185	180	82
Atlanta	07/09/2006	9	150	170	192	210	170	25/09/2006	1204	1204/170	703	608
K E W Industries	01/09/2006	3	30	36	24	36	23	25/09/2006	23	36/22	-25	-36
Deep Industries	04/09/2006	1	36	49	28	49	27	25/09/2006	28	49/27	-22	-43
Voltamp Trans	29/08/2006	17	345	399	417	431	375	20/09/2006	685	719/375	98	72
Tech Mahindra	04/08/2006	70	365	525	553	569	523	28/08/2006	1126	1214/521	208	114
GMR Infra.	04/08/2006	7	210	215	210	220	205	21/08/2006	385	405/205	83	79
Allcargo Global	06/06/2006	8	675	520	670	689	520	23/06/2006	1040	1155/520	54	100
Prime Focus	03/06/2006	1	417	374	325	374	291	20/06/2006	307	391/274	-26	-18
Gangotri Textile	23/05/2006	1	41	38	38	40	33	12/06/2006	26	40/25	-36	-30
Unity Infra	24/05/2006	2	675	650	472	650	462	12/06/2006	515	650/317	-24	-21
Deccan Aviation	26/05/2006	1	148	148	99	148	97	12/06/2006	128	155/64	-14	-14
Rathi Udyog	25/05/2006	1	50	37	32	37	32	08/06/2006	27	43/23	-46	-27
Patel Engg.	09/05/2006	29	440	420	420	440	420	24/05/2006	445	464/222	1	6
D S Kulkarni Dev	03/05/2006	30	275	328	328	328	328	19/05/2006	430	450/156	56	31

Price in Rs. Var (%) From Offer Price & List Price is over Price 08/12/2006.

10.3 Market Snapshot - Part I

The fortnight in the market (24 Nov - 08 Dec 2006)

	08-Dec-06	**24-Nov-06**	**Var(%)**
BSE Sensex	13799.49	13703.33	0.7
Nifty	3962	3950.85	0.28
BSE 200	1655.52	1650.25	0.32
BSE 500	5260.52	5235.72	0.47
BSE Mid-Cap	5745.54	5654.71	1.61
BSE Small-Cap	6730.42	6523.03	3.18
BSE IT	5130.24	5156.87	-0.52
BSE Consumer	3337.69	3305.34	0.98
BSE Capital	9353.83	8991.2	4.03
BSE FMCG	2020.63	2000.99	0.98
BSE PSU	6215.18	6289.47	-1.18
BSE Healthcare	3724.95	3743.78	-0.5
BANKEX	7213.74	7150.46	0.88
BSE Metal	9041.19	9015.39	0.29
BSE Oil	6095.46	6178.39	-1.34
BSE Auto	5393.16	5339.35	1.01
BSE-Teck	3577.63	3566.9	0.3
FII-Equity	-517	3851.8	-113.42
FII-Debt	723.2	71.7	908.65

MF-Equity	31.65	-48.53	-165.22
MF-Debt	2121.17	2057.1	3.11
(Figures Rs cr)			
World Indices			
Nasdaq	2437.36	2460.26	-0.93
Dow Jones	12307.49	12280.17	0.22
S&P 500	1409.84	1400.95	0.63
FTSE 100	6152.4	6122.1	0.49
Nikkei 225	16417.82	15734.6	4.34
Hang Seng	18739.99	19260.3	-2.7
Seoul Composite	1390.43	1421.73	-2.2
Strait Times	2865.14	2814.81	1.79

TOP 10 BSE VOLUMES GAINERS

	Group	Avg. Volumes
Bellary Steels	B2	7981973
Parsvnath Develo	A	5523545.71
Torrent Power	B1	4612975.56
Shiva Cement	B2	4520912.09
Lanco Infratech	A	3952453.2
Manali Petrochem	B2	3939185.33
Donear Inds.	S	3811494.36
IFCI	B1	3088561.64
Nandan Exim	B1	2320933.55
Silverline Tech	T	2116707.18

TOP 10 NSE VOLUMES GAINERS

IFCI	B1	18810292.36
Parsvnath Develo	A	13814232.14
Lanco Infratech	A	7127401.3
S A I L	A	5769925.55
NTPC	A	5268627.55
Ashok Leyland	A	5033929.64
Torrent Power	B1	4667598.67
IVRCL Infrastruc	B1	4414036.73
Reliance Communi	A	4331719.36
Balrampur Chini	B1	3804567.18

New 52-week High

	New High	**Prv.High**
Lak. Mach. Works	39418.95	36799
A B B	3925	3790
Divi's Lab	3180	3114.35
Grasim Inds.	2824	2818
B H E L	2668	2552
Pantaloon Retail	2378	2280
Jindal Steel	2259	2180.1
Financial Tech.	2225	2094
I-Flex Solutions	2055	1631
Sun TV	1585	1579
AIA Engg	1525.7	1229.9

Larsen & Toubro	1490	1457.5
St Bk of India	1378.7	1263
Reliance Inds.	1350	1315.9
NESCO	1257.9	1027
Aditya Birla Nuv	1240	1111.5
Phoenix Mills	1226.85	1128.75
TCS	1212	1175.2
Atlanta	1204	704.1
ACC	1192	1109.7
Ansal Properties	1134.45	1037.6
Areva T&D	1076.1	909.9
Sun Pharma.	1065	1012
Walchan. Inds.	1020	978.3
UltraTech Cem.	974.9	936.5
Bayer Diagnostic	940	745
M & M	865	853
Shoppers’ Stop	777	725
Deccan Chronicle	738.7	679.95
Jaiprakash Assoc	725.9	703.65
Voltamp Trans	719	634
Century Textiles	701.95	699.25
Subex Azure	681.9	663
Everest Kanto	668	542.4
Bharti Airtel	651.9	644.9
Info Edge (India	646.9	627.5
Reliance Capital	642.8	640
Glenmark Pharma	625	594

Tata Power Co.	621.45	612.95
Wipro	607	598.9
Indiabulls Fin.	605.15	586
Kesoram Inds.	594	591
Pun. Natl. Bank	584.9	565.9
Ipca Labs.	564	457.9
Josts Engg. Co.	559.7	430.5
CCL Products	555	534.8
Unitech	544.4	535.5
Classic Diamonds	524.95	498
NIIT	503	408.9
Tulip IT	485.8	478

Figures in Rs

New 52-week low

	New LOW	**Prv. LOW**
Bannari Amman	775	815.55
Mount Ever. Trd.	266	302
Ador Welding	265.15	270.2
EID Parry	138.55	142
Titanor Comp.	133.7	140
Sudarshan Chem.	121	123.75
Upper Gang. Sug.	121	121.25
Liberty Shoes	119.95	127
Tata Metaliks	110	111.1

Megasoft	103.2	115.1
Nag. Agrichem	89.5	90.55
Dwarikesh Sugar	87	94.1
Dhampur Sugar	84	91.7
Balrampur Chini	81.05	85.3
Eveready Inds.	64.5	65
Monnet Sugar	56.5	60
Zen Technologies	55	59.3
Mawana Sugars	53.3	54.05
Tinplate Co.	49.4	49.5
UT	49.05	51.2
Synergy Multi.	42.5	43
Arihant Capital	33.2	34.3
JHS Svendgaard	32.05	33.55
Dhanlaxmi Fabric	30.05	31
Arrow Coated	27.55	30.5
Gangotri Textile	25	25.1
Rotam Commercial	23.5	47.75
K E W Industries	22.3	22.75
Kanchan Intl.	19.1	20
Richa Knits	19	19.35
Vama Inds.	17	17.3
United Credit	16.95	17
Nova Petrochem	12.9	20.5
Wisec Global	11.6	11.62
LML	9.96	9.99
Diana Tea	9.7	10.01

Ashirwad Steels	9.65	11.1
Usher Agro	8.5	10.1
Nandan Exim	8.34	9.45
Ecoboard Inds.	8.21	8.5
Adarsh Derivativ	8	8.14
Ceejay Finance	7.23	8
Mascon Global	6.66	7.48
Venus Sugar	5.2	6.22
Valley Indiana	4.8	5.8
Saya Hsg. Fin.	4.51	5
Polylink Polymer	4.1	4.17
Jalpac India	3.66	3.81
G R Cables	3.51	3.7
P. H. Capital	3.35	5.71

Figures in Rs

11 Face-To-Face : Spentex Industries

‘Acquisitions catapult Spentex to the top’

Spentex Industries (SIL) recently took over Indo Rama Textiles (IRTL), Amit Spinning Industries (ASIL) and Tashkent Toytepa Tekstil. It made the first qualified institutional placement (QIP) by any Indian company after Sebi notified fresh guidelines. To know more about the company, *Capital Market*’s Darshan Singh Bagga spoke to **Mukund Choudhary**, Managing Director, SIL. Excerpts:

What is the present product mix of Spentex Industries? What will it be post these acquisitions?

SIL manufactures various counts in the 20-50 range and four types cotton — CH, CW, KW, KH — at its plants. In addition, we have also set up 36,000 spindles for value-added cotton yarn as below :

*Slub yarn***:** This type of yarn is used in premium quality denim and bottomwear fabric manufacturing. There is 20% more value addition in slub yarn over normal yarn.

*Core-spun yarn***:** There are two types of core spun yarn. There is 25-30% more value addition in core spun yarn in comparison with normal yarn.

Soft-core spun: This type of yarn imparts high stretch ability to fabric. These types of fabrics are used for comfort and ladies wear.

Hard-core spun: This type of yarn imparts strength to fabric. Normally, these fabrics are used for industrial and technical purpose.

*Compact yarn***:** This type of yarn is the latest in high-end premium yarns. Fabric made out of compact yarn is very smooth, more durable, and has no tendency for pilling on washing repeatedly. Value addition in compact yarn is 25-30% more in comparison to normal yarn.

IRTL manufactures products like polyester staple fibre (PSF) and partially-oriented yarn (POY) in blends, polyester / cotton, polyester / viscose, 100% polyester, and 100% viscose.

What were the costs of the acquisitions? How did you finance them?

SIL acquired 50.91% in Amit Spinning for Rs 17.66, 84.02% in Indo Ram textiles for Rs 220.44 crore, and invested US$ 12 million equivalent (Rs 58 crore) in its Dutch subsidiary to acquire the business of Tashkent-To'yetpa Tekstill (TTL) in Uzbekistan. The total acquisition value of Rs 296.10 was financed by equity raised through preferential allotment, QIB placement, internal accruals and debt.

Considering all acquisitions, the debt-equity ratio of SIL is 1.75. The major cost of debt is between 8.5% to 9.5%.

Can you elaborate on the acquisition of TTTL?

In July 2006, SIL acquired the business of TTTL, a state-owned spinning company in Uzbekistan, under the privatisation programme of the government of Uzbekistan for US$ 81 million. The government of Uzbekistan has given SIL a number of incentives including 15% discount on raw cotton, exemption on corporate taxes, customs duty and VAT.

With TTTL's combined capacity of 2,20,000 spindles and 236 airjet looms, SIL is now India's largest spinning enterprise with an installed capacity of over 570,000 spindles.

There is substantial rise in SIL's interest cost, while depreciation is also increasing. But the company appears to have not been able to scale up revenue (which has actually come down) and margin, going by its unaudited results for the quarter ended June 2006.

The increase in interest cost is mainly due to investment and creating new capacities. Depreciation expenses have increased as we have revised the estimated useful life of spindles acquired in the last quarter of FY 2006 and certain other plants and machinery located at the manufacturing facilities. EBIDTA is almost same compared with the June 2006 quarter.

The revenue came down due to reduced focus on low margin trading activities. On a consolidated basis, EBIDTA is improving.

You are doing contract manufacturing carried out for Bombay Dying and Manufacturing Company (BDMC). Do you expect scaling up of revenue on this account? Are there plans for such contract manufacturing for other reputed players?

BDMC set up the Solapur unit-II for the purpose of contract manufacturing. BDMC had provided the main plant and machinery for manufacturing at the facility. SIL procured additional machinery for supporting the main machinery supplied by BDMC. BDMC will make raw cotton available at its own cost to the company at the factory site for manufacturing the finished product. As consideration for the contract manufacture, BDMC will pay the entire conversion cost on a monthly basis, which also includes the interest payable on the term loan and working capital availed by us for the proposed project. BDMC will, also pay management fee, which will, inter alia, cover the loan repayment installment and profit element. It has also been agreed to share equally the productivity benefits arising out of increased productivity resulting in reduction in per unit operational cost or reduction in the operation cost keeping the same productivity.

SIL does not expect scaling up of revenue on this account. No other comments.

What is SIL's vision in terms of growth in revenue and profit in FY 2007 and over the next five years?

Our consolidated revenue and EBIDTA are expected to touch Rs 1565 crore and Rs 252 crore by FY 2008. The company's vision is to reach revenue up to US$ 1000 million.

12 Market Report : A roller-coaster ride

FIIs continue to bet on the India growth story

Related Tables

- How the indices have fared
- Movement of the Sensex stocks
- Sensex snapshot
- Institutional investment
- Top Gainers
- Top Losers

The market extended its gain last fortnight on sustained buying by foreign institutional investors (FIIs), strong economic growth data and healthy corporate earning in the September 2006 quarter. A cut in retail fuel prices by the Centre following drop in global crude oil prices further boosted sentiments. The liquidity-driven rally took the BSE 30-share Sensex to the 14,000 level and Nifty to 4,000. However, the Sensex failed to close above 14,000.

The Sensex rose 96.16 points, or 0.7%, to settle at 13,799.49 in the fortnight ended 8 December 2006. It struck a record high of 14,035.30 on 6 December. The S&P CNX Nifty added 11.15 points, or 0.28%, to 3,962. The Nifty hit a record high of 4036.20 on 6 December.

FIIs continued to mop up Indian equities. Their cumulative inflow in calendar 2006 reached $8.4 billion compared with a record net investment of $10.7 billion in 2005. Strong global liquidity aided FII inflow. A lot of money is said to be waiting on the sidelines to enter the market at correction. Very few got an opportunity to ride the latest rally as it was sharp and swift, with the Sensex, rising 9% in a little over a month.

The benchmark index is up nearly 47% this year, making India the best-performing major market in Asia-Pacific. From 4,644 on 23 June 2004, it has galloped 197% in less than two-and-a-half years. A section of the market attributes the solid surge to increasing recognition of India's long-term growth prospects. India's growth drivers are a favourable demography (large share of young population), robust domestic consumption, and acceleration in infrastructure creation.

Trading for the fortnight began on a firm note. Steady-to-firm Asian markets and short covering in derivatives ahead of the expiry of the November 2006 contracts lifted the Sensex 70 points on 27 November. Tracking weak global markets and fall in Indian ADRs, the Sensex plunged 171.64 points on 28 November. It remained in the red throughout the day's trading session.

In a volatile trading session, the Sensex rose 14.78 points on 29 November. After surging over 100 points at the onset of on firm Asian markets, the Sensex gradually pared gains later and even slipped into the red at one point of time at the fag end of the trading session. It recovered and moved into the green again at close. The focus was on small- and mid-caps. The BSE Small-Cap Index rose 103.62 points, or 1.5%, to 6,635.01 and the BSE Mid-Cap Index advanced 76.64 points, or 1.3%, to 5,727.85 on 29 November.

The Sensex surged 80 points on 30 November after economic data released during trading hours showed that the GDP grew at a stronger-than-expected 9.2% in Q2 September 2006. Short covering in derivatives due to expiry of the November 2006 derivatives contracts also aided the upmove on that day.

A good rollover to the December contracts from the November contracts in the derivatives segment and decent-to-strong auto sales numbers for November released by some of the auto firms boosted the Sensex 148 points on the first day of December 2006. The Nifty hit the 4,000 level in intra-day trade but settled slightly below that.

The Sensex rose 30 points on 4 December on gain in auto and metal shares. The market breadth was strong. The Nifty settled above 4,000 level for the first time in its history.

On 5 December, the Sensex struck 14,000 for the first time. It settled below that level at 13,937.65 — a gain of 63 points. A punching error in Reliance Industries (RIL) contributed to the Sensex's rise to 14,000. In opening trade, just one share of RIL was traded at Rs 1350 — a 7% gain over the previous day's close of Rs 1260.10. Since RIL has a huge near-11% weightage in the Sensex, the early surge in RIL took the Sensex up 154.14 points in opening trade on that day.

The barometer index moved up 11 points on 6 December after witnessing high volatility throughout the day.

The Sensex gained 23 points on 7 December amid divergent trends in the various constituents of the barometer index. Weak Asian markets and profit taking in frontline index stocks 173 points on 8 December.

End November, the Central government cut petrol prices by Rs 2 per litre and diesel price by Re one per litre. This is expected to reduce the transportation cost for cement companies. On account of its bulky nature, cement production and sales are limited to a defined geographical radius from a plant, with freight contributing significantly to the cost structure.

IT and bank pivotals witnessed buying at every decline. Recent reports that top Indian IT firms are chasing over a dozen deals on an average, with deal sizes ranging between $50 - $100 million, supported IT pivotals.

State Bank of India struck an all-time high of Rs 1378.70 on 4 December.

PSU power equipment major Bhel surged on renewed buying. The company has a robust order book. The stock touched a lifetime high of Rs 2668 on 7 December.

Tata Motors, Maruti Udyog and Bajaj Auto reported decent-to-strong sales for November. Tata Motors' total vehicle sales surged 43%. Maruti Udyog's domestic sales rose 20.7% to 52,574, but exports fell 35.7% to 2,459 units. Bajaj Auto's total sales jumped 33%.

Reliance Communications (RCL) hit an all-time high of Rs 467.70 on 6 December after reports suggested the company had invited bids for 90-100 million cellular lines valued at $7-8 billion. RCL is said to have issued requests for proposals for 70-75 million GSM lines and 20-25 million wideband CDMA lines.

ACC lost steam after an initial rally which took it to a record high of Rs 1192 on 4 December 2006. ACC's cement dispatches moved up just 2.7% in November 2006 to 1.52 million tonnes. Dispatches in the 11-month period January-November 2006 advanced nearly 7% to 16.98 million tones.

Engineering & construction major L&T firmed up on renewed buying. The stock reached a life-time high of Rs 1490 on 7 December.

PSU power generation major NTPC zoomed to an all-time high of Rs 157.80 on 27 November. NTPC is seen benefiting from its huge expansion programme. The company will almost double capacity from 26,404 MW to 51,000 MW by 2012, by adding hydro plants, gas-based plants, nuclear plants, and high-margin merchant power plants.

Real estate developer Parsvnath Developers made a strong debut at Rs 526.30 (closing price on BSE on that day) on 30 November compared with the IPO price of Rs 300 — a premium of 75%. Investor interest in real-estate firms remained robust due to the ongoing boom in the Indian real-estate market.

Market outlook

Traders are likely to do frontrunning on anticipation of allocation for the new calendar year beginning 2007, which may keep the market firm. But profit taking may cap the upside, with the Sensex having risen sharply over the past few weeks.

In the near term, the downside on the bourses will also be capped in anticipation Q3 (October-December) of FY 2007 results. Market men expect Q3 to be another strong quarter in terms of earning growth. After the Q3 results season, budget expectation may keep the market firm till end February 2007.

The market will also take cue from the government's reforms measures. The winter session will debate, among other things, the Banking Regulation (Amendment) Bill, proposing to increase the voting rights of foreign stakeholders in private banks, presently capped at 10%. However, the Left parties are opposing the amendment, fearing takeover of private banks by foreign entities. The winter session lasts till 19 December 2006.

How the indices have fared

	08-Dec-06	Variation over (%)			
		Fortnight	Month	Quarter	Year
BSE 30	13799.49	0.7	5.6	15.8	54.9
NIFTY (S&P CNX)	3962	0.3	4.9	14.1	46.4
BSE IT Sector	5130.24	-0.5	6.8	20.1	46.2
BSE FMCG Sector	2020.63	1	-1.5	-0.7	27.9
BSE Capital Goods	9353.83	4	7.8	15.8	69.3
BSE Healthcare	3724.95	-0.5	0.5	2.5	21.5
BSE PSU	6215.18	-1.2	3.9	9.9	21.9
BANKEX	7213.74	0.9	11.2	34.5	49.9
BSE Auto	5393.16	1	2.6	3.6	32.7
BSE Metal	9041.19	0.3	-1.3	4.8	52.1
BSE Oil&Gas	6095.46	-1.3	-0.7	6.1	45.9
BSE Mid-Cap	5745.54	1.6	4.5	14	33.7
BSE Small-Cap	6730.42	3.2	4.3	11.6	17.2
BSE Small-Cap	6523.03	0.3	0.9	12.8	18.3

Movement of the Sensex stocks

	08/12/2006	24/11/2006	VAR(%)
State Bank of India	1353.5	1255.6	7.8
Reliance Commn	447.3	423.5	5.6
Tata Motors	866.8	825.45	5
Larsen & Toubro	1451.55	1386.95	4.7
BHEL	2636	2528.65	4.2
Grasim Industries	2758.05	2674.1	3.1
ITC	184.95	179.4	3.1
ACC	1105.25	1072.3	3.1
Bharti Airtel	633.2	616.25	2.8
Dr Reddy’s Lab	775.3	755.05	2.7
Tata Consultancy	1176.15	1148.35	2.4
Maruti Udyog	932.4	912.1	2.2
Reliance Energy	555.05	543.7	2.1
Gujarat Ambuja	141	138.4	1.9
NTPC	151.65	150.1	1
Hero Honda Motors	743.75	736.3	1
Hindalco Industries	179.6	177.85	1
Bajaj Auto	2649.2	2633.35	0.6
Ranbaxy Laboratories	387.5	385.25	0.6
Reliance Industries	1267.8	1261.55	0.5
ICICI Bank	876.7	874.55	0.2
Tata Steel	482.4	483.05	-0.1
Satyam Computer	456.7	461.75	-1.1
Infosys Technologies	2197.25	2234.25	-1.7
HDFC Bank	1085.05	1105.6	-1.9

ONGC	840.55	856.65	-1.9
Wipro	577.05	590.35	-2.3
Hindustan Lever	233.8	243.1	-3.8
HDFC	1550.05	1647.9	-5.9
Cipla	246.5	264.45	-6.8

Figures in Rs

Sensex snapshot

Current (8 Dec-06)	13,799.49
Lifetime closing high 7 Dec-06	13,972.03
End of calendar 2005	9,397.93
One-year ago (8 Dec-05)	8,906.31

Institutional investment

Date	**FIIs Rs crore**	**Mutual Funds Rs crore**
27-Nov-06	994.6	-26.11
28-Nov-06	405.6	-268.97
29-Nov-06	-335.3	116.47
30-Nov-06	-63	-88.43
01-Dec-06	258.1	304.32
04-Dec-06	349.3	43.14
05-Dec-06	-2813.8	50.5
06-Dec-06	433.2	-177.37
07-Dec-06	244.2	4.19
08-Dec-06	10.1	73.89

Top Gainers

	Price (Rs)		
NAME	**08/12/2005**	**08/12/2006**	**VAR.(%)**
A			
Hindustan Zinc Ltd	250.5	927.05	270.08
Adani Enterprises Ltd	63.65	235.55	270.07
Sterlite Industries (India) Ltd	177.37	555.85	213.38
Sterlite Optical Technologies Ltd	91.3	225.8	147.32
Bombay Dyeing & Mfg. Co.	312.2	761.35	143.87
India Cements Ltd	99.2	230.35	132.21
Jaiprakash Associates Ltd	330.9	710.45	114.7
Century Textiles & Industries Ltd	310.05	665.2	114.55
Zee Telefilms Ltd	163.25	346.8	112.43
ACC Ltd	526.85	1105.25	109.78
B1			
Unitech Ltd	13.24	467.95	3434.37
Kaashyap Technologies Ltd	0.21	2.64	1157.14
Isibars Ltd	0.98	9.44	863.27
Binani Industries Ltd	59.55	359.05	502.94
Ansal Properties & Infrastructure Ltd	188.55	1036.6	449.77
Rama Newsprint & Paper Ltd	10.79	40.15	272.1
Zenith Infotech Ltd	75.4	280.1	271.49
Indiabulls Financial Services Ltd	157.9	572.3	262.44
Classic Diamonds (India) Ltd	139.6	486.1	248.21
Kesoram Industries Ltd	158.05	543.15	243.66
B2			
Vas Animations and Entertainment Ltd	2.66	59.9	2151.88

Ritesh Industries Ltd	2.34	39.8	1600.85
Rama Pulp & Papers Ltd	4.7	51.4	993.62
Era E-Zone India Ltd	16.15	155.8	864.71
Vertex Spinning Ltd	8	57.05	613.13
Kamanwala Industries Ltd	25.25	176.9	600.59
Satra Properties (India) Ltd	68.3	443	548.61
Garnet Construction Ltd	12.05	69.45	476.35
Rasoya Proteins Ltd	6.45	35.2	445.74
Marg Constructions Ltd	47.5	254.75	436.32

Top Losers

NAME	**Price (Rs)**		
	08/12/2005	**08/12/2006**	**VAR.(%)**
A			
VisualSoft Technologies Ltd	238.6	68.3	-71.37
Arvind Mills Ltd	110.05	53.6	-51.29
Jet Airways (India) Ltd	1255.25	653.6	-47.93
Micro Inks Ltd	643.8	341.95	-46.89
Ramco Systems Ltd	341.4	195.65	-42.69
D-Link (India) Ltd	141	84.45	-40.11
Bongaigaon Refinery & Petro.	73.65	46.65	-36.66
National Fertilizer Ltd	47.25	30.2	-36.08
Indo Rama Synthetics (India) Ltd	81.05	51.95	-35.9
Century Enka Ltd	220.25	141.3	-35.85
B1			
LML Ltd	39.2	10.08	-74.29
Nova Petrochemicals Ltd	50.1	14.45	-71.16

Vishal Exports Overseas Ltd	8.09	2.49	-69.22
Shamken Multifab Ltd	3.92	1.35	-65.56
SPL Industries Ltd	83.7	29.45	-64.81
Mobile Telecommunications	37	13.72	-62.92
Orient Information Technology Ltd	35.4	14	-60.45
Ind-Swift Laboratories Ltd	143.5	56.8	-60.42
Aarti Industries Ltd	75.08	29.9	-60.18
Shalimar Productions Ltd	1.8	0.72	-60
B2			
Prraneta Industries Ltd	5.94	0.9	-84.85
Millennium Cybertech Ltd	3.94	0.63	-84.01
Kosian Industries Ltd	37.35	7.24	-80.62
Promact Plastics Ltd	12.92	3.03	-76.55
Media Matrix Worldwide Ltd	15.35	3.65	-76.22
Facor Alloys Ltd	5.01	1.35	-73.05
Hotline Glass Ltd	12.61	3.9	-69.07
Valley Indiana Leisure Ltd	17.7	5.51	-68.87
Avantel Softech Ltd	133.45	42.55	-68.12
Venkat Pharma Ltd	31.25	10.2	-67.36

13 Stock Watch

13.1 Honda Siel Power Products : Pumping up profitability

With the advantage of huge pricing power on absence of competition, profitability will significantly benefit from the indigenisation programme

Related Tables

HSPPL: Financials

A 67% subsidiary of Honda Motor Co. Japan, Honda Siel Power Products (HSPPL) manufactures portable generators, water pumping sets and general purpose engines at its state-of-the-art manufacturing facilities at Greater Noida, Rudrapur (in Uttranchal), and Pondicherry. It is part of one of the world's largest power product companies manufacturing a complete range of four-stroke range of portable generators, water pumps, engines and lawnmowers.

HSPPL commands a market share of 72%. With 800 dealers and 15 area offices spread across the country, HSPPL is the undisputed leader in portable generators.

In general purpose engines and water pumping sets, HSPPL has a 20% market share. Honda is becoming the generic brand for all portable waterpumps in rural India. Farmers are increasingly putting faith in this product as the most reliable solution to their requirement.

Recently, the government of India-controlled Central Pollution Control Board (CPCB) and the Ministry of Environment and Forests (MOEF) laid very stringent phase II noise and emission norms. Unable to meet these norms, most players in the unorganised sector have shut their shops. The norms have been so stringent that even the Chinese companies have failed to meet them. However, HSPPL has successfully complied with the said norms. This has virtually left HSPPL with little competition.

HSPPL has registered an 8% rise to Rs 92.35 crore in its net revenue in the six months ended September 2006. Operating profit margin (OPM) expanded by 580 basis points, from just 4.4% to 10.3%. This took operating profit (OP) up by 150% to Rs 9.48 crore. Profit before tax (PBT) was up 199% to Rs 10.52 crore. Six-month profit after tax (PAT) soared 221% to Rs 6.58 crore.

The absence of competition has left HSPPL with a huge pricing power. Moreover, its profitability will massively benefit from the indigenisation programme and the productivity improvement that it has been undergoing in the recent past.

The import cost as percentage to the material cost is expected to drop to 21% in 2006-07 from 30% in 2005-06 — down from 33% in 2004-05. HSPPL has made further indigenisation plans for a few more critical parts such as ignition coil and oil level switch. By FY

2008, import cost as a percentage of material cost is expected to be 15%. Further studies are under progress to take up the remaining parts for indigenisation in the coming years.

With the power gap continuing in various parts of the country, the company expects continued growth in the genset business and is working on alternate fuel products to give a viable alternate power solution to its current and potential clients. The government's focus on computerisation and training is opening new opportunities to provide power back-up solution such as gensets.

The future for HSPPL's general purpose engines and water pumping sets is encouraging as the market continues to expand due to the need for mechanisation in the agriculture / floriculture / horticulture sectors of the economy. The company has worked relentlessly to establish a foothold in these areas and is well poised to encash on its efforts.

In FY 2007, we expect HSPPL to register sales and net profit of Rs 209.96 crore and Rs 16.50 crore, respectively. On an equity of Rs 10.14 crore and face value of Rs 10 per share, EPS works out to Rs 16.3. The share price trades at Rs 167. PE is just 10. The company has a very healthy book value of Rs 149 and cash per share of Rs 76 (end March 2006).

Moreover, HSPPL holds land area of 2,30,796 square metre and its plants uses only 8% of this land area. Adjusting for the cash per share, PE halves to just 5.5. As there is no major capex requirement and the funds are lying idle, the company can be expected to give very liberal dividends or resort to buyback.

HSPPL: Financials

	0403 (12)	**0503 (12)**	**0603 (12)**	**0703 (12P)**
Sales	180.15	199.52	197.21	209.96
OPM (%)	8.3	7.6	8	11
OP	14.97	15.07	15.82	23.01
Other inc.	4.94	3.54	8.24	8.73
PBIDT	19.91	18.61	24.06	31.74
Interest	0.48	0.45	0.34	0.12
PBDT	19.43	18.16	23.72	31.62
Dep.	5.95	6.54	6.55	5.21
PBT	13.48	11.62	17.17	26.41
Tax	3.17	3.64	6.8	9.9
PAT	10.31	7.98	10.37	16.5
EPS* (Rs)	10.2	7.9	10.2	16.3

* Annualised on current equity of Rs 10.14 crore. Face Value of Rs 10. (P): Projections. Figures in Rs crore. Source: Capitaline Corporate Database.

13.2 Watch list

The following are fundamentally strong companies identified by Capital Market analysts. The list is constantly reviewed and updated, adding scrips with upward potential and removing those that have, in our opinion, exhausted their run.

Company	**Ind. no.**	**Price (Rs) 11.12.06**	**TTM YEAr**	**TTM EPS (Rs)**	**P/E**
3i Infotech	28	175	200609	9.2	19
A B B	39	3791	200609	70.8	53.6
ACC	18	1036	200609	45.8	22.6
Ador Welding	41	258	200609	24.9	10.4
Ashok Leyland	5	43	200609	2.7	16.2
Asian Paints	63	704	200609	25.1	28.1
Atlas Copco (I)	25	621	200609	29	21.4
Aventis Pharma	73	1447	200609	74.8	19.3
B H E L	39	2533	200609	77.1	32.9
Bajaj Auto	8	2593	200609	112.5	23.1
Ballarpur Inds.	64	110	200609	12.9	8.6
Balmer Law. Inv.	50	94	200609	4.1	22.8
BASF India	22	222	200609	18.6	11.9
Beck India	22	349	200609	19.6	17.8
Bharat Bijlee	39	1168	200609	60	19.5
Bharat Electro.	43	1215	200609	73.2	16.6
Bharat Forge	17	329	200609	10	32.8
Blue Star	2	182	200609	6.5	28.1

BOC India	22	168	200609	11	15.3
CCL Products	89	461	200609	31.2	14.8
Century Textiles	107	655	200609	18.4	35.6
ChettinadCement	19	505	200609	27.1	18.6
Clariant Chemica	22	305	200609	21.4	14.3
Colgate Palm.	66	361	200609	12.7	28.5
CRISIL	106	2200	200609	50.2	43.9
Cromp. Greaves	39	252	200609	6.9	36.4
Cummins India	46	270	200609	10.8	24.9
Deepak Nitrite	22	140	200609	17.5	8
DIC India	77	190	200609	13.3	14.3
Dr Reddy’s Labs	70	763	200609	25.3	30.2
Eimco Elecon	44	326	200609	14.6	22.3
Engineers India	45	495	200609	22.3	22.2
Esab India	41	354	200609	26.4	13.4
Fag Bearings	13	661	200609	39.9	16.6
FCI OEN Connect.	91	428	200609	32.8	13.1
Foseco India	22	320	200609	24.5	13.1
GlaxoSmith C H L	54	565	200609	29.3	19.3
Glaxosmithkline	73	1163	200609	46.3	25.1
Godrej Consumer	65	155	200609	5.4	29
Goodyear India	105	184	200609	16.7	11
Grasim Inds.	107	2705	200609	111.9	24.2
Guj. Apollo Eq.	44	174	200609	19.3	9
Guj. Gas Company	106	1203	200609	63.6	18.9
H D F C	51	1544	200609	53.2	29
H T Media	47	750	200609	19.2	39

HDFC Bank	12	1034	200609	31.4	32.9
Hind.Construct.	31	152	200609	3.6	42.8
Honda Siel Power	39	167	200609	14.7	11.4
Honeywell Auto	43	1735	200609	62.1	28
Hyd.Industries	20	249	200609	35.7	7
I-Flex Solutions	27	2037	200609	39	52.2
Indian Hotels	57	151	200609	3.8	39.6
Indian Hume Pipe	20	394	200609	28.3	13.9
Indoco Remedies	70	292	200609	18.4	15.8
Indraprastha Gas	106	115	200609	8.7	13.3
Infosys Tech.	27	2195	200609	54	40.7
Ingersoll-Rand	25	353	200609	13.5	26.2
JK Lakshmi	18	130	200609	16.6	7.9
K C P	19	255	200609	23.5	10.9
Kalpataru Power	102	943	200609	39.2	24.1
Karur Vysya Bank	12	393	200609	42.1	9.3
Kirl. Oil Engine	46	272	200609	15.4	17.7
KPIT Cummins Inf	28	590	200609	19.3	30.7
KSB Pumps	78	602	200609	27.8	21.7
Lanxess ABS	69	162	200609	15.3	10.6
Larsen & Toubro	45	1436	200609	35.5	40.4
Liberty Shoes	58	138	200609	9.8	14
M & M	7	800	200609	36.2	22.1
M I C O	10	3375	200609	135.2	25
Monsanto India	68	1477	200609	87.4	16.9
Nestle India	54	1054	200609	34.1	30.9
Nicholas Piramal	70	243	200609	8.2	29.5

Orchid Chem.	71	200	200609	14	14.3
Paper Products	62	385	200609	24.6	15.6
Petron Engg.	45	171	200609	5.7	29.8
Porritts&Spencer	97	226	200609	20.9	10.8
Ranbaxy Labs.	70	376	200609	8.2	45.7
Rayban Sun Optic	66	85	200609	4.9	17.5
Raymond	97	435	200609	17.8	24.5
Reliance Inds.	80	1238	200609	67.9	18.2
S E Asia Marine	82	162	200609	14.3	11.3
Shanthi Gears	44	68	200609	4	17.1
Shree Cement	18	1367	200609	35.3	38.8
Siemens	43	1126	200609	21.4	52.6
SKF India	13	288	200609	15.8	18.2
Solar Explosives	22	130	200609	4.7	27.7
St Bk of Bikaner	11	3804	200609	425.3	8.9
St Bk of India	11	1243	200609	75.1	16.6
Steelcast	17	261	200609	30.3	8.6
Sundram Fasten.	48	172	200609	7.1	24.3
Syngenta India	68	310	200609	26	11.9
Tata Chemicals	49	215	200609	18.5	11.6
Tata Elxsi	28	238	200609	13.3	18
Tata Motors	5	840	200609	41.8	20.1
TCS	27	1171	200609	33.1	35.3
Thermax	44	377	200609	13.7	27.5
TRF	44	403	200609	20.6	19.5
Tube Investments	33	71	200609	5.3	13.4
Unichem Labs.	70	236	200609	23	10.3

UTI Bank	12	444	200609	19.5	22.8
Valecha Eng.	31	197	200609	14.8	13.4
Vesuvius India	81	235	200609	13.2	17.8
Voltas	107	107	200609	2.8	37.7
Wockhardt	70	353	200609	23.4	15.1

TTM: Trailing 12 months

14 Capitaline Corner : Gujarat Apollo Equipments : On the right path

Investment in roads and highways ensure growth for this road construction equipment company

Related Tables

Financials

The order book of almost all construction companies is overflowing, primarily due to highway projects. This huge order book is attracting investors and most construction stocks are trading at high PE multiples based on the logic that this order book assures sustained growth prospects for these companies. Execution of these order books, however, will need lot of construction machineries. Here Gujarat Apollo Equipments (GAEL) will be a major beneficiary.

GAEL designs and builds the entire range of equipment for building asphalt roads. It manufactures road construction and maintenance machinery such as indirect heating equipment, asphalt batch mix and drum mix plants, sensor paver finishers, bitumen pressure distributors and Kerb pavers. It has technical collaboration with Wheelaborator Clean Water Systems, US.

GAEL controls 60% of the market in the product segments in which it operates, with over 1,400 customers and an equipment population of around 3,500 units.

The Union government has already embarked upon massive road construction projects, with the National Highway Development Program building the north-south and east-west corridors and the Golden Quadrangle Project connecting major cities. Besides, the government's decision to throw open the construction of roads, bridges, airports and ports to the private sector and allowing 100% foreign investment in real estate projects has provided a boost to the construction industry.

The direct beneficiary of the vast investment in building up the national infrastructure of highways, bridges and ports would be the construction equipment manufacturers like GAEL.

The continued thrust given by GAEL to the export market has paid rich dividend and the company has achieved significant market share in Saudi Arabia, African countries, Afghanistan, Australia, Bangladesh and Sri Lanka. The total export sales in FY 2006, including deemed exports, was Rs 52 crore, which was 45% of the total turnover of the company in FY 2006. The management is confident that the future export business continues to be buoyant for the company.

GAEL has initiated capital expenditure to increase the production and introduce futuristic mobile and maintenance-related equipment. The company is also proposing to expand its manufacturing facility by setting up a unit at a special economic zone (SEZ), to give boost the export market of company's products.

GAEL registered sales of Rs 62.77 crore — up 60% in the six months ended September 2006. Operating profit jumped 75% to Rs 11.30 crore, powered by a 160 basis-point improvement in operating profit margin (OPM) to 18%. Net profit was higher by 78% to Rs 6.80 crore.

GAEL had planned to offer rights in the ratio of one equity share of Rs 10 each at a premium of Rs 90 per share for every two equity shares held. This would have bloated its equity by 50%. However, the management has indefinitely postponed this rights issue. Nevertheless, it is exploring other means of project finance. Money will be raised to fund capex planned to improve and enhance existing production facilities, invest in engineering SEZ and build some reserves for possible M&As. If funds are raised through any other means like private placement or GDR/FCCB, equity dilution will be much lower and it will be raised around or at even higher than the prevailing share price.

We expect GAEL to register sales and net profit of Rs 145.06 crore and Rs 15.58 crore, respectively, in FY 2007. On an equity of Rs 7 crore and face value of Rs 10 per share, EPS works out to Rs 22.3. The share price trades at Rs 174. PE works out to just 7.8. This is very low considering the bright future GAEL has due to the assured mind-boggling investments in the road construction for the next few years.

Financials

	0403 (12)	**0503 (12)**	**0603 (12)**	**0703 (12P)**
Sales	86.08	62.76	104.95	145.06
OPM (%)	14	12.8	17.3	18.3
OP	12.02	8.05	18.16	26.56
Other Inc.	1.09	1.36	0.47	0.36
PBIDT	13.11	9.41	18.63	26.91
Interest	0.7	0.99	1.65	1.8
PBDT	12.41	8.42	16.98	25.11
Dep.	0.84	0.9	0.91	1.23
PBT	11.57	7.52	16.07	23.88
Tax	4.08	2.23	5.6	8.3
PAT	7.49	5.29	10.47	15.58
EPS* (Rs)	10.7	7.6	15	22.3

* Annualised on current equity of Rs 7.00 crore. Face Value of Rs 10. P: Projection. Figures in Rs crore. Source: Capitaline Corporate Databases