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1 Apna Money

1.1 Market Trend : Putting on a new face

The revision in stock indices is an important indicator of stocks and sectors on the rise

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The stock market barometers, the 30-share Sensex of the Bombay Stock Exchange (BSE) and the 50-share Nifty of the National Stock Exchange (NSE), reflect broad market sentiments and overall price movements. They are also critical indicators depicting the health of the country's capital markets. Besides these broad market indices, various other indices reflecting sectoral or segment (mid- and small-cap stocks) performance are also used as benchmarks.

Stock indices require regular maintenance to mirror the true state of the capital markets and the economy. The Sensex and the Nifty have witnessed several changes in their composition since inception. The Sensex witnessed as many as 43 changes, while the Nifty saw 46 changes *(see table: In and out of favour).*

Changes required

Changes in indices are required due to certain corporate actions like de-listing, and mergers and acquisitions. For instance, the Sensex replaced Reliance Petroleum with HDFC following Reliance Petroleum's merger with Reliance Industries. Many times, listing of mega issues also leads to a review of the index. After the listing of Reliance Communication following the settlement between the Ambani brothers, Reliance Communication replaced Tata Power in the Sensex in June 2006, and Tata Tea in the Nifty in September 2006.

The BSE and the NSE more or less follow the same criteria for selection of index stocks. First, they look at the listing history: How long the stock has been listed. As per BSE regulations, the scrip should have a listing history of at least three months. However, if the market capitalisation of any newly listed company features among the top 10 stocks, an exception is made.

The stock exchanges also look at the overall market capitalisation and liquidity. The BSE ranks stocks based on market capitalisation (75% weightage) and liquidity (25% weightage) and considers only top 100 stocks for inclusion in the Sensex.

The BSE assigns weightage to each stock in the Sensex based on market capitalisation. The weightage of the stocks in the index should be at least 0.5% of the sum of the market capitalisation of all the index stocks. This is to make sure that few stocks are not dominating the overall index. Stock exchanges also ensure adequate representation to various sectors in their broad indices.

At present, information technology, banking and finance, and oil and gas stocks enjoy the highest weightage of 20.2%, 19.5% and 15.8%, respectively, in the Sensex. Other sectors and their weightage is: telecom (9.8%), capital goods (7.2%), FMCG (7.1%), transport equipments (6.1%), metal, metal products and mining (3.5%), healthcare (3.5%), power (3.1%), housing related (2.4%), and diversified (1.7%).

Investor interest

With the passage of time, some index constituents may witness waning investor interest due to various reasons including dismal performance. This leads to a drop in the market capitalisation of the index constituents. Here, emergence of new growing sectors plays a critical role and also reflects changing dynamics of the economy — from agriculture to manufacturing and from manufacturing to services sectors. For instance, the textile industry lost to emerging industries such as information technology (IT) and telecom over the last decade or so. Since 2003, lots of new economy stocks such as Bharti-Tele-Ventures, Tata Consultancy Services, Wipro and Reliance Communication secured a place in the Sensex. Old economy sectors such as banking and energy also came into prominence. The inclusion of HDFC Bank, ONGC and National Thermal Power Corporation (NTPC) reflects the changing face and fortunes of the Indian economy.

A decline in market liquidity is also one of the reasons for the exclusion and inclusion of other liquid stocks. Market liquidity is measured in terms of impact cost. Lesser the difference between bid-ask, lower is the impact cost and vice-a-versa. Liquid and large-cap stocks reveal true market sentiments as price discovery is always better in liquid stocks.

The selection criteria of the NSE mention that a stock, to be eligible for inclusion in the Nifty, should have traded at an average impact cost of less than 0.75% in the past six months for 90% of the observations. Earlier, the impact-cost pre-requisite was 1.5% or less in the past six months for 90% of the observations.

For NSE, the impact cost is the cost of executing a transaction in a security in proportion to the weightage of its market capitalisation as against the index market capitalisation at any point of time. This is the percentage mark-up suffered while buying or selling the desired quantity of a security compared with its ideal price (best buy + best sell) / 2.

Suppose the stock of company ABC is trading at a bid price Rs 99 and ask price of Rs 101. The ideal price should be Rs 100. An investor puts a buy order for 1,000 shares, and it is executed at Rs 102. In this transaction, the impact cost is Rs 2 per share, or 2% at 1,000 shares. Here, 2% is calculated as impact cost (Rs 2) divided by ideal price (Rs 100). Now, suppose, an investor puts order for 2,000 shares, instead of 1,000 shares, and the order is executed at a price of Rs 104. The impact cost is Rs 4, or 4% at 2,000 shares.

Many times, volatility in stocks also comes down post-inclusion in the index. This can be mainly due to reduction in the impact cost as market efficiency in such stocks goes up as information related to such stocks is widely disseminated and easily available.

Index committees

The BSE and the NSE have their own index committees that monitor the indices on continuous basis. The index committee meets every quarter to review index constituents and index related issues. In case of any revision in the index constituents, notice of the incoming and outgoing stocks is given six weeks in advance of the actual implementation of the change.

Revision in index constituents is a key development for investors, fund managers and research analysts tracking the market. Generally, stocks included in the index are large cap and more liquid. These stocks are market leader in their respective industries. New stocks in the index witness rise in trading volume as interest of investors goes up. Moreover, index funds track changes in the index and rebalance their portfolio by selling stocks that are going out of the index and buying stocks that are included in the index. Index funds replicate the selected index and use passive investment strategy.

Trading interest in stocks excluded from the index gradually comes down, translating into lowered liquidity and increased impact cost. However, this is not a hard-and-fast rule. But, over time, liquidity takes a hit. Many stocks have languished after their exclusion. It is hard to believe that Bombay Burmah, Bombay Dyeing, Ceat Tyres, Century Textiles, GSFC, Hindustan Motors, Indian Organic, Kirloskar Cummins, and Mukand Iron were part of the Sensex.

A frequent change in index composition is not desirable. At the same time, churn in index composition to reflect evolution in economy is needed. Nevertheless, index maintenance ensures that it rightly captures the market mood and provides a consistent benchmark.

In and out of favour

Changes in the Sensex since 2000

Date	**Stocks Included**	**Stocks Excluded**
12-Jun-06	Tata Power	Reliance Communication Ventures
	Zee Telefilms	Tata Consultancy Services

06-Jun-05	HPCL	National Thermal Power Corpn.
27-Sep-04	MTNL	L&T
19-May-04	L&T	Maruti Udyog
	Nestle (India)	Wipro
	HCL Technologies	Tata Power Company
	Glaxo Smithkline Pharma.	ONGC
	Colgate Palomive (India)	HDFC Bank
10-Nov-03	Castrol India	Bharti-Tele-Ventures
10-Nov-02	Reliance Petroleum	HDFC
31-May-02	ICICI	ICICI Bank
	Mahindra & Mahindra	Hero Honda Motors
07-Jan-02	NIIT	HCL Technologies
08-Jan-01	Novartis	Cipla
	Tata Power	Zee Telefilms
	Tata Chem	Satyam Computers
	Indian Hotels	Reliance Petroleum
10-Apr-00	IDBI	Dr. Reddy's Laboratories

Source: BSE website

In and out of favour

Changes in the Nifty since 2000

Date	**Stocks Included**	**Stocks Excluded**
01-Sep-06	Reliance Communication	Tata Tea
27-Jun-06	Suzlon	SCI

27-Jun-06	Siemens	Tata Chemical
26-Sep-05	Jet Airways	Colgate
25-Feb-05	TCS	Indian Hotel
10-Dec-04	L&T	Britannia
24-May-04	PNB	L&T
12-Apr-04	ONGC	Digital Globalsoft
01-Mar-04	Bharti Airtel	GSK Consumers
01-Mar-04	Maruti	NIIT
04-Aug-03	SAIL	Nestle
02-May-03	GAIL	Novartis
02-May-03	National Aluminum	Castrol
28-Oct-02	BPCL	P&G
28-Oct-02	HCL Tech	Asian Paint
10-Oct-02	SCI	Reliance Petroleum
31-May-02	VSNL	ICICI
25-Jan-02	ICICI Bank	Reckitt Benckiser (I)
17-Jan-02	Sun Pharma	HCL Infosystems
17-Jan-02	Wipro	Cochin Refineries
01-Sep-00	Digital Globalsoft	Bank of India
24-May-00	HCL Infosystems	EIH Hotel
24-May-00	Zee Tele	IDBI
10-May-00	Dabur	TVS Suzuki

Source: NSE website.

Fast forward

The BSE Sensex was first compiled in 1986, taking 1978-79 as base year. Among the 30 initial index constituents or stocks selected earlier in 1986, only nine stocks still remain the index constituents. These stocks include ACC, Grasim Industries, Hindalco, Hindustan Lever, ITC, L&T, Reliance Industries, Tata Motors, and Tata Steel.

The dramatic change in the Sensex constituents reveals the transition of Indian economy over last two decades.

1.2 Tax Matters

Will a cash gift from my mother-in-law attract income tax?

I have received Rs 3 lakh as gift from my mother-in-law. What are the tax implications? Will the income from the gifted amount be taxed in my hands or my mother-in-law?

—Anil Pateriya, e-mail

Rs 3 lakh has been gifted to you by your mother-in-law. There are no tax implications for your mother-in-law as she has gifted the money to you. This amount is not taxable in her hand. Further, she cannot claim such gift as an expense against her taxable income.

As you are the receiver of the sum, tax implications do arise. As per section 56(2)(v) of the Income-Tax Act, 1961, if any sum of money exceeding Rs 50000 is received by an individual or HUF without consideration from any person, then the entire sum of money is taxable as an income of that individual or HUF.

However, proviso to section 56(2)(v) says that such a sum of money is not eligible to tax if it is received from any relative; or on the occasion of the marriage of the individual; or under a will or by way of inheritance; or in contemplation of death of the payer. The expression "relative" has been defined as: spouse of the individual, brother or sister of the individual, brother or sister of the spouse of the individual, brother or sister of either of the parents of the individual, any lineal ascendant or descendant of the individual or his spouse, and spouses of these persons.

As you have received the gift from your relative, i.e., from your mother-in-law, who is a lineal ascendant of your spouse, the sum of money is not taxable in your hands.

But any income arising or accruing directly or indirectly on such gifted amount will be taxed in your hands and it will not be clubbed with your mother-in-law's income.

We have received a sub-contract through a contractor for complete civil works for a MRVC (Mumbai Railway Vikas Corporation) project. As per the circular under the service category of 'Construction of Commercial services,' it appears railway projects are exempted from service tax. Is this correct?

— Seema Masurkar,
Chief Executive–Operations,
Atacons Infrastructures Pvt Ltd, e-mail

'Commercial and Industrial Construction Services' include construction of a new building or a civil structure or a part thereof; or construction of pipeline or conduit; or completion and finishing services such as glazing, plastering, painting, floor and wall tiling, wall covering and wall papering, wood and metal joinery and carpentry, fencing and railing, construction of swimming pools, acoustic applications or fittings and other similar services, required in a building or civil structure; or repair, alteration, renovation or restoration of, or similar services, of a building or civil structure, pipeline or conduit. These services are used or to be used, primarily for; or occupied, or to be occupied, primarily with; or engaged, or to be engaged, primarily in: commerce or industry, or work intended for commerce or industry, but does not include such services provided for roads, airports, railways, transport terminals, bridges, tunnels and dams.

The basic intention was to tax only services used in or for commerce or industry. As roads, airports, railways, and dams are normally built by the government and are for the use of general public, services provided to build them are not sought to be taxed. The applicability of service tax would primarily depend on whether the building or civil structure is 'used, or to be used' for commerce or industry. The information about this has to be gathered from the approved plan of the building or civil construction. Such construction for the use of organisations or institutions established solely for educational, religious, charitable, health, sanitation or philanthropic purposes, and not for the purposes of profit, are not taxable as they are non-commercial in nature.

Generally, government buildings or civil construction works are used for residential, or office purposes, or for providing civic amenities. Thus, government construction works would not be taxable. However, if such construction is for commercial purposes — such as local government bodies getting shops constructed for letting them out — then the builders would be subjected to service tax.

The definition of 'Commercial and Industrial Construction Services' specifically excludes services relating to construction of railway. For meaning of the term 'railway' refer to the Railways Act, 1989.

Under section 2(31) of the 1989 Act, 'railway' means a railway, or any portion or a railway, for the public carriage of passengers or goods, and includes:

* All lands within the fences or other boundary marks indicating the limits of the land appurtenant to a railway.

* All lines of rails, sidings, or yards, or branches used for the purposes of, or in connection with, a railway.

* All electric traction equipments, power supply and distribution installations used for the purposes of, or in connection with, a railway.

* All rolling stock, stations, officers warehoused, wharves, workshops, manufactories, fixed plant and machinery, road and streets, running rooms, rest houses, institutes, hospitals, water works and water supply installations, staff dwellings and any other works constructed for the purpose of, or in connection with, a railway.

* All vehicles which are used on any road for the purposes of traffic of a railway and owned, hired or worked by a railway.

* All ferries, ships, boats and rafts which are used on any canal, river, lake or other navigable inland waters for the purposes of the traffic of a railway and owned, hired or worked by a railway administration.

The following, however, are excluded: A tramway wholly within a municipal area; and lines of rails built in any exhibition ground, fair, park or any other place solely for the purpose of recreation.

Thus, if your railway project is covered within the definition of the term 'railway', it may not be subject to service tax under the service category of construction of commercial services.

As for the applicability of service tax on sub-contractors, trade notice No. 7/97–ST, 4 July 1997, has clarified the doubt on services provided by a consulting engineer as a sub-consultant to another consulting engineer. It says: Services should be rendered to a client directly, and not in the capacity of a sub-consultant/associate consultant to another consulting engineer, who is the prime consultant. If services are rendered to the prime consultant, the levy of service tax does not fall on the sub-consultant but falls on the prime or main consulting engineer who raises a bill on his client (which includes the charge for services rendered by the sub-consultant).

However, this view has become the subject matter of lots of litigation and controversy after the introduction of Cenvat Credit Rules, 2004.

We are an educational trust claiming exemption under section 11 of the Income-Tax Act, 1961. Our bank is likely to deduct tax at source (TDS) on accrued interest for the year ending 31 March 2007. As a charitable trust, can we file Form 15H/15G with the bank so that it may not deduct any tax at source?

— Liladhar Mansukhani, e-mail

As per section 197A(1A) of the Income-Tax Act, 1961, no deduction of tax is required to be made under section 193 for interest on securities, or under section 194A for interest other than securities, or under section 194K for income from units, if the recipient (other than company or firm) of income submits to the payer a declaration in Form 15G/15H as applicable. So section 197(1A) excludes only company or firm from furnishing such declaration.

As a charitable trust is a separate legal entity formed and created under a separate statute, it cannot be considered to be a firm or company. Therefore, a charitable trust also can file Form 15G with the bank for non-deduction of tax at source if the annual interest for the financial year on deposits along with other income, if any, is less than the basic exemption limit, i.e., Rs 100000. (The Finance Bill 2007 has proposed to enhance the basic exemption limit to Rs 110000) and provided it fulfills the condition mentioned in the said section.

If the annual interest exceeds Rs 100000, you will have to obtain an order under section 197(1) for non-deduction of tax at source/for deduction of tax at lower rate by applying to the assessing officer (AO) in the prescribed Form No.13.

Note that Form 15H can be filled only by an individual who is of the age of 65 years or more.

My HUF has recently received various gifts from our relatives, mounting to Rs 1.5 lakh, on the occasion of my son's marriage. Will such gifts be exempt from tax?

— Adil Boatwala, e-mail

From the wordings of the query, it seems that your HUF has received gifts in kind, i.e., in the form other than cash. Any gift received in kind is not exigible for tax at all. But if the gifts are received in cash, then section 56(2)(v) of the Income-Tax Act, 1961, will apply.

As per section 56(2)(v), if an individual/HUF receives any sum of money exceeding Rs 50000 without consideration, then the whole of such sum received will be taxed under the head, 'Income from Other Sources'.

However, any such sum of money received as gift will not be taxed if such a gift is received from any relative, or on the occasion of marriage of the individual or in contemplation of death of the payer of the gift, or under a will, or by way of inheritance.

Any amount received from any relative or on occasion of marriage of an individual will not be taxed only when the payee or receiver of the gift is an individual. It does not apply to an HUF.

Therefore, gifts of Rs 1.5 lakh, if received in cash, by your HUF at the time of your son's marriage will not be exempt from tax.

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 I

Performance as on 30 March 2007

Scheme/ Index Name	N.A.V. (Rs)	Corpus Feb-07	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 Top 200 Fund (G)	104.504	1621.1	-4.93	3.62	8.36	38.38	44.99	11	22	20	9	4
HDFC Equity Fund - (G)	142.602	3907.14	-1.91	6.57	12.24	40.84	44.83	3	13	13	6	5
HDFC Growth Fund (G)	45.461	379.4	-6.1	4.64	10.83	36.29	39.81	15	21	15	11	9
HDFC Premier Multi-Cap Fund (G)	17.631	673.81	-3.29	6.12	5.34	N.A	N.A	4	16	24	0	0
HDFC Core & Satellite Fund (G)	23.935	646.03	-7.2	1.09	1.25	N.A	N.A	19	26	25	0	0
Templeton India Equity Income Fund (G)	11.87	1749.86	0.42	12.41	N.A	N.A	N.A	1	2	0	0	0
Birla Sun Life Equity Fund (G)	174.25	506.37	-3.58	9.98	13.06	46.81	45.48	6	6	9	2	2
Reliance Vision Fund - (G)	169.7	2415.31	-7.61	5.71	10.04	39.49	54.35	21	17	18	7	1
Reliance	20.3459	2214.79	-6.2	8.57	11.51	N.A	N.A	16	10	14	0	0

Equity Opportunities Fund (G)												
Pru ICICI Dynamic Plan	63.018	1809.58	-4.24	12.9	18.75	49.81	N.A	8	1	2	1	0
Franklin India Flexi Cap Fund (G)	19.57	3364.79	-7.08	2.41	8.06	N.A	N.A	18	25	22	0	0
Franklin India Bluechip Fund - (G)	122.93	2259.4	-6.64	4.7	10.08	33.15	39.94	17	20	17	13	8
Franklin India Opportunities Fund - (G)	24.1	737	-8.75	4.74	14.65	41.54	36.14	24	19	7	4	10
Tata Infrastructure Fund (G)	22.0208	1187.91	-8.27	6.18	10.58	N.A	N.A	23	15	16	0	0
DSP ML Opportunities Fund (G)	52.168	1356.2	-7.23	5.52	8.34	38.35	45.34	20	18	21	10	3
Pru ICICI Infrastructure Fund - (G)	17.65	1562.32	-4.59	9.02	19.82	N.A	N.A	9	9	1	0	0
HSBC Equity Fund (G)	67.8588	936.53	-5.8	7.69	12.68	35.73	N.A	14	12	10	12	0
HSBC India Opportunities Fund (G)	26.7425	607.88	-8.95	9.29	17.57	40.9	N.A	25	8	4	5	0
DSP ML	37.378	695.41	-4.81	9.7	13.27	43.04	44.55	10	7	8	3	6

Equity Fund												
DSP ML India T.I.G.E.R. Fund (G)	31.54	1481.34	-3.76	11.61	16.17	N.A	N.A	7	4	6	0	0
Reliance Equity Fund (G)	11.04	4455.25	-5.56	2.7	8.77	N.A	N.A	13	24	19	0	0
UTI-Infrastructure Fund (G)	25.99	738.68	-8.97	8.47	12.66	N.A	N.A	26	11	11	0	0
Magnum SFU - Contra Fund (G)	35.55	1448.78	-5.2	6.34	12.43	N.A	N.A	12	14	12	0	0
Magnum Multicap Fund (G)	14.62	1079.18	-7.76	3.1	5.64	N.A	N.A	22	23	23	0	0
Fidelity Equity Fund (G)	20.57	2612.92	-1.23	12.09	16.5	N.A	N.A	2	3	5	0	0
Franklin India Prima Plus - (G)	132.81	878.7	-3.43	11.16	18.03	39.23	40.96	5	5	3	8	7
Average			-5.49	7.17	11.87	40.27	43.64					
Min			-8.97	1.09	1.25	33.15	36.14					
Max			0.42	12.9	19.82	49.81	54.35					
Index												
Sensex	13072.1	N.A	-5.18	4.96	15.61	33.29	30.33					
Nifty	3821.55	N.A	-3.65	6.5	11.78	29.73	27.55					
CNX 500	3145.35	N.A	-4.54	5.26	8.42	29.71	32.26					
CNX Midcap	4850.05	N.A	-6.73	3.38	2.91	31.36	N.A					

Equity Funds - Pure Midcap Fund

HDFC Capital Builder -(G)	60.3	657.84	-4.54	5.28	1.35	38.88	40.38	2	4	5	3	3
Pru ICICI Discovery Fund (G)	24.31	921.29	-10.43	-7.6	-2.8	N.A	N.A	6	7	6	0	0
Franklin India Prima Fund - (G)	186.51	1583.62	-12.99	1.3	-4.39	37.84	47.97	7	6	7	4	2
Pru ICICI Emerging S.T.A.R. Fund (G)	26.61	1110.89	-6.34	11.62	7.86	N.A	N.A	3	2	4	0	0
Reliance Growth Fund - (G)	259.54	3243.92	-2.7	10.54	14.11	51.66	60.72	1	3	3	2	1
Magnum Global Fund (G)	41.21	1230.21	-6.93	13.37	17.81	N.A	N.A	5	1	1	0	0
Sundaram BNP Paribas Select Midcap - (G)	86.1552	1962.29	-6.92	3.95	15.1	56.05	N.A	4	5	2	1	0
Average			-7.26	5.49	7.01	46.11	49.69					
Min			-12.99	-7.6	-4.39	37.84	40.38					
Max			-2.7	13.37	17.81	56.05	60.72					
Index												
Sensex	13072.1	N.A	-5.18	4.96	15.61	33.29	30.33					
Nifty	3821.55	N.A	-3.65	6.5	11.78	29.73	27.55					
CNX 500	3145.35	N.A	-4.54	5.26	8.42	29.71	32.26					

CNX Midcap	4850.05	N.A	-6.73	3.38	2.91	31.36	N.A					
Tax Plans												
HDFC Long Term Advantage Fund (G)	86.337	577.65	-5.87	1.41	1.22	41.03	49.49	7	12	8	5	2
HDFC Tax Saver Fund (G)	133.882	825.32	-8.62	1.68	3.55	49.94	46.38	11	10	7	2	3
Magnum Tax Gain Scheme	42.42	1480.29	-4.07	12.96	17.26	65.12	56.31	2	2	1	1	1
UTI-Equity Tax Savings Plan (G)	28.24	250.96	-9.05	-0.25	-5.33	N.A	N.A	12	13	14	0	0
Tata Tax Saving Fund	40.1683	125.1	-6.54	4.68	-2.08	30.96	37.85	9	7	12	8	6
Sundaram BNP Paribas Tax Saver (G)	26.1616	144.71	-6.05	9.59	5.41	N.A	N.A	8	3	5	0	0
ABN AMRO Tax Advantage Plan (ELSS) (G)	12.054	138.81	-13.91	1.82	-1.29	N.A	N.A	15	9	11	0	0
Reliance Tax Saver (ELSS) Fund - (G)	13.29	1458.93	-9.84	4.32	0.53	N.A	N.A	13	8	10	0	0
ING Vysya Tax Savings Fund (G)	24.99	45.66	-7.41	6.84	4.6	36.57	N.A	10	6	6	6	0
Fidelity Tax	12.159	665.23	-1.47	9.32	13.96	N.A	N.A	1	4	2	0	0

Advantage Fund (G)												
Birla Sun Life Tax Relief '96	87.96	314.08	-4.29	8.14	11.64	29.42	36.35	4	5	3	9	8
Birla Equity Plan (G)	10.35	99.84	-5.74	N.A	N.A	N.A	N.A	6	0	0	0	0
Principal Tax Saving Fund	72.75	164.85	-4.13	13.01	8.25	41.48	41.18	3	1	4	4	5
Pru ICICI Tax Plan - (G)	82.5	555.34	-10.92	-8.53	-4.29	47.63	44.62	14	14	13	3	4
Franklin India Taxshield - (G)	120.2	336.93	-4.39	1.62	0.61	33.14	36.87	5	11	9	7	7
Average			-6.82	4.76	3.86	41.7	43.63					
Min			-13.91	-8.53	-5.33	29.42	36.35					
Max			-1.47	13.01	17.26	65.12	56.31					
Balanced Funds												
HDFC Balanced Fund (G)	29.183	106.31	-8.78	-2.91	1.54	20.67	22.63	15	15	14	14	13
HDFC Prudence Fund - (G)	110.132	2104.78	-3.19	6.72	15.82	34.52	37.81	7	3	1	1	1
UTI-Balanced Fund (G)	52.49	1098.38	-6.02	-1.3	4.71	20.96	23.82	14	14	11	13	11
Tata Balanced Fund - (App)	48.5674	155.89	-1.55	9.56	8.7	29.91	31.05	3	1	8	3	2

Birla Sun Life ’95 Fund (G)	172.56	128.58	-0.84	6.09	12.42	28.43	29.52	2	7	3	5	5
Birla Balance (G)	27.33	115.53	-2.25	4.23	10.11	21.25	25	5	11	5	12	9
DSP ML Balanced Fund - (G)	37.152	391.08	-3.46	5.55	9.17	27.46	30.43	9	8	7	6	4
Sundaram BNP Paribas Balanced Fund - (G)	31.0465	44.67	-3.72	4.53	3.02	23.22	25.36	10	10	12	9	8
Magnum Balanced Fund (G)	33.84	263.77	-4.33	6.18	7.94	N.A	N.A	11	6	9	0	0
Principal Balanced Fund - (G)	20.79	28.64	-5.03	0.29	-1.14	21.31	24.82	13	13	15	11	10
Pru ICICI Balanced Fund - (G)	33.56	463.3	-3.09	6.27	10	29.12	29.23	6	5	6	4	6
Kotak Balance	22.83	95.84	-3.23	3.78	2.84	33.75	30.72	8	12	13	2	3
JM Balanced Fund - (G)	22.18	13.3	-4.81	5.22	11.57	25.17	23.62	12	9	4	7	12
ING Vysya Balanced Portfolio (G)	18.05	7.74	-0.72	6.62	6.05	23.08	21.81	1	4	10	10	14
FT India Balanced Fund - (G)	32.1241	253.76	-1.57	7.41	15.31	24.92	28.33	4	2	2	8	7
Average			-3.51	4.55	7.87	25.98	27.44					

Min	-8.78	-2.91	-1.14	20.67	21.81
Max	-0.72	9.56	15.82	34.52	37.81

1.4 MUTUAL FUND SCOREBOARD - Part II

Scheme/ Index Name	**N.A.V. (Rs)**	**Corpus Feb-07**	**Annualised 3 mon**	**6 mon**	**1 year**	**CAGR 2 years**	**3 years**	**Ranking Returns 3 mon**	**6 mon**	**1 year**	**2 years**	**3 years**
Income Funds												
HDFC High Interest Fund (G)	24.3175	41.47	-2.64	-0.12	2.71	2.51	1.66	26	27	26	26	28
HDFC Income Fund (G)	16.5463	224.64	-2.8	0.33	2.64	2.31	1.67	27	26	27	27	27
Principal Income Fund - (G)	10.5201	679.16	3.91	4.69	6.79	5.69	4.12	9	7	2	6	6

Birla Income Plus - Retail (G)	30.2964	219.09	-0.65	2.79	4.88	4.16	2.53	24	21	13	15	21
Tata Income Fund - (AO)	25.0129	42.9	3.24	5.04	4.74	6.96	4.82	11	6	15	2	2
Tata Income Plus - RIP (G)	12.6878	3.15	6.71	7.97	6.45	6.31	4.08	1	1	4	4	7
UTI-Bond Advantage Fund - LTP (G)	18.8979	23.03	4.67	4.45	4.99	4.49	3.11	6	10	11	11	13
UTI-Bond Fund (G)	21.6436	301.98	2.16	3.48	4.99	6.39	4.77	16	18	11	3	3
Kotak Bond - Deposit Plan (G)	18.6023	51.47	0.34	3.63	5.24	4.66	3.49	20	13	7	9	11
Magnum Income Fund - (G)	19.7348	74.46	0.27	2.67	4.7	3.78	2.31	21	22	16	19	22
Templeton India IBA - (G)	24.8573	101.54	-1.36	3.04	4.12	3.09	1.96	25	20	21	25	26
Templeton India Income Fund - (G)	25.6816	201.26	1.9	3.57	4.92	3.77	2.57	19	17	12	20	19
Grindlays SSIF - Invest (G)	16.8219	57.97	2.01	3.72	4.86	3.99	2.27	18	12	14	16	23
DSP ML Bond Fund - Retail Plan	25.0084	57.18	4.47	4.57	5.12	4.33	3.06	7	8	10	13	15

(G)											
HSBC Income Fund - Invest Plan (G)	12.3337	27.28	-0.04	2.65	4.53	4.21	3.07	22	23	18	14	14
Birla Bond Index Fund (G)	11.6436	0.72	4.04	4.54	5.52	4.45	2.72	8	9	6	12	16
Birla Sun Life Income Fund (G)	25.8744	32.84	3.71	7.54	8.01	5.82	3.97	10	2	1	5	9
BOB Income Fund (G)	12.6749	0.45	4.68	4.54	4.01	3.82	4.23	5	9	22	18	5
Kotak Bond - Regular Plan (G)	19.571	51.47	2.09	5.42	6.74	5.61	4.32	17	4	3	7	4
LICMF Bond Fund - (G)	19.9651	102.98	2.73	1.88	4.61	4.64	3.37	14	24	17	10	12
ING Vysya Income Portfolio - (G)	18.1745	10.35	2.84	3.87	4.15	3.86	2.58	13	11	20	17	18
Sundaram BNP Paribas Bond Saver - Appreciation	22.784	64.15	2.44	3.6	4.25	3.28	1.99	15	14	19	23	25
Sundaram BNP Paribas Income Plus - (G)	12.8687	7.11	6.46	5.38	5.59	4.16	3.86	3	5	5	15	10
CanIncome	13.3083	1.26	6.28	5.9	5.17	15.07	5.72	4	3	8	1	1

(Growth)												
DBS Chola Triple Ace - (Cumulative)	24.2274	14.53	6.55	3.45	3.33	3.18	2.02	2	19	24	24	24
DWS Premier Bond Fund - Regular Plan (G)	11.9902	1.92	-7.08	0.43	2.8	3.52	2.61	28	25	25	21	17
JM Income Fund - (G)	28.7469	26.58	3.11	3.59	3.79	3.34	2.56	12	15	23	22	20
Reliance Income Fund - (G)	23.1582	88.68	-0.45	3.58	5.14	4.77	4.07	23	16	9	8	8
Average			2.13	3.79	4.81	4.72	3.2					
Min			-7.08	-0.12	2.64	2.31	1.66					
Max			6.71	7.97	8.01	15.07	5.72					
Income Fund - Institutional												
Tata Income Plus - HIP (G)	12.7216	3.15	6.71	7.97	6.45	6.31	4.08	1	1	2	1	2
HSBC Income Fund - Invest - Inst Plan (G)	12.7068	27.28	0.77	3.52	5.53	5.14	3.94	4	4	4	3	3
ING Vysya Income Portfolio - Inst (G)	18.9416	10.35	3.9	4.95	5.25	4.96	3.66	3	3	5	4	4
Principal Income Fund - Inst Plan	12.3867	679.16	4.37	5.13	7.25	6.25	4.73	2	2	1	2	1

(G)												
Pru ICICI Income Plan - Inst (G)	22.0036	249.78	-2.43	3.01	5.81	4.89	3.65	5	5	3	5	5
Average			2.66	4.92	6.06	5.51	4.01					
Min			-2.43	3.01	5.25	4.89	3.65					
Max			6.71	7.97	7.25	6.31	4.73					
Gilt Funds- Short Term Plans												
HDFC Gilt Fund Short Term Plan (G)	13.6895	12.85	4.65	4.77	4.92	4.26	3.94	9	10	9	11	7
Principal Govt Securities - Savings (G)	14.0655	0.22	3.51	4.16	6.35	4.96	4.35	11	12	3	8	6
Pru ICICI Gilt Fund - Treasury (G)	17.9335	26.32	1.57	3.26	4.66	4.98	4.53	13	13	11	7	5
Magnum Gilt Fund - Short Term (G)	14.8825	12.17	8.12	6.85	5.38	4.46	3.72	1	3	7	9	8
Kotak Gilt - Savings Plan (G)	18.1774	13.97	4.1	4.94	5.54	5.3	5.22	10	9	6	4	2
HSBC Gilt Fund - Short Term Plan (G)	11.1945	1.39	6.47	5.9	4.87	4.32	3.48	2	5	10	10	9
Grindlays G Sec Fund - STP (G)	12.6175	0.67	5.78	5.38	4.52	4.14	2.72	5	8	12	12	12

DSP ML G-Sec Fund - B (G)	16.905	4.79	3.28	4.43	5.55	5.42	4.73	12	11	5	3	4
Birla Sun Life Govt Sec - Short Term (G)	15.9756	0.62	5.16	9.44	7.14	5.16	3.2	8	1	1	5	10
Birla Gilt Plus - Liquid (G)	18.1915	19.17	5.5	7.02	6.57	5.72	5.35	7	2	2	2	1
UTI-G-Sec Fund - STP (G)	11.7334	102.96	6.34	6.06	6.09	5.75	4.94	3	4	4	1	3
Templeton India G-Sec Fund - Treasury Plan (G)	13.9716	91.36	5.54	5.54	4.95	5.09	4.73	6	7	8	6	4
Reliance Gilt Securities - STP (G)	11.5121	6.72	5.94	5.76	3.68	3.97	2.98	4	6	13	13	11
Average			5.07	5.65	5.4	4.89	4.15					
Min			1.57	3.26	3.68	3.97	2.72					
Max			8.12	9.44	7.14	5.75	5.35					
Gilt Funds-Long Term Plans												
HDFC Gilt Fund Long Term Plan (G)	15.6291	35.39	-0.57	2.38	2.43	2.32	0.75	16	17	20	19	21
DSP ML G-Sec Fund - A (G)	23.0456	31.76	-2.77	1.81	3.41	4.09	2.7	19	19	19	11	10

Magnum Gilt Fund - Long term (G)	17.2527	64.16	4.57	5.34	5.5	4.52	2.37	4	7	7	9	15
UTI-G-Sec Fund (G)	19.0818	130.77	1.6	3.19	4.47	3.81	1.78	9	16	11	16	19
Templeton India G-Sec Fund - Composite (G)	24.2359	135.97	1.25	4.39	4.41	4.02	2.4	12	11	12	13	14
ING Vysya Gilt Portfolio (G)	12.2465	0.04	5.19	4.97	4.3	3.58	4.47	3	9	13	18	2
JM G-Sec Fund - Regular Plan (G)	21.2271	4.63	2.83	4.3	3.67	3.86	2.6	8	12	17	15	11
LICMF G-Sec Fund - (G)	18.9406	54.4	2.91	3.56	4.12	4.02	2.53	6	15	15	13	12
Reliance Gilt Securities - LTP (G)	12.7438	45.28	-0.22	4.83	6.01	5.65	5.32	14	10	5	1	1
Sundaram BNP Paribas Gilt Fund - (G)	13.4871	1.11	5.9	5.62	4.7	4.19	3.3	2	4	10	10	5
UTI-Gilt Advantage Fund - LTP (G)	15.2484	62.04	0.86	3.59	4.95	5.09	3.17	13	14	9	5	6
Templeton	16.576	56.28	1.3	5.5	5.79	4.91	3.55	11	6	6	6	3

India G-Sec Fund - LTP (G)												
Kotak Gilt - Invest Plan (G)	23.566	32.23	-4.1	0.86	4.22	3.59	2.51	20	20	14	17	13
Pru ICICI Gilt Fund - Investment (G)	22.4096	106.38	-1.63	6.53	7.37	5.38	3.48	17	1	1	3	4
Principal Govt Securities - Invest (G)	15.9791	18.69	-7.9	0.18	3.57	4.59	2.87	21	21	18	8	9
Birla Gilt Plus - Regular (G)	23.3378	56.53	-1.82	5.89	7.18	5.4	3.13	18	3	2	2	7
Birla Sun Life Govt Sec - Long Term (G)	19.8528	2.21	2.88	5.24	5.21	3.87	2.06	7	8	8	14	18
BOB Gilt Fund (G)	11.3712	0.55	7.08	6.31	6.08	4.88	2.26	1	2	4	7	17
Can Gilt (PGS)-(G)	18.4546	16.75	3.32	4	3.95	4.05	2.35	5	13	16	12	16
DBS Chola Gilt Investment Plan-(G)	18.5997	2.47	-0.41	2.34	1.08	1.66	1.08	15	18	21	20	20
Grindlays G Sec Fund - Invst Plan	13.7329	5.69	1.5	5.54	6.12	5.33	3.01	10	5	3	4	8

(G)												
Average			1.04	4.11	4.69	4.23	2.75					
Min			-7.9	0.18	1.08	1.66	0.75					
Max			7.08	6.53	7.37	5.65	5.32					
Gilt Funds Long Term PF Plans												
UTI-Gilt Advantage Fund - PF Plan (G)	11.3391	62.04	0.86	3.57	4.95	5.06	3.15	9	8	6	4	2
Templeton India G-Sec Fund - PF Plan (G)	10.6453	135.97	1.25	4.42	4.46	4.05	N.A	8	6	9	8	0
Magnum Gilt Fund - LTP - PF (G)	11.0341	6.05	4.6	5.48	5.69	4.75	2.61	2	2	4	5	6
Principal Govt Securities - Provident (G)	10.7684	39.24	-5.99	-0.46	2.93	3.75	2.26	13	13	12	12	9
Pru ICICI Gilt Fund - Treasury - PF Option	11.4314	31.38	1.8	3.3	4.8	4.61	4	7	10	7	6	1
LICMF G-Sec Fund - PF Plan (G)	10.9219	54.4	2.91	3.56	4.12	4.02	2.53	3	9	10	9	8
Kotak Gilt Invest - PF & Trust Plan (G)	23.877	32.23	-3.7	1.26	4.65	4.01	2.92	12	11	8	10	3

JM G-Sec Fund - PF Plus (G)	10.9993	9.19	-1.25	0.68	2.63	3.66	2.57	10	12	13	13	7
JM G-Sec Fund - PF Plan (G)	22.0974	2.32	2.63	4.47	3.56	3.88	2.67	4	5	11	11	5
Grindlays G Sec Fund - PF Inst (G)	11.1456	22.58	2.1	5.1	6.2	5.66	N.A	6	4	3	3	0
Grindlays G Sec Fund - PF (G)	11.1167	22.58	2.2	5.2	6.31	5.77	N.A	5	3	2	2	0
BOB Gilt Fund - PF Plan (G)	10.9298	0.33	14.1	10.49	8.48	6.04	2.72	1	1	1	1	4
Birla Gilt Plus - PF Plan (G)	20.6919	74.33	-2.23	3.74	5.22	4.32	2.24	11	7	5	7	10
Average			1.48	3.91	4.92	4.58	2.77					
Min			-5.99	-0.46	2.63	3.66	2.24					
Max			14.1	10.49	8.48	6.04	4					

1.5 Regulations : Two-way street

Short selling by institutional investors will hopefully calm the volatile markets and lead to better price discovery

Related Tables

Profiting from a falling market

Related Articles

Ups and downs

Taking a view — to the contrary

Does short selling lead to market collapse and destroy market wealth? This is more a myth than a proven fact. In fact, short selling helps price discovery and improves market efficiency. The government, too, seems to believe in the benefit of short selling. The Union Budget 2007-08 allowed short selling settled by delivery by institutions. End March, market regulator Securities Exchange Board of India (Sebi) authorised institutions to short sell securities in the spot market. It will issue guidelines shortly.

Currently, retail investors are allowed to short sell intra-day. However, institutional investors such as mutual funds, foreign institutional investors (FIIs), banks and insurance companies were mandatorily required to settle their trades on the basis of deliveries of shares owned by them. Besides, no margin was applicable to institutional investors as the transaction had to be compulsorily settled by deliveries.

Institutional investors wanting to hedge or speculate by going short could do so in the futures and options (F&O) by shorting futures: by buying 'put' (an option but not an obligation to sell a stock) options or by selling 'call' (an option but not an obligation to buy a stock) options. Ironically, retail investors were allowed to short sell.

Initially, short selling will be allowed only in stocks trading in the derivative segment. At present, 159 stocks are traded in the F&O market. The market regulator plans to gradually expand this list to include more stocks to be allowed for short selling.

To facilitate short sell, the market regulator proposes to set a new system for securities borrowing and lending through stock exchanges. Besides, institutional investors would pay the same margin money as retail investors. Now the market is eagerly waiting for detailed guidelines from the market regulator.

Pros and cons

Allowing institutional investors to short sell will ensure level playing field for all categories of investors. The basic idea is let the bulls and bears slug it out in an open and free market. This will drastically enhance liquidity as more players would be able to take the plunge.

This will also help to improve price discovery. For any market it is better to have investors with divergent views on the fundamentals of the company or the market or the economy as this facilitates better price discovery. Having only bulls with optimistic outlook tends to distort the market. Short selling will allow the market to discount the views of bears, too. This will reduce price volatility and lend stability to the market. Thus, providing a level-playing field for allowing short selling would go a long way in improving the market depth, liquidity and price discovery.

Price rigging is also kept under check by short sellers. One can easily find many instances of nexus between promoters and brokers rigging prices of their companies. Aggressive short selling can control this menace to a great extent. Besides, unrealistically optimistic view about any sector, like software during the dotcom boom of 2000, can also be restrained through short selling.

With short selling, investors can benefit from a falling market as well. Suppose, an investor believes that Rs 2000 is the right price to buy Infosys stock and Rs 2500 a good price to sell. He can enter Infosys whenever the price touches the Rs 2000 level and sell at Rs 2500. Next, if the price goes to Rs 3000 and above, he can short sell the scrip based on his view and cover his position when the stocks decline to a reasonable level.

Due to the ban on short selling by institutional investors, only one way arbitrage was possible between the cash market and F&O market: buy in the cash market and sell in the futures. Many times, futures would trade at discount compared with the cash market. Institutional investors could not enter into reverse arbitrage due to the ban on short selling. With the lifting of the ban, a reverse arbitrage is possible: buying in the futures market when prices are ruling at a lower level and selling in the cash market when prices are trading at a higher levels compared with the F&O market. Again this will bring rationality to both the markets: cash and F&O.

Currently, portfolio-risk mitigation is possible through the F&O market by selling futures, buying ‘put’ option or selling ‘call’ option. However, limited liquidity in the F&O market was a big dampener for institutional investors wanting to hedge their portfolio risk. Now, with short selling allowed in the cash market, institutional investors like mutual funds, insurance companies and others can hedge their risk effectively as liquidity is high in the spot market.

Next, institutional investors and retail investors can earn money by lending their idle shares to short sellers. However, more clarity is needed on this aspect from the market regulator.

Best practices

To make short selling meaningful, the market should adopt international best practices. Dissemination of market information is important for improving the short selling mechanism. In the US, the NYSE or the Nasdaq provides information about short sell which is also known as 'short interest' or 'short ratio'. Short interest is basically the number of shares sold short as a percentage to average daily volume. This ratio is of great help in gauging the price trend in the spot market.

In the developed market, short selling is considered as legitimate activity. For instance, the Financial Services Authority (FSA) in the UK believes that short selling accommodates abnormal buying pressure which could otherwise inflate the stock price to unrealistic levels. FSA feels short selling is the right weapon when long-term investors and index funds dominate the market. Short selling on certain designated securities is allowed in many other countries like Hong Kong, Korea, Japan and Singapore. However, this is subject to disclosure of such transactions and tick rules that prohibit short sell during a falling market.

Though short selling is considered as a first line of defense against any kind of financial fraud or mismanagement, its introduction was not a smooth affair in the developed market. The system faced flak from investors as short selling can be used by manipulators to tank the market by hammering selected stocks. Nonetheless, this applies to long positions as well. Bulls can rig prices to their advantage. What the market requires is strong systems to detect any kind of manipulation, whether masterminded by bulls or bears the US Securities and Exchange Commission (Sec) believes a vast majority of short sales are legal. But it holds abusive short sale practices illegal.

Prerequisites

To start with, Sebi and the stock exchanges need to put in place a strong stock lending and borrowing mechanism. Indeed, the success of short selling largely depends on how strong is the stock lending and borrowing mechanism.

Second, it would be interesting to see the extent of participation by institutions in stock lending which, in turn, will determine cost of borrowing securities. If the cost is prohibitive, the mechanism would fail to take off. Stock exchanges and Sebi should encourage investors to lend shares to short sellers to ensure its success. For instance, in the developed markets like the US, custody banks and fund management companies lend stocks. Even, occasionally, brokers borrow stocks from their customers who are holding long positions.

Next, the market regulator and stock exchanges need to build infrastructure for stock lending and borrowing which will make the process transparent and cost affordable.

As investors are free to borrow money at a cost (interest rates) and invest in shares, why not allow investors to short sell by borrowing shares from the lenders for cost? Let it be an equal fight between the bulls and bears. Let it be a two-way street for better price discovery, lesser volatility and scam-free market. The market regulator needs to put in place robust lending and borrowing mechanism and, of course, enough safeguards to avoid abuses of the system.

Profiting from a falling market

	Price declines to Rs 2000	**Price increases to Rs 2500**
Shorts/sells 10 shares at Rs 2200 (cost)	Rs 22000	Rs 22000
Covers short position (buy shares)	Rs 20000	Rs 25000
Profit/(Loss)	Rs 2000	(Rs 3000)

Ups and downs

1996: The issue of short selling was first deliberated by Sebi. It constituted a committee under the chairmanship of B D Shah. Subsequently, short selling was allowed in the Indian markets.

1998: Sebi banned short sales for some time in response to high market volatility. However, the restriction was withdrawn subsequently.

2001: Ban on short selling was reintroduced in response to market volatility and plunge in the stock markets.

2002: The Joint Parliamentary Committee (JPC) probing the stock market scam submitted its report in December 2002 and highlighted issues related to short sales. The need for clear policy was emphasised.

2005: A discussion paper on 'Short selling and securities lending and borrowing' was released by the Secondary Market Advisory Committee of Sebi in December 2005.

2007: The Union Budget 2007-08 allowed short selling backed by delivery by institutions such as FIIs and mutual funds. Subsequently, Sebi authorised institutions to short sell securities in the spot market.

Taking a view — to the contrary

Short selling basically means selling shares without owning them. Short sell is opposite of going 'long'. Investors buy stocks, or go long, and hold them expecting prices to go up. Eventually, investors sell the stocks once prices go up. In short selling, investors borrow shares expecting a decline in share prices, and sell them. Whenever the price actually declines, they buy back the shares at a lower price. This is also called as short covering. Here, the profit would be the difference between the selling price and the buying price minus charges paid for borrowing shares.

For instance, investor A sells 10 shares of Infosys at Rs 2200, expecting the price to decline below Rs 2000. Now there are two possibilities: either the price will go down or go up. Assuming the two scenarios — price declining to Rs 2000 and price going up to Rs 2500 — here is a profitability matrix for the investor A.

Contrary to A's expectation, if the price goes up to Rs 2500, A will incur a loss of Rs 3000. Theoretically, prices can go up to any level. Hence, potential for loss in short selling is unlimited. In the same manner, prices can dip a maximum up to zero and, thus, profit potential is limited.

1.6 Fraud-proof : A slip between safety and insecurity

Credit-card transactions are convenient, quick and hassle-free. But they expose users to a darker side, too

There was a time when we had to keep our chequebooks safely under lock and key. But a lot has changed since then. We have traveled a long way to an era of plastic money. Instead of cash, the wallet is heavily loaded with debit and credit cards from different banks.

There are two sides to a coin. Along with the benefits attached to plastic money — convenience and credit — there are lots of dangers lurking around for card users. Credit card frauds have increased since 2000 and fraudsters work upon new ways and means to commit misuse of credit cards.

Credit card fraud techniques can be broadly categorised into conventional and modern. Traditional techniques involve application fraud, where an individual applies for a card by providing personal details of any other individual; intercept fraud, where newly issued card are stolen during postal transit; and the illegal use of lost or stolen cards.

Online security

Recently, there has been a sharp rise of online credit card frauds as technology is exploited to develop new innovative techniques to commit fraud on a large scale without leaving any traces to track back the fraudsters. The most common type of modern day credit card frauds include production of fake and counterfeit cards, skimming, phishing, site cloning, false merchant sites and triangulation. Fake cards can be created from scratch by obtaining personal data about an individual and the use of requisite equipment. This method requires a high degree of skill as the cards offered by banks come with a lot of security features making it difficult to replicate the full mechanism.

Skimming was by far the most practiced form of credit card fraud before it actually came to limelight. Skimming is a process of copying genuine card data on another magnetic strip. Employees or cashiers of business establishments, waiters of hotels and restaurants usually commit this type of fraud, carrying pocket skimming devices fitted with battery operated electronic magnetic strip reader. Swiping the customer’s card over this magnetic strip reveals the card details that are used later with fraudulent intentions.

Triangulation is a kind of merchant related fraud, which can either be initiated by the owner or their employees. Such frauds are typically operated with a website offering goods at very attractive rates and exempting the customer to pay any extra shipping charges. The customers is promised payment only after the delivery of the products. But to avail this discount the customer has to provide the website with all the personal details that include name, address, credit card number to be validated by the website. This crucial information is used fraudulently to purchase goods from other websites by providing this information.

With a marked shift in the purchasing patterns of the consumer, the dependence on internet as a mode of transaction has increased by leaps and bounds. Internet-related fraud, therefore, remains a major concern and can be considered parallel to the threat on data security.

Site cloning, false merchant sites and credit card generators are the most common type of frauds across the internet. Site cloning is creating a web page or the full website which is an exact replica of a reputed website. The user navigates and transacts on the site assuming it to be the original site. The fraudster, in turn, has access to vital information extending from personal details to linked bank account details. This can be alternatively also termed as phishing.

At the receiving end

In recent times, two large reputed banks, ICICI Bank and UTI Bank, suffered the brunt of phishing when accountholders received a mail that apparently appeared to have originated from the banks website and was addressed personally to some accountholders, providing them with a link to directly login to the website and check their account balances. Both these bank were quick to find this out and curbed the situation by issuing warnings to abstain from using these links and deleting such mails.

False merchant sites act as data base providers to smaller card related fraudsters. The websites provide some rich reading content that can only be accessed after providing the website with credit card details. This assimilated database is later send to small groups of petty fraudsters on the internet.

Credit card number generators use a specific algorithm, which facilitates generation of valid credit card numbers with expiry date. These generators work by populating a list of credit card account numbers from a single account number.

The cardholder as such does not face much of harassment in comparison with the merchant houses which are victims of such crimes. The liability of the cardholder is limited to the credit limit offered by the bank. In case of occurrences of such frauds, the statutory framework provides appropriate remedies to cardholders who have been cheated. It's the merchant establishments who are the worst hit because they end up loosing the inventory, pay for shipping charges, administrative costs and card association fees.

Card holders need to focus on ways to avoid falling in situation where they can be conned. Certain basic rules are to be followed. The first being never allow others to have information about your card number. Give credit card similar weight and importance given to debit cards. Immediately report a situation of lost or stolen credit card to the issuing bank so that the card can be blocked and any misuse can be prevented.

Secure payments

When conducting an online transaction, make sure that such transactions are only on websites that have obtained certification for secure payment by leading secured transaction certification companies like Verisign. The cardholder should refrain from providing any card related information to sites offering free services or providing access to paid data free of cost in exchange of vital credit card information.

No bank issuing a credit card will seek personal information validation from its customers via e-mails. So an individual should not respond to any such anonymous mails asking for such data.

Transacting through credit cards for shopping, electronics purchases, dining out at restaurants and staying at hotels requires a slightly increased vigilance to prevent misuse of cards. Always accompany the person executing the credit transaction and never allow any transaction to be processed without personal presence. Subscribe to free-of-cost mobile alerts, which provide instant details of transactions carried out on the credit card. This gives a two-fold advantage of keeping up to date on any transaction and tracking of till-date credit card transactions. Credit card users should make a habit of periodically checking card account balances at least twice, at regular intervals, before the billing date.

Exercising these precautions can greatly reduce a cardholder's risk of getting trapped in any known form of credit card frauds. But in the changing world of technology, innovative ways of conducting fraud are being devised, which leaves little scope for complete security against such frauds.

1.7 Regulations : Window shopping

IPO grading, focusing on the current fundamentals of the issuer, will not be a recommendation

Last month, market watchdog Securities and Exchange Board of India (Sebi) made grading of initial public offering (IPO) mandatory for all companies planning to tap the capital market. The concept of optional IPO grading was introduced last year. The recent correction in the market, resulting in many new listed scrips dipping below their offer price, triggered the Sebi move to make IPO grading mandatory.

Sebi believes IPO grading will act as investment and information tool for investors. Such grading would be particularly useful in assessing the equity offerings of those companies that are accessing the market for the first time with no track record of their market performance.

The grading will be on a five-point scale based on quantitative and qualitative criteria such as business fundamentals and future prospects, financial soundness, management quality, corporate governance practices, project risk, compliance and litigation history.

The grade of five means strong fundamentals, four means above average fundamentals, three represents average fundamentals, two indicates below average fundamentals and one means poor fundamentals.

However, the grading will not provide any valuation of the equity offering, view about the issue price or any kind of price recommendation. The one-time IPO grading provided by the credit rating agencies would form part of the IPO prospectus. Moreover, even if the company is not satisfied with the grade assigned, the company has to publish the rating in the prospectus.

The credit rating agencies registered with Sebi would carry out the IPO grading exercise. The rating agencies that are currently allowed to undertake IPO grading include Crisil, Fitch Ratings India, Icra and Care.

The IPO grading fee would be a nominal percentage of the size of the issue which will be borne by the companies going for public offerings. Earlier the cost of grading IPOs was supposedly borne by investor protection funds administered by the stock exchanges or by Investor Education & Protection Fund (IEPF) administered by the Ministry of Companies Affairs.

The IPO grading initiative is the first of its kind in the whole world. Investors need to wait and see how the system evolves and whether it really benefits them. At present, investment decisions have to be based on voluminous and complex disclosure documents such as IPO prospectus. This not only requires expertise but also time. Not all the investors are in position to critically examine the IPO documents. The IPO grading could solve this problem.

Critics of IPO grading have a very valid question. What value-addition will IPO grading offer compared with recommendations of equity analysts? Research houses that comes out with ‘buy’, ‘hold’ or ‘sell’ recommendations also look into lots of issues that the IPO grading process focuses on.

The market regulator contends IPO grading is based on the premise that a security with stronger fundamentals would command a higher market price. The grading process will not comment on whether to subscribe or not. Thus, investors would get unbiased option on company fundamental and may further seek option of the research community whether it is good buy or not.

The move to make IPO grading mandatory is with the good intention of allowing only genuine entrepreneurs to tap the capital markets and deter fly-by-night operators. However, investors should be clear that IPO grading is only an indicator of fundamentals of the company and not a recommendation to buy.

1.8 Grievance : Bank on it

An ombudsman is the next step if your bank does not respond satisfactorily to your complaints

Sanjay Jhaveri is contesting the extra charges debited to his bank account for services he did not use. Despite taking the issue with his bank, he did not get satisfactory reply or reversal of charges. His friend suggested he approach the banking ombudsman.

The banking ombudsman addresses unresolved grievances against banks: fraudulent withdrawals, interest rate disputes on deposits, payment delays, refusal to accept small denomination notes — basically any banking related problems.

Initially, the banking ombudsman dealt only with complaints related to banking transactions. In 2006, the Reserve Bank of India (RBI) expanded the scope of inquiry to also cover credit and debit cards, banks reneging on promises made by their direct selling agents (DSAs), charges levied by banks without prior intimation, and misbehavior by bank staff.

When can one approach an ombudsman? The following conditions will apply before the ombudsman can be approached:

* The complainant had made a written representation to the bank, and the bank had either rejected the complaint, or the complainant had not received a reply within a period of one month after the complaint was received by the bank, or the complainant was not satisfied with the reply given by the bank.

* The complaint is made not later than one year after the complainant has received the bank's reply to his/her representation. And when no reply is received, not later than one year and one month after the date of the representation to the bank.

* The complaint has not been settled by the ombudsman in any previous proceedings.

* The complaint is not the subject matter of proceedings before any court, tribunal, arbitrator or any other forum.

* The complaint is not frivolous or vexatious in nature.

* The complaint is made before the expiry of the period of limitation

A complainant can file a complaint with the banking ombudsman simply by writing on a plain paper. He can also file it online at www.bankingombudsman.rbi.org.in or send an email to the banking ombudsman.

There is a prescribed form for filing a complaint, which is available with all the branches of the banks. However, it is not necessary to use this format. The complainant should, however, incorporate all the required information. The complaint should have the name and address of the complainant, the name and address of the branch or office of the bank against which the complaint is made, facts giving rise to the complaint supported by documents, the nature and extent of the loss caused to the complainant, the relief sought from the banking ombudsman, and a declaration about the compliance of conditions.

The banking ombudsman may reject a complaint at any stage if it appears to him that the complaint made is (a) frivolous, vexatious, malafide; or (b) without any sufficient cause; or (c) that it is not pursued by the complainant with reasonable diligence; or (d) in it there is no loss or damage or inconvenience caused to the complainant; or (e) beyond the pecuniary jurisdiction of banking ombudsman.

The banking ombudsman may reject a complaint at any stage if, after consideration of the complaint and evidence produced, it feels the opinion that the nature of the complaint requires consideration of elaborate documentary and oral evidence and the proceedings before the banking ombudsman are not appropriate for adjudication of such complaint. The decision of the banking ombudsman in this regard shall be final and binding on the complainant and the bank.

The National Consumer Helpline (NCH), a Delhi-based project of the ministry of consumer affairs, has kicked off an initiative to create an alternate redressal mechanism for consumer complaints.

This is how it works. When a consumer dials the toll-free NCH number — 1800-11-4000 — to get his complaint heard, it gets converted into data, which are transmitted to the concerned banks.

So far, Citibank, Standard Chartered Bank, HDFC Bank, ING Vysya Bank, ABN Amro Bank, ICICI Bank, PNB, Canara Bank, BANK Bank, and Development Credit Bank have joined the scheme. The New Delhi banking ombudsman has also signed up, making it the first ombudsman to enrol in the initiative.

1.9 MUTUAL FUND SCOREBOARD - Part III

Scheme/ Index Name	N.A.V. (Rs)	Corpus Feb-07	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 Icome Plans- Short Term												
HDFC Multiple Yield Fund-	10.9868	165.44	0.69	3.49	4.08	N.A	N.A	6	17	16	0	0

Plan 2005 - (G)												
HDFC Monthly Income Plan - STP (G)	12.7941	252.98	-1.5	3.05	3.03	7.5	7.42	12	19	23	16	9
HDFC Multiple Yield Fund (G)	12.1665	220.64	3.13	4.85	4.99	7.53	N.A	4	11	14	15	0
DBS Chola Monthly Income Plan (G)	13.2611	5.73	-0.59	5.46	5.79	7.24	6.61	9	8	11	19	14
HSBC Monthly Income Plan (G)	12.2651	49.84	-0.4	5.35	6.82	8.14	6.78	8	9	4	11	13
DSP ML Savings Plus Fund Moderate (G)	15.1518	178.43	1.7	6.99	6.62	9.93	8.94	5	3	6	5	4
DWS Monthly Income Plan B (G)	11.8315	1.3	-8.51	-0.98	2.54	5.33	5.55	22	25	25	24	19
DWS Monthly Income Plan A (G)	12.4461	5.96	-11.49	2.24	3.74	7.36	7.37	24	23	18	17	10
Templeton MIP - (G)	19.7482	133.87	-1.45	4.36	6.24	8.68	7.65	11	13	8	9	8

ABN AMRO Monthly Income Plan (G)	12.94	62.27	0.52	13.57	10.99	11.12	N.A	7	1	1	2	0
Birla Monthly Income Plan (G)	19.0142	167.61	-1.45	3.96	6.43	8.08	7.23	11	15	7	12	11
Pru ICICI MIP (G)	18.8506	648.54	-1.93	5.75	7.03	10.48	9.3	14	6	2	4	3
FT India Monthly Income Plan - (G)	20.4446	598.05	-3.36	4.26	6.23	9.13	8.82	17	14	9	7	5
Sundaram BNP Paribas Monthly Income Plan -(G)	12.5819	48.86	-4.98	2.45	2.99	8.64	7.69	20	22	24	10	7
ING Vysya MIP Fund - Plan B (G)	12.0935	5.58	-1.87	5.93	4.15	7.75	6.5	13	5	15	14	16
JM Monthly Income Plan - (G)	13.0641	15.26	-6.56	2.89	3.71	8.84	7.14	21	20	20	8	12
Kotak Income Plus (G)	12.9781	77.81	-3.04	3.66	3.72	9.65	8.28	16	16	19	6	6
LICMF Monthly Income Plan - (G)	23.9086	224.1	-4.06	4.98	4.01	10.95	9.42	19	10	17	3	2

Magnum Monthly Income Plan - (G)	16.554	120.52	-1.29	1.93	5.03	7.91	6.55	10	24	13	13	15
Principal Monthly Income Plan - (Growth Accum)	14.9529	57	-3.01	2.68	3.29	5.91	5.54	15	21	22	23	20
Reliance Monthly Income Plan (G)	13.4712	508.56	-11.46	3.18	6.98	12.7	10.14	23	18	3	1	1
Birla MIP - Savings 5 (G)	11.6419	6.17	4.95	5.49	6.68	6.02	N.A	2	7	5	22	0
Tata Monthly Income Fund - (App)	14.6416	36.6	8.66	7.63	5.61	6.75	6.12	1	2	12	21	17
Tata MIP Plus Fund - (G)	11.8738	52.64	-3.6	4.77	3.32	6.97	5.79	18	12	21	20	18
DSP ML Savings Plus Fund Conservative (G)	12.0902	11.55	3.58	6.89	6.18	7.35	N.A	3	4	10	18	0
Average			-1.89	4.59	5.21	8.33	7.44					
Min			-11.49	-0.98	2.54	5.33	5.54					
Max			8.66	13.57	10.99	12.7	10.14					

Monthly Income plans - Long Term

HDFC Monthly Income Plan - LTP (G)	14.7446	1161.55	3.06	7.71	8.34	14.68	12.37	2	3	3	2	1
Principal Monthly Income Plus - (G)	12.5583	21.12	-3.97	3.48	3.8	8.21	7.68	5	7	8	8	5
HSBC Monthly Income Plan - Savings (G)	13.1146	69.54	-2.12	6.72	7.5	11.13	9.21	4	4	4	6	4
Birla MIP - Wealth 25 (G)	13.3166	120.24	-4.21	3.89	5.58	10.92	N.A	6	6	6	7	0
UTI-MIS Advantage Plan (G)	13.8575	105.44	-4.61	6.27	5.47	13.18	11.07	7	5	7	3	2
Pru ICICI Income Multiplier Fund - Regular (G)	14.3915	486.71	1.48	8.78	10.49	15.21	N.A	3	2	1	1	0
DSP ML Savings Plus Fund Aggressive (G)	13.8157	67.29	4.47	9.61	8.63	12.54	N.A	1	1	2	5	0
Reliance Monthly Income Plan (G)	13.4712	508.56	-11.46	3.18	6.98	12.7	10.14	8	8	5	4	3

Average			-2.17	6.21	7.1	12.32	10.09					
Min			-11.46	3.18	3.8	8.21	7.68					
Max			4.47	9.61	10.49	15.21	12.37					
Arbitrage Funds												
JM Equity & Derivative Fund (G)	11.5226	283.32	7.72	7.25	7.94	7.08	N.A	3	3	3	1	0
Kotak Cash Plus (G)	11.1745	77.52	10.37	8.57	8.34	N.A	N.A	1	2	2	0	0
Pru ICICI Blended - Plan B (G)	11.2411	83.59	6.88	6.84	7.3	N.A	N.A	4	4	4	0	0
Pru ICICI Blended - Plan A (G)	11.5395	520.66	10.24	9.91	9.73	N.A	N.A	2	1	1	0	0
Average			8.8	8.14	8.33	7.08	0					
Min			6.88	6.84	7.3	7.08	0					
Max			10.37	9.91	9.73	7.08	0					
Dynamic / Flexi Debt Funds												
Pru ICICI Flexible Income Plan	13.7376	547.36	8.62	7.98	7.66	6.26	4.79	1	2	2	3	2
Sundaram BNP Paribas Select Debt - DAP (G)	13.051	0.42	3.75	4.03	4.02	3.57	2.48	7	7	7	7	4
Kotak Flexi Debt (G)	11.633	514.36	7.95	7.7	7.61	6.78	N.A	3	3	3	2	0
Grindlays Dynamic Bond Fund -	13.5335	14.07	4.51	5.69	6.63	5.44	3.86	6	5	4	6	3

(G)												
Birla Dynamic Bond Fund - Retail (G)	11.449	254.86	5.78	5.95	6.44	5.77	N.A	5	4	5	5	0
ABN AMRO Flexi Debt Fund (G)	11.5923	234.99	8.48	9.71	9.11	6.99	N.A	2	1	1	1	0
Tata Dynamic Bond Fund - Plan B (App)	12.0476	0.61	6.71	5.52	5.76	6.19	4.91	4	6	6	4	1
Average			6.54	6.65	6.75	5.86	4.01					
Min			3.75	4.03	4.02	3.57	2.48					
Max			8.62	9.71	9.11	6.99	4.91					
Children Gift Funds - Savings plan												
HDFC Children's Gift Fund-Savings Plan	14.526	55.04	-8.88	-3.71	-1.58	5.44	7.1	2	2	2	2	2
Pru ICICI Child Care Plan-Study Plan	19.7516	29.4	6.23	13.75	7.18	14.67	11.85	1	1	1	1	1
Average			-1.33	5.02	2.8	10.06	9.48					
Min			-8.88	-3.71	-1.58	5.44	7.1					
Max			6.23	13.75	7.18	14.67	11.85					

1.10 MUTUAL FUND SCOREBOARD - Part IV

Scheme/ Index Name	N.A.V. (Rs)	Corpus Feb-07	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)	13.6092	42.59	5.87	8.38	6.33	6.49	7.48	19	10	10	9	6
HDFC Short Term Plan (G)	13.3799	66.36	8.12	8.4	5.15	5.81	6.45	13	9	12	14	14
ING Vysya Select Debt Fund (G)	11.189	3.74	5.13	4.64	3.87	3.72	4.34	20	18	16	19	20
Birla Sun Life Short Term Fund (G)	13.3718	38.66	10.9	9.98	9.02	8.39	7.61	6	3	1	1	3
Birla Bond Plus - Retail (G)	13.8539	143.46	7.88	7.02	4.92	5.86	6.97	14	14	14	13	9

Templeton India Short Term Income (G)	1362.21	317.97	12.57	8.76	3.52	5.27	6.75	4	7	18	15	11
Pru ICICI Short Term Plan (G)	14.2255	351.71	8.59	9.35	7	6.82	7.22	11	5	6	7	7
Grindlays SSIF - STP - (G)	14.8344	33.9	25.04	15.68	6.43	6.28	6.75	2	1	9	12	11
DBS Chola Freedom Income-Short Term Fund (G)	11.8323	76.37	-15.69	2.33	5.81	6.78	6.8	21	19	11	8	10
DSP ML Short Term Fund (G)	12.8089	85.08	8.89	-5.95	-0.81	2.82	5.3	8	21	21	21	18
UTI-Liquid - Short Term Plan (G)	12.2018	30.65	7.57	7.21	3.98	4.52	5.86	17	13	15	18	17
HSBC Income Fund - Short Term Plan (G)	12.3912	26.31	7.8	5.37	0.44	2.88	5.04	15	17	20	20	19
JM Short Term Fund - (G)	13.3664	13.51	8.75	9.41	6.77	6.83	6.69	9	4	8	6	12
Kotak Bond - Short Term Plan (G)	13.4678	125.43	7.79	6.43	5.06	6.42	7	16	15	13	10	8
LICMF	12.0537	0.77	37.78	11.48	8.75	6.33	6.04	1	2	2	11	16

Short Term Plan - (G)											
Principal Short Term Plan (G)	13.4051	270	7.09	0.39	3.01	5	6.47	18	20	19	16	13
Reliance Short Term Fund - (G)	13.0547	269.47	10.65	8.56	7.13	7.53	7.55	7	8	5	4	5
Sundaram BNP Paribas Select Debt - STAP (G)	13.1002	16.58	11.09	8.83	8.22	7.85	8.45	5	6	3	2	1
Tata Short Term Bond Fund - (G)	13.3297	45.63	8.5	8.34	8.09	7.84	7.56	12	11	4	3	4
ING Vysya Income Portfolio - Short Term (G)	13.2651	67.58	8.66	8.11	6.82	7.13	7.72	10	12	7	5	2
DWS Short Maturity Fund (G)	12.511	25.07	14.96	5.83	3.69	4.9	6.34	3	16	17	17	15
Average			9.9	7.07	5.39	5.97	6.69					
Min			-15.69	-5.95	-0.81	2.82	4.34					
Max			37.78	15.68	9.02	8.39	8.45					
Short Term Plans - Institutional												
JM Short Term Fund - Inst Plan (G)	12.6329	13.51	9.1	9.76	6.98	7.12	7.02	2	1	2	2	3
DBS Chola Freedom	11.9743	76.37	-15.72	2.32	5.84	6.8	6.87	6	5	3	3	5

Income - ST-Inst (Cum)												
Birla Bond Plus - Inst (G)	13.9875	143.46	8.06	7.22	5.12	6.07	7.2	4	4	4	4	2
HSBC Income Fund - STP - Inst Plan (G)	N.A	26.31	N.A	N.A	N.A	N.A	N.A	0	0	0	0	0
Templeton India Short Term Income - Inst (G)	1088.93	317.97	12.67	8.86	3.62	5.37	6.89	1	3	5	5	4
Pru ICICI Short Term Plan - Inst (G)	14.3674	351.71	8.91	9.65	7.3	7.13	7.54	3	2	1	1	1
Principal Short Term Plan - Inst (G)	12.4553	270	7.25	0.59	3.2	5.21	6.62	5	6	6	6	6
Average			5.05	6.4	5.34	6.28	7.02					
Min			-15.72	0.59	3.2	5.21	6.62					
Max			12.67	9.76	7.3	7.13	7.54					
Liquid Funds												
HDFC Liquid Fund (G)	14.8762	3049.13	9.97	8.76	8.18	7.7	7.17	6	2	1	4	3
JM High Liquidity	20.5852	1002.24	9.52	8.57	8.11	7.64	6.96	7	8	4	5	10

Fund - (G)											
Reliance Liquid Fund - Treasury Plan (G)	18.0603	1913.15	9.2	8.08	7.51	7.22	6.63	11	17	15	15	18
UTI-Money Market Fund (G)	21.0402	134.15	10.55	8.75	8.14	7.78	7.18	3	3	3	2	2
Templeton India TMA - Reg (G)	1862.45	3081.99	10.19	8.54	7.58	7.27	6.87	4	9	13	14	12
Pru ICICI Liquid (G)	18.3525	19980.3	10.16	8.62	7.79	7.33	6.91	5	6	10	13	11
DSP ML Liquidity Fund (G)	18.3077	2601.45	7.1	7.09	7.06	7.03	6.8	21	23	20	20	16
Birla Sun Life Cash Manager (G)	18.4162	425.22	11.26	9.1	8.17	7.72	7.02	2	1	2	3	7
Birla Cash Plus - Retail (G)	20.1518	8320.37	9.41	8.28	7.81	7.42	7.02	8	12	8	11	7
HSBC Cash Fund (G)	12.6096	2762.48	10.19	8.68	7.79	7.37	6.91	4	5	10	12	11
ABN AMRO Cash Fund (G)	11.4487	806.16	5.61	6.28	6.63	6.76	6.25	22	24	22	23	21
UTI-Liquid - Cash Plan (G)	1226.13	10162.9	9.07	8.12	7.66	7.45	6.98	13	15	12	10	9
Sahara Liquid -	1341.47	126.31	9.14	8.38	7.77	7.46	6.71	12	11	11	9	17

Fixed Pricing (G)											
DBS Chola Liquid Fund (G)	15.1413	563.74	7.35	7.49	7.25	7.2	7	19	21	18	17	8
Canliquid (G)	13.6543	790.58	9.33	8.46	7.8	7.48	7.14	10	10	9	8	5
ING Vysya Liquid Fund - (G)	15.8706	3413.99	8.95	8.21	7.66	7.33	6.91	14	14	12	13	11
LICMF Liquid Fund - (G)	13.605	5868.4	8.83	8.22	7.97	7.93	7.47	16	13	5	1	1
Principal Cash Mgmt - Liquid (G)	14.718	4210.52	8.84	8.09	7.5	7.21	6.84	15	16	16	16	13
Grindlays Cash Fund - (G)	13.7895	456.8	7.23	7.22	6.99	6.78	6.36	20	22	21	22	20
Kotak Liquid (G)	14.7985	5660.02	7.83	7.54	7.19	6.89	6.52	18	20	19	21	19
DWS Insta Cash Plus Fund (G)	12.5829	1099.07	12.13	8.74	7.94	7.56	7.15	1	4	6	6	4
Tata Liquid Retail Invest Plan - (G)	1734.82	4392.98	10.19	8.6	7.89	7.55	7.07	4	7	7	7	6
Sundaram BNP Paribas Money Fund - Appreciation	15.7067	1300.44	9.35	7.94	7.45	7.19	6.81	9	19	17	18	15

BOB Liquid Fund (G)	13.4066	74.12	8.06	7.98	7.53	7.16	6.83	17	18	14	19	14
Average			9.14	8.16	7.64	7.35	6.9					
Min			5.61	6.28	6.63	6.76	6.25					
Max			12.13	9.1	8.18	7.93	7.47					
Floating Rate Income Fund- Short Term												
Birla Floating Rate - Short Term (G)	12.3435	648.91	12.07	9.55	8.4	7.78	7.18	3	4	5	6	6
Pru ICICI Floating Rate - Option A (G)	11.6297	1058.37	11.82	9.11	7.86	7.37	6.9	6	7	11	13	13
Pru ICICI Floating Rate - Option B (G)	12.4817	1058.37	12.06	9.36	8.11	7.63	7.16	4	5	7	9	7
Principal FRF - SMP Regular (G)	11.6365	578.18	11.09	9.09	8.23	7.81	7.37	8	8	6	5	4
HSBC Floating Rate - ST (G)	11.4764	325.41	10.47	8.71	7.74	7.21	6.79	10	10	14	16	15
ABN AMRO Floating Rate (G)	11.4394	111.86	5.16	5.81	6.06	6.22	6.18	20	19	19	20	19
Kotak	12.311	410.26	7.8	8.25	7.84	7.66	7.09	15	13	12	8	9

Floater Short Term (G)											
UTI-Floating Rate Fund - STP (G)	1222.75	705.34	7.6	7.63	7.39	7.24	7.01	16	15	15	15	11
JM Floater Fund - STP (G)	12.3413	78.73	7.53	7.27	7.32	7.27	6.99	17	16	16	14	12
Tata Floating Rate Fund - STP (G)	11.9979	526.23	9.75	8.37	7.92	7.61	7.07	12	12	10	10	10
Sundaram BNP Paribas Floating Rate - ST (G)	11.3444	146.65	8.98	7.63	7.11	6.82	6.52	13	15	17	17	16
Reliance Floating Rate Fund (G)	11.6816	1847.86	11.99	9.56	8.52	8.05	7.43	5	3	2	2	3
ING Vysya Floating Rate (G)	11.5821	18.99	18.98	9.94	8.45	8	7.23	1	1	3	3	5
LICMF Floating Rate Fund - STP (G)	11.9772	2177.45	10.91	9.24	8.61	8.41	7.71	9	6	1	1	1
Tata Floating Rate Fund - STP Inst (G)	11.7009	526.23	10.14	8.59	8.08	7.77	7.37	11	11	8	7	4

Magnum Floating Rate Plan-STP (G)	11.5838	59.3	6.54	6.02	5.89	6.33	6.44	18	18	20	19	17
CanFloating - STP (G)	11.4627	711.26	13.04	9.87	8.44	7.9	7.52	2	2	4	4	2
DBS Chola Floating Rate Fund (G)	11.4518	2.22	3.33	3.49	4.86	5.03	5.33	21	20	21	21	20
Templeton Floating Rate Income - ST (G)	13.48	936.7	11.32	9.07	8.06	7.6	6.88	7	9	9	11	14
Grindlays Floating Rate - STP (G)	12.3935	226.3	6.23	6.31	6.48	6.57	6.37	19	17	18	18	18
DWS Floating Rate Fund (G)	12.1222	73.24	8.7	8.06	7.76	7.44	7.14	14	14	13	12	8
Average			9.79	8.14	7.58	7.32	6.94					
Min			3.33	3.49	4.86	5.03	5.33					
Max			18.98	9.94	8.61	8.41	7.71					
Floating Rate Income Fund - Long Term												
Principal FRF - FMP Regular (G)	11.6803	171.71	10.92	9.19	7.98	7.91	7.51	3	2	3	2	1
Pru ICICI Long Term Floating	11.5166	162.41	7.71	7.65	7	6.76	6.63	11	8	7	7	6

Rate Plan A (G)											
Birla Floating Rate - Long Term (G)	12.3321	60.9	15.31	10.06	8.27	7.62	6.76	1	1	1	3	5
Grindlays Floating Rate - LTP (G)	11.5131	67.56	9.39	7.92	7.15	6.7	6.15	7	6	6	8	11
HSBC Floating Rate - LT (G)	11.458	80.82	11.68	8.97	7.86	7.03	6.6	2	4	4	6	7
Templeton Floating Rate Income - LT (G)	13.4821	622.64	10.89	8.73	7.81	7.57	6.92	4	5	5	4	4
ABN AMRO Long Term Floating Rate (G)	10.9882	346.96	10.17	9.06	8.24	8.1	7.49	5	3	2	1	2
Magnum Floating Rate Plan-LTP Regular(G)	11.4968	19.78	8.31	2.93	5.87	6.33	6.19	8	13	11	12	10
Tata Floating Rate Fund - LTP (G)	11.5801	5.23	9.88	6.88	6.81	6.61	5.76	6	9	9	9	13
Sundaram	11.3038	8.64	6.93	6.31	6.41	6.6	6.57	12	11	10	10	8

BNP Paribas Floating Rate - LT (G)												
JM Floater Fund - LTP (G)	11.9698	4.52	7.81	3.71	4.88	5.45	5.89	10	12	12	13	12
Kotak Floater Long Term (G)	11.6658	77.72	7.92	7.7	6.92	7.16	7.08	9	7	8	5	3
DSP ML Floating Rate (G)	12.3085	474.74	6.19	6.5	6.41	6.37	6.2	13	10	10	11	9
Average			9.47	7.35	7.05	6.94	6.6					
Min			6.19	2.93	4.88	5.45	5.76					
Max			15.31	10.06	8.27	8.1	7.51					

Returns are calculated for the respective period ended 30 March 2007. Source: www.navindia.com

2 Commodity Market : Across the board rally

Rising oil prices bolster gold, while imminent and present supply constraints boost energy, metals and agri commodities

The spotlight was back on the commodity markets in the fortnight ended 31 March 2007, with agri commodities as well as metals and energies recording across-the-board rallies. The key takeaway of the fortnight was the blistering rise in crude oil prices and spurt in select agri commodities, primarily spices.

The National Commodities and Derivatives Exchange's (NCDEX) Futex agri rose by 4.16% to close at 1620.43 on 31 March 2007, while the Multi Commodity Exchange's (MCX) Comdex also settled at 2278.73, gaining 4.4% over the same period.

Here is a round-up of the major commodity complex and trading ideas for the next couple of weeks:

Precious Metals

Precious metals continued to glitter in the international arena on the strength of crude and overall bearish sentiments for the US dollar. Both gold and silver drove along quite smoothly in the fortnight ended 31 March 2007, bearing a couple of bouts of moderate profit selling.

Gold: On the New York Mercantile Exchange (NYMEX), benchmark Comex gold futures started the fortnight at $653.9 per ounce and progressed at a gradual pace as crude oil firmed up following escalating geopolitical tension due to the Iran nuke issue. Rising crude oil prices firmed up inflationary concerns and further support came in the form of elevated core consumer prices reading from the US.

The commodity was boosted as the US Federal Open Market Committee (FOMC) unanimously kept its Fed funds target rate unchanged at 5.25% on 22 March 2007. However, in the accompanying statement, the Fed dropped its explicit tightening bias. Instead of its usual "the extent and timing of any additional firming that may be needed...", the committee stated: "Future policy adjustments will depend on the evolution of the outlook for both inflation and economic growth", sounding neutral about an moderation in economic growth. This pulled the US currency down, assisting gold to enhance as an alternative instrument in the global markets.

Though the Fed maintained that some inflationary risks remain in the economy, the upcoming data pointers indicated a softening economic activity and firmed up Comex gold to $669.5 on 28 March. The counter closed at $663, up 1.39% for the fortnight.

MCX gold futures fared in a slightly different manner though, with the intensifying strength in the Indian rupee acting as a drag on the prices of the yellow metal in local markets. MCX gold futures are settled according to the closing prices on the benchmark Comex futures and the rupee/dollar exchange rate does play a significant part in determining the level of prices.

Strong capital inflows and buoyant Asian economies helped the rupee to appreciate further. Also, hopes of foreign funds inflow and banks selling dollars to raise funds to tide over a cash shortage in the money market boosted the rupee, which reached its 20-month high level at 43.39 a dollar on 26 March 2007.

MCX gold futures for April 2007 moved up initially but drifted lower in the last week of the month as the rupee gained momentum. The counter slid from a high of Rs 9485 per 10 grams on 22 March and closed at Rs 9339, down Rs 45, or 0.48%, in the fortnight. The open interest in the counter shed 75% in the same period.

Silver: MCX Silver futures followed the global cues to a much larger extent and hit a high of Rs 19832 for the May 2007 delivery. The counter closed at Rs 19622 — up Rs 0.53% per kg in the fortnight.

Trading idea: The coming weeks are likely to see continued buoyant activity in precious metals in the international market as sentiments have drastically turned in favor of crude oil. Soaring crude oil is likely to keep both gold and silver well supported, and moderate dips should find good buying support.

The sentiments on the domestic front are likely to be a tad different though. The strengthening rupee has dragged local gold down and a continued bias towards monetary tightening by the Reserve Bank of India (RBI) may see the Indian currency gain further. The Wholesale Price Index (WPI) for the week ended was 6.46% — an uncomfortably high level — prompting RBI to take a series of measures like hiking the cash reserve ratio (CRR) or the cash which banks keep with it and increasing the repo rate (at which banks borrow from it). The Indian currency is likely to gain further on such monetary responses, and silver looks a better option in such a scenario.

Meanwhile, two of the world's major central banks, the Bank of England and Reserve Bank of Australia, decide on interest rates in the first week of April 2007. Along with this, US non-farm payrolls data should cause a great deal of volatility in the global markets.

Energy

Crude oil: Crude oil stirred the global commodity complex in the wake of rising geopolitical tensions on a rift between Iran and the West. The commodity rode high in the last week of March 2007 after Iran seized 15 British naval personnel, heightening the prospect of conflict involving the Organisation of the Petroleum Exporting Countries' (Opec) second-biggest producer. Iran produces more than four million barrels of oil per day — the fourth-highest producer in the world.

Signs that the United Nations Security Council will impose new sanctions on Iran to suspend its nuclear program also bolstered oil prices. Light, sweet crude oil for May 2007 delivery gained at an incessant pace with a very good buying support and topped a six-month high of $66.50 on NYMEX on 29 March 2007.

MCX crude oil futures for May 2007 rose at a scorching rate to finish at Rs 2860 per barrel — gaining more than 7% in the fortnight ended 31 March 2007.

Natural Gas: Natural gas futures on NYMEX swung upwards on depleting inventories in the US. According to the Energy Information Agency (EIA) estimates, working gas in storage was 1,511 billion cubic feet (bcf) on 23 March 2007. This represented a net decline of 22 bcf from the previous week. Stocks were 209 bcf less than on 23 March 2006 and 267 bcf above the five-year average of 1,244 bcf.

As a result, NYMEX natural gas futures for May 2007 closed on a stronger note, adding 8.43% in the fortnight.

Trading idea: The outlook for the energy complex remains bright in the coming weeks as increased concern about Iran have come at the time when US refiners prepare to increase gasoline output before the summer driving season. Natural gas should also trade on a bullish bias and traders can build long positions in both these commodities from a medium-term perspective.

Base Metals

Copper: Copper traded on a positive note in the fortnight ended 31 March 2007 as strong sentiments generated by a spurt in the Chinese demand assisted the red metal. The London Metal Exchange (LME) copper prices are headed for a fourth consecutive weekly gain as inventories monitored by the LME have fallen for the seventh straight week to 1,78,075 tonnes — the longest decline since July 2005

China, the world's biggest consumer of copper, more than doubled the imports of the metal in February 2007 compared February 2006 as the nation entered its peak demand period for the construction industry. Imports of refined copper and alloys rose to 1,52,651 tonnes — 167% more than a year earlier, according to data issued by the Chinese customs office. The country's output of copper also fell 4.8% to 2,20,000 tons in February 2007, according to data from the National Bureau of Statistics issued in a statement on March 16.

MCX copper futures for April closed at Rs 302.70 per kg — up 2.88% in the fortnight

Aluminium: Aluminium has been on a slippery note in the current year. The steady built-up in aluminum inventories on LME was responsible for keeping the light metal lagging behind other metals. Since the third week of December 2007, the LME aluminum inventories have enhanced by 21.64% to 8,12,000 tonnes, keeping the commodity under check.

MCX aluminium futures for delivery in April 2007 continued to lag, and drifted further to a three-week low of Rs 120.50 per kg on 27 March 2007. The contract closed nearly flat at Rs 122.05 per kg. The open interest in the counter almost doubled in the period. There may be some short covering in the next few days.

Nickel: Nickel has been shooting up on supply constraints generated by the continuous decline in the global inventories of the commodity. The MCX April 2007 nickel contract shot up on excessive buying support and hit a high of Rs 2181.9 per kg on 16 March 2007. However, the counter eased on profit booking in the next few days and closed at Rs 2002.9 per kg — down 6.28% in the fortnight ended 31March 2007.

Trading idea: Base metals, specially copper and nickel, look bullish in the medium term on strong fundamentals. LME-monitored inventories of copper stood at 1,78,075 tonnes end March 2007, shedding 14.50% in the month. Nickel inventories also remain near historically low levels and some consolidation can be expected for both these metals in the coming weeks.

However, liquidity in the global economy may also come into play, specially if future data continued to indicate further weakness in the US economy.

Agri Commodities

Chana: Primarily a rabbi crop in India, chana has been rising high on strong momentum generated due to very high demand in the northern mandies of the country. The spot price of chana hit Rs 2517 per quintal in Delhi on 30 March 2007.

To check the soaring prices, the government fixed stock limit for wheat, rice and pulses, and initiated measures to de-hoard stocks. Though five states responded, sentiments in the futures market were bullish on very good demand in the spot market.

NCDEX chana futures for April 2007 closed at Rs 2434 — up 13.89% in the fortnight, with a 34% fall in the open interest.

Barely: Barley is a major animal-feed crop, with smaller amounts used for malting and in health food. It is also a key ingredient in beer and whiskey production. Half of the world's barely production is used as animal feed.

In India, the commodity is thinly traded on the exchanges with volumes on the lower side. However, the second half of March 2007 was different. On NCDEX, barley has been the dark horse since the start of March 2007. The spurt in the futures have been phenomenal. Barley April 2007 futues were around Rs 740 per quintal on 1 March 2007 and heated up as time lapsed. The counter closed at Rs 825 per quintal, with an increase of 9.40%. This rally was a counter-effect to the decline in outstanding positions in open interest by market participants. Traders who had taken positions in the commodity in the earlier months did short covering in the contract, resulting in prices shooting up. Open interest in the contract declined by a notable 33% since 1 March 2007.

Wheat: Wheat has been amid the thick of the action though the government banned the introduction of new futures contracts in the commodity to check the soaring prices of the commodity.

The government declared Rs 100-per-quintal bonus for wheat growers, and also extended duty-free imports till the year end, further firming up the sentiments in the market. This pushed up spot prices in all major centers, particularly in Indore, where wheat went up by more than Rs 100 in the fortnight.

Union Agriculture Minister Sharad Pawar also clarified that there was no official move to restrict wheat purchases by private players, including multinationals, in the ensuing rabi (October-March) marketing season.

This prompted futures market participants to cover their short positions though the volumes were on the lower side. The near-month futures ended the fortnight at Rs 1021 — up 3.92% with a 28.67% fall in open interest.

Pepper: Black pepper futures outperformed in the spices group as sentiments heated up on expectation of a 35%-40% decline in domestic pepper production in 2007. The trend in the international markets was also firm as other major pepper producer Vietnam also reported output shortages.

The entire spices complex did extremely well on export demand. The earnings from exports of spices crossed the Rs 3000-crore mark for the first time in the 11 months between April 2006 and February 2007.

Pepper ruled exports, with a 128% rise in quantity and a 156% growth in value over the annual target. Total pepper exports touched 25,500 tonnes at Rs 266.90 crore as against 15,126 tonnes at Rs 127.33 crore a year ago.

NCDEX April 2007 pepper futures raced away at a strong pace and closed at Rs 13859 — up 11.22% in fortnight.

The commodity is likely to face some selling pressure in the coming weeks as the Union government might cut import duty on pepper to 20%, from 70%, to check the steep rise in domestic prices, which are up 19% this year. .

Coffee: Coffee growers got the healing touch from the government when the Union Agriculture Ministry announced respite measures for coffee growers. The government has announced an annual rainfall insurance to coffee growers, with 50% subsidy on premiums to small growers who own estates up to 10 hectares. The subsidy on the premium would be subject to a ceiling of Rs 2000 for Robusta and Rs 2500 for Arabica per hectare. The maximum limit of insurance is Rs 20000 per hectare for Robusta and Rs 30000 per hectare for Arabica. This scheme is expected to benefit 98.4% of the coffee growers of India.

Coffee did not rally as other commodities in March 2007. The May 2007 expiry contract declined 1% to US $6750- 6800 per tonne since 1 March 2007. Traders took short positions in the contract, but fresh buying was seen from time to time. Therefore, open outstanding positions in the contract were down by 5.5% to 444 lots.

According to data released by the Coffee Board of India recently, coffee exports, which account for 4.5% of the global output, have dipped by 17% in the first half of the year ending September 2006. India is expected to produce 2,88,000 tonnes of coffee, as per the Coffee Board of India.

Oils and Oilseeds: The overall oil and oilseeds complex has been in a very good nick since the last few weeks as the total availability of domestic edible oils is estimated at 77 lakh tonnes in the current iol marketing season (November-October) against 80 lakh tonnes in previous season — down by three lakh tonnes. The imports of edible oils between November 2006 to February 2007 were 10.83 lakh tonnes compared with 10.46 lakh tonnes in the same period last year — up by 4%.

The NCDEX refined soy oil futures hit a seven-week high of Rs 475.5 per 10 kg and closed at Rs 471.10 per kg — up 2.93% in the fortnight.

Mustard seed also elevated sharply by 4.76% to close at Rs 417.5 per quintal for the May 2007 contract in this period.

Trading idea: Most of the agri commodities saw a stupendous run in March 2007. As the expiry of the April 2007 series approaches, there is likely to see some corrective selling in agri futures as traders cover their outstanding long positions.

Pepper, barely, jeera, and chana look technically overbought and should slide after recording a few more gains in the first week of April 2007. Traders can enter short on rallies in all these commodities from here on.

3 Bulletin

BOOK CLOSURES & RECORD DATES

Company	Dt. of Cl, Rec. Dt.	Purpose
3M India	21.04 to 27.04	AGM
Abbott India	10.04 to 17.04	AGM & 175% Final Div
Atlas Copco (I)	18.04 to 30.04	40% Div & AGM
Blue Dart Exp.	10.04 to 17.04	AGM & 10% Dividend
Bosch Chassis	20.04 to 30.04	55% Div & AGM
Castrol India	10.04 to 30.04	50% Final Div
Garware Offshore	10.04 to 12.04	8% Final Div & AGM
GlaxoSmith C H L	18.04 to 26.04	AGM
Hexaware	20.04 to 24.04	AGM & 40% Final Div
Lanxess ABS	16.04 to 20.04	30% Div & AGM
Paper Products	21.04 to 27.04	90% Div & AGM
Rayban Sun Optic	13.04 to 18.04	AGM
S & S Power Swit	20.04 to 23.04	AGM
S E Asia Marine	13.04 to 18.04	AGM

SKF India	10.04 to 26.04	Payment of dividend
Syngenta India	14.04 to 25.04	150% Div & AGM
Timken India	13.04 to 27.04	AGM
Vesuvius India	10.04 to 17.04	35% Div & AGM
Wartsila India	09.04 to 16.04	20% Div & AGM

FORTHCOMING BOARD MEETINGS

Date	**Company**	**Purpose**
10/04/2007	Prism Cement	Qtly Rslts
11/04/2007	Mastek	Qtly & Nine Mth Rslts
11/04/2007	iGate Global Sol	Accts
12/04/2007	Ballarpur Inds.	Qtly & Nine Mth Rslts
12/04/2007	Shukra Bullions	Qtly Rslts
12/04/2007	Shukra Jewellery	Qtly Rslts
13/04/2007	Infosys Tech.	Qtly,FY Rslts & Fin Div
14/04/2007	CMC	Accts & Div
16/04/2007	Bayer CropScien.	Qtly Rslts
16/04/2007	Guj. Ambuja Exp	Qtly & FY Rslts
16/04/2007	Vesuvius India	Qtly Rslts
17/04/2007	Disa India	Qtly Rslts
19/04/2007	Kirl. Oil Engine	FY Rslts & Fin Div
19/04/2007	Schlafhorst Engg	Qtly Rslts & Accts
20/04/2007	Stovec Inds.	Accts
23/04/2007	Everest Inds.	Accts & Div
23/04/2007	Sukhjit Starch	Qtly Rslts
24/04/2007	Bhoruka Steel	Qtly Rslts
25/04/2007	Godrej Consumer	FY Rslts, Inter/ Fin Div
25/04/2007	Infra.Devlp.Fin	Accts & Div
25/04/2007	Mahindra Gesco	Accts & Div

25/04/2007	Modella Woollens	Accts
25/04/2007	Sona Koyo Steer.	Accts & Div
26/04/2007	Chowgule Steam	Accts & Div
26/04/2007	Foseco India	Qtly Rslts & Inter Div
27/04/2007	Bharat Electron	Qtly Rslts
27/04/2007	GlaxoSmith C H L	Qtly Rslts
27/04/2007	Super Sales Ind	Accts & Div
28/04/2007	Bata India	Qtly Rslts & Accts
30/04/2007	Marigold Glass	Qtly Rslts

4 Apna Money

4.1 Taxation : Relief and a burden

The increase in basic exemption limit in income tax for individuals has been neutralised by the new levy of secondary education cess of 1%

Related Tables

Table-I
Table-VI
Table-II
Table-III
Table-IV
Table-V

The Finance Bill 2007 presented in the Lok Sabha by Finance Minister P. Chidambaram on 28 February 2007 has proposed some relaxation in income-tax payable by individuals. Income-tax slabs for resident individuals have been changed as per table I.

Due to increase in basic exemption limit by Rs 10000, the tax liability of resident individuals has reduced by Rs 1000 and of senior citizens by Rs 2000.

The limit on deduction under section 80D for Mediclaim premium paid has been increased by Rs 5000. Hence, a resident individual can avail the benefit of Rs 15000 instead of Rs 10000, while a senior citizen can avail it up to Rs 20000 instead of Rs 15000 by making payment of Mediclaim premium under section 80D. Mediclaim premium can now be paid by any mode other than cash, instead of account payee crossed cheque as was required earlier.

Other deductions

Other deductions under Chapter VI-A have remained the same as they were in assessment year (AY) 2007-08.

As per the Finance Bill, a secondary and higher education cess has been introduced at 1%. Now payer of any tax will contribute 3%, instead of 2%, on the total tax calculated (including surcharge) to the good cause of education. The break-up of education cess at 2% and at 1% should be shown separately as codes for both are different.

There is no change in surcharge, i.e., 10%, on total tax calculated if total income exceeds Rs 10 lakh.

The exemption limit for banking transaction tax (BCTT) at 0.1%, has been increased from Rs 25000 to Rs 50000 for cash withdrawals at a time from any co-operative bank.

Now, we can consider the following hypothetical example of Mr A, a resident individual, of age less than 65 years. His gross taxable income under all five heads under the Income-Tax Act, 1961— salary, business/profession, house property, capital gains and other sources — is Rs 12 lakh. He has invested in various equity-linked saving schemes (ELSS) of mutual funds, public provident fund (PPF), and life insurance premium under section 80C to the full extent: Rs 1 lakh. He has paid Mediclaim premium of Rs 20000 under section 80D. He has donated Rs 50000 to a charitable organisation under section 80G. He has paid Rs 20000 as tax deducted at source. The solution shown in table II will reveal the difference of advance tax liability for him for AY 2007-08 and 2008-09. There is a reduction of Rs 198 (248719 – 248521) in tax payable.

Final tax liability

Now, suppose, Mr A is a senior citizen with an age of 65 years. Then, his advance tax liability will be as shown in table III. So, there is a reduction of Rs 1479 (233572 – 232093) in tax payable.

Now, suppose the assessee is a female of less than 65 years. Then her assessed tax liability will be as shown in table IV. So, there is reduction of Rs 236 (244792 – 244556) in tax payable.

Hence, despite the increase in threshold limit by Rs 10000 for resident individuals, the real or ultimate effect with respect to final tax liability is very low.

Basically, two amendments have set off the effect of each other. The benefit of increase in threshold limit by Rs 10000 is wiped out by the introduction of secondary and higher education cess of 1% on tax calculated.

This amendment is beneficial to assessees in the lower tax bracket. Replace the gross total income of Mr A in the first example with Rs 6 lakh, with other things remaining the same (see table V). So there is a reduction of Rs 1980 (40690 – 38710) in tax liability in this case.

We have taken the benefit of increase in deduction limit of Mediclaim under section 80D in all cases considered. Otherwise, the tax liability will be higher to that extent.

The tax advantage of Rs 1000 on account of increase in threshold limit by Rs 10000 is available only up to taxable income of Rs. 510000 *(see table VI)*.

Table-I

Income-tax slabs for resident individuals have been changed

Age	**For AY 2007-08**		**For AY 2008-09**	
	Income	**Tax Rate**	**Income**	**Tax Rate**
a) Less than 65 years (males)	0 to 1,00,000	NIL	0 to 1,10,000	Nil
	1,00,000 to 1,50,000	10%	1,10,001 to 1,50,000	10%
	1,50,001 to 2,50,000	20% + 5,000	1,50,001 to 2,50,000	20% + 4,000
	2,50,001 & above	30% + 25,000	2,50,001 & above	30% + 24,000
b) Less than 65 years (females)	0 to 1,35,000	NIL	0 to 1,45,000	Nil
	1,35,001 to 1,50,000	10%	1,45,001 to 1,50,000	10%
	1,50,001 to 2,50,000	20% + 1,500	1,50,001 to 2,50,000	20% + 500
	2,50,001 & above	30% + 21,500	2,50,001 & above	30% + 20,500
c) Equal to 65 years or above	0 to 1,85,000	NIL	0 to 1,95,000	Nil
(male/female senior citizens)	1,85,001 to 2,50,000	20%	1,95,001 to 2,50,000	20%
	2,50,001 & above	30% + 13,000	2,50,001 & above	30% + 11,000

Table-II

A resident individual of age less than 65 years

Particulars	**AY 2007-08**	**AY 2008-09**

Gross Total Income	12,00,000	12,00,000
Less: Deductions under Chapter VI – A		
i) u/s 80C – Specified Investment	1,00,000	1,00,000
ii) u/s 80D – Mediclaim	10,000	15,000
iii) u/s 80G – Donation (@50%)	25,000	25,000
Net Total Income	9,65,000	9,60,000
Tax Calculated	2,39,500	2,37,000
Add: Surcharge @ 10%	23,950	23,700
	2,63,450	2,60,700
Add: Education Cess @ 2%	5,269	5,214
Add: Secondary & Higher Education Cess @ 1%	-	2,607
Total Tax Payable	2,68,719	2,68,521
Less: TDS paid	20,000	20,000
Balance Tax Payable	2,48,719	2,48,521

Table-III

A senior citizen with an age of 65 years

	AY 2007-08	**AY 2008-09**
Gross Total Income	12,00,000	12,00,000
Less: Deductions under Chapter VI–A		
i) u/s 80C – Specified Investment	1,00,000	1,00,000
ii) u/s 80D – Mediclaim	15,000	20,000
iii) u/s 80G – Donation (@50%)	25,000	25,000
Net Total Income	9,60,000	9,55,000
Tax Calculated	2,26,000	2,22,500
Add: Surcharge @ 10%	22,600	22,250

	2,48,600	2,44,750
Add: Education Cess @ 2%	4,972	4,895
Add: Secondary & Higher Education Cess @ 1%	-	2,448
Total Tax Payable	2,53,572	2,52,093
Less: TDS paid	20,000	20,000
Balance Tax Payable	2,33,572	2,32,093

Table-IV

Assessee is a female of less than 65 years

Particulars	**AY 2007-08**	**AY 2008-09**
Gross Total Income	12,00,000	12,00,000
Less: Deductions under Chapter VI–A		
i) u/s 80C – Specified Investment	1,00,000	1,00,000
ii) u/s 80D – Mediclaim	10,000	15,000
iii) u/s 80G – Donation (@50%)	25,000	25,000
Net Total Income	9,65,000	9,60,000
Tax Calculated	2,36,000	2,33,500
Add: Surcharge @ 10%	23,600	23,350
	2,59,600	2,56,850
Add: Education Cess @ 2%	5,192	5,137
Add: Secondary & Higher Education Cess @ 1%	-	2,569
Total Tax Payable	2,64,792	2,64,556
Less: TDS paid	20,000	20,000
Balance Tax Payable	2,44,792	2,44,556

Table-V

Amendments are beneficial to assessees in the lower tax bracket

Particulars	**AY 2007-08**	**AY 2008-09**
Gross Total Income	6,00,000	6,00,000
Less: Deductions under Chapter VI–A		
i) u/s 80C – Specified Investment	1,00,000	1,00,000
ii) u/s 80D – Mediclaim	10,000	15,000
iii) u/s 80G – Donation (@50%)	25,000	25,000
Net Total Income	3,65,000	3,60,000
Tax Calculated	59,500	57,000
Add: Education Cess @ 2%	1,190	1,140
Add: Secondary & Higher Education Cess @ 1%	-	570
Total Tax Payable	60,690	58,710
Less: TDS paid	20,000	20,000
Balance Tax Payable	40,690	38,710

Table-VI

Tax advantage of Rs 1000 due to increase in threshold limit by Rs 10000 is available only up to taxable income of Rs 510000

Particulars	**AY 2007-08**	**AY 2008-09**
Tax Calculated on income	(5,10,000-2,50,000)*30%+25,000= 1,03,000	(5,10,000-2,50,000)*30%+24,000= 1,02,000
Add: Education Cess@2%	2060	2040
Add: Secondary & Higher Education Cess@1%	-	1020
Total Tax Payable	1,05,060	1,05,060

4.2 Taxation : Tightening deduction at source

The provisions in the Finance Bill 2007 will change the way TDS is implemented from 1 June 2007. Here are some of them

The Finance Bill 2007 has proposed the following amendments in the provisions for tax deducted at source (TDS), which will come into force from 1 June 2007. As a result of these amendments in most cases the TDS provisions have become more tedious.

Section 193 : Earlier any interest payable on any security of the Central government or a state government was exempted from tax to be deducted at source. In its notification of March 2003, the Department of Economic Affairs has stated that non-deduction of tax on these bonds might result in tax evasion. Hence, it is proposed that, from 1 June 2007, if interest on 8% Savings (Taxable) Bonds 2003 exceeds Rs 10000 in a financial year, then it is proposed to be subjected to TDS provisions under section 193.

Also, many are facing difficulties in obtaining Form 16A (for TDS on commission/brokerage) from government undertakings like post-office. Now, the difficulty in getting it will increase further. Hence, the chances of disallowance / shortfall of refund on account of non-production of TDS certificates would increase.

Section 194A : The existing section 194A provides for deduction of tax at source on interest (other than interest on securities) if the amount of interest paid/payable exceeds Rs 5000. From 1 June 2007, if interest, other than interest on securities, paid/payable by a banking company to which the Banking Regulation Act, 1949, applies (including any bank or banking institution, referred to in section 51 of that Act), or by a co-operative society carrying on the business of banking, or by post-office on deposits under any scheme framed by the Central government and notified by it exceeds Rs 10000, then tax is proposed to be deducted at source under section 194A.

In other cases of interest payment, the threshold limit is retained at Rs 5000 for TDS.

Section 194C : Sub-section (1) of section 194C provides for deduction of income tax at source from payment to resident contractors for carrying out any work (including supply of labour for carrying out any work) by persons other than an individual or a Hindu Undivided Family (HUF). Under section 194C(2), individuals and HUFs coming within the ambit of tax audit were required to deduct tax at source from sub-contractors payments. On account of specific exclusion of individuals/HUF under section 194C(1), an arrangement between the main contractor and individual or an HUF was not subject to TDS.

From 1 June 2007, an individual or an HUF subject to tax audit in the immediately preceding financial year and responsible for paying any sum to a resident contractor for carrying out any work contract (including supply of labour) would have to deduct tax at source on payments to contractor at the rate of 1% for advertising contracts and at the rate of 2% for other contracts. No tax is to be deducted at source if the payment is made for personal purposes.

Section 194H : From 1 June 2007, if commission or brokerage paid/payable exceeds Rs 2500 in a financial year, then tax is proposed to be deducted at source at 10%, instead of the existing 5%. But Bharat Sanchar Nigam (BSNL) or Mahanagar Telephone Nigam (MTNL) are not required to deduct tax at source on any commission or brokerage paid/payable to their public call office franchisees under this section.

Section 194I : Under the existing provision, rent paid/payable in a financial year exceeding Rs 120000, was subject to TDS at 15% if payee was an individual or HUF and at 20% for payees other than individual/HUF. From 13 July 2006, the Taxation Laws (Amendment) Act, 2006, has amended the definition of rent and has included five new items: rent on machinery, plant, equipment, furniture and fittings.

From 1 June 2007, the tax is proposed to be deducted at a lower rate of 10% for rent for use of any plant or machinery or equipment. For the period prior to 1 June 2007, the rate of TDS on rent for plant, machinery or equipment will be 15%/20%, depending on the nature of assessee. After 1 June 2007, the rate of TDS is proposed to be 10%, irrespective of the nature of assessee.

In case of land and building (including factory building) or land appurtenant to a building (including factory building) or furniture or fittings, the rate of TDS will remain unchanged at 15% if the payee is an individual or an HUF, and 20% for other payees.

Section 194J : From 1 June 2007, the rate of TDS on fees paid for professional or technical services, royalty and payments for non-compete arrangements covered under section 194J is proposed to be increased from 5% to 10%.

Section 201 : Under the existing provision of section 201, if an assessee fails to deduct TDS as per the provisions of TDS rules, interest at 12% per annum is to be charged from the date of default till the date of payment. It is now proposed to simplify the same by charging interest at 1% for every month or part of the month from assessment year (AY) 2008-09.

These rates of TDS are to be enhanced by surcharge and education cess as applicable. The rate for surcharge is 10% on payment made/payable to individuals/HUF exceeding Rs 10 lakh in a year. From 1 April 2007, there is no surcharge where payment made/to be made to companies/firms is less than Rs 1 crore. Surcharge is 10% where payment or likely payment is more than Rs 1 crore.

Primary education cess is 2%. From 1 April 2007, a new secondary and higher education cess of 1% is to be levied on income tax and surcharge. Thus, total education cess will be 3% from 1 April 2007. However, primary education cess of 2% and higher education cess of 1% are to be shown separately.

Section 206A : Section 206A(1) requires any banking company or co-operative society or public company responsible for paying interest income to a resident not exceeding Rs 5000 to prepare quarterly returns and furnish the same to the tax authority.

Under section 194A, the limit for interest payment without deducting tax at source has been enhanced to Rs 10000 for a banking company or a co-operative society carrying on the business of banking, and for post-office for notified schemes.

As a result, under section 206A(1) also, the limit of Rs 5000 will be substituted by Rs 10000 for the purpose of furnishing quarterly returns of interest payment without TDS.

5 Editorial : Lovely! But will it be fair?

Rather than M&As, CCI's test will be how it deals with government intervention that distorts the market

The Competition Commission of India (CCI) presents an opportunity and a threat to companies, investors and consumers. Will not a regulatory body set up to ensure a level playing field for companies in the same sector and present a choice to consumers as well as investors prove counter-productive by interfering with market forces? Second, assuming that this would do more good than harm, how effective will it be when its forerunner, the Monopolies and Restrictive Trade Practices (MRTP) Commission, proved to be just a paper tiger? Third, do we need the CCI if its primary role is to examine if the consolidation that results from mergers and acquisitions (M&As) does not distort the market? Despite the apprehensions, the birth of the CCI has to be welcomed. What has to be watched is its performance: where it intervenes, how it acts after the intervention, and the fallout of the intervention. The premise for the CCI is that a liberalised economy encourages competition. At the same time, a few players with deep pockets can nip off incipient challenges by resorting to unfair market practices of predatory pricing and clogging distribution channels or swallowing them. But the Indian economy is a picture of contrasts. Though most of the sectors have been delicensed and opened up fully for foreign competition, in some, there is a cap on foreign investment or requirement of regulatory approval, and, in a few, the barriers to competition come from differential duties, be it custom or excise, to protect consumers or the industry.

If there is any sector that symbolizes the opening up the floodgates it is the consumer-durables sector. Indian producers jostle with cash-flush MNCs for shelf space. Despite the absence of any takeovers, the choice for consumers has dwindled down to about two Indian brands struggling in their face-off with a couple of foreign players with brute muscle power. If this does not call for an intervention by the CCI, what will? There are other areas, where the government has usurped the powers or encroached on the role of the CCI. The recent budget increased the excise duty on cement based on retail price. The idea was to discourage producers from raising their selling prices. Instead, manufacturers passed on the entire burden to the consumers much to the chagrin of the government. Are cement producers operating in a free market within their rights to act in their business interest, or is it a rip case for the CCI to step in to break the cartel acting in tandem? If so, how will it view the steel producers agreeing to hold on to their prices? More interesting is the case of the petroleum products sector. PSUs are getting oil bonds from the government for selling their products below market prices. What choice does the private sector have? Sell petrol and diesel at market prices and put off customers, or incur losses by following government oil-market companies? Can the CCI tick off the government for unfair pricing and killing competition?

Just as overseas acquisitions would give Indian players the clout to transform the domestic market, even global consolidation, irrespective of the involvement of Indian players, can affect local competition. The takeover of Arcelor by Mittal Steel, both based in Europe, changed the rules of the game for the steel sector, spurring Tata Steel to mount a costly battle for British Corus. The crux of the matter is M&As are logical progression towards an efficient market. Inorganic growth provides capacities and markets at a fraction of the cost required to set up greenfield projects as was demonstrated by the takeovers in the cement sector. Sniffing out competition was as much in play for Indian bidders as was the desire to gain an entry into a new market for foreign players in the aggressive jostling for Hutchison's stake in the Hutchison Essar joint venture to provide telecom services. So coming together of competition could be as beneficial to end users in terms of lower pricing (due to larger volumes), better access (due to merging of distribution channels) and newer products (due to diversion of ad and marketing spends into R&D) as it could be adverse due to lack of choice, pricing inflexibility, and sluggish product pipeline. The CCI, therefore, has to be careful in deciding when to strike and when to stay off. While the breaking of AT&T or Ma Bell did benefit American consumers, the anti-trust action by the US Justice Department against Microsoft was eventually dropped despite proof of it using its clout to browbeat PC makers to bundle its internet browser. The software product maker's all-pervasive presence has contributed to the explosive growth in the usage of computers. But it has also faltered in tapping the full potential of the web unlike its smaller, but more nimble, rivals. Size, thus, does not always matter.

6 Cover Story : Telecom Services : The uprising

More and more Indians are subscribing to telecom services. This presents a challenge to the players as competition intensifies to grab a share of the expanding market

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The telecom services sector has been growing by leaps and bounds on higher volume growth and expansion of network coverage by the wireless companies. This has not been gone unnoticed by the markets. The market capitalisation of the telecom services sector has increased by 92.8% over one year till 30 March 2007 against just a 15.6% increase in the BSE 30-share Sensex over the period. The telecom services sector also outperformed other services industries: The BSE IT Index was up 21.6% and the BSE Bankex could rise 24.3% in this period.

The market capitalisation of Bharti Airtel, the largest player in terms of market capitalisation, subscriber base and network coverage, surged 85.1% over the one-year period, while that of Reliance Communication (RCom), the second largest, rose 127.3% over the same period. The recently listed Idea Cellular has also given good returns: Its market capitalisation moved up 10.5% after its listing on 9 March 2007, while the Sensex returned only 1.5% since then. This market returns seems significant given the fact that most of the IPOs after Idea Cellular are currently trading at a discount to their offer price.

However, other players like MTNL and VSNL could not sustain their growth rate and have underperformed the market due to negative net profit reported by them. The market capitalisation of MTNL declined 20.2%, while that of VSNL by 15% over the one-year period.

Why is the market pleased with the performance of the telecom services sector? The key factors spurring the growth in the Indian telecom market include the rise in demand from both urban and rural areas due to the strong GDP growth and higher per capita income, increased competition that has resulted in reduction in tariffs, and broadening of the addressable telecommunication market size. Factors like calling-party-pays (CPP) regime that made incoming calls free of charge for the receiving party; entry of CDMA operators (particularly RCom), which lowered entry barriers for customers through innovative and attractive tariff schemes; decrease in handset costs; reduction in the cost of telecommunication infrastructure equipment; and huge investments by operators in networks and coverage as well as enhancements of existing distribution networks.

More subscribers: The number of mobile subscribers in India increased from approximately 3.6 million end March 2001 to about 89.36 million (96.26 million including fixed wireline) end March 2006. As per the Telecom Regulatory Authority of India (Trai), the total wireless subscribers (GSM, CDMA and WLL-F) were 162.53 million end February 2007. The average net additions increased from 0.20 million subscribers per month in FY 2001 to 2.3 million subscribers per month in the FY 2005 and 5.58 million subscribers per month in the nine months ended December 2006. For the first time, more than six million subscribers were added in the Indian wireless telecom sector in September 2006. Since then, it is gaining more than six million subscribers per month — ahead of China, which is adding approximately five million wireless subscribers per month. It clearly shows that India is on a higher growth trajectory than China.

The growth in the wireless sector, however, was at the expense of the fixed wire-line sector. The total number of fixed wire-line subscribers was 40.82 million end March 2003, which inched up to a mere 43.14 million end March 2006. But the number of connections surrendered were more than the number of new connections in FY 2007, which resulted in a decline in fixed wire-line subscribers base to 40.39 million end February 2007.

Lower handset prices: Fall in prices of entry-level handsets is likely to be a key growth driver for further expansion of the market. Handset pricing is becoming more important for ownership rather than tariffs. The tariffs are already on the lower side and the minimum outlay requirement, determined by monthly recharge coupons, has gone down considerably.

According to industry estimates, the entry-level handset market constitutes about 60% of the US$ 5.5-billion mobile handset sales in India. Presently, the entry-level handsets for GSM networks are available for less than Rs 2000, while the lowest-cost CDMA devices are available even cheaper at the retail level.

Mobile phone players are aggressively focusing on the entry-level handset segment of the market. Motorola has unveiled a new handset priced at about Rs 1600, while Spice Mobile Phones has launched the first ‘People’s’ phone, which retails at Rs 999 only. Motorola is also aiming to launch handsets at the sub US$-20 range (less than Rs 900 retail price for the first time for branded handsets) in 2007. Few other major handset players are also planning to launch mobile sets in the range of Rs 1000, which would go a long way in increasing tele-density in rural India.

Strengthening handset distribution: The GSM operators in India do not distribute or subsidise mobile handsets like CDMA players. Recognising the fact that handset vendors will have an advantage with their own distribution network, GSM operators have begun to expand their distribution networks in non-metro cities as well. Motorola has tied up with DCM Shriram Consolidated’s Hariyali Kisaan Bazaar, a chain of rural utility marts for sale and distribution of its handsets. Spice is planning to set up 1,000 mobile retail outlets over the next three years. Essar Telecom Retail is to roll out over 2,500 stores in the next three years across 600 cities, thus covering virtually every major town in every state across India. Over 70 stores have already been launched and another 100 stores are scheduled to come within the next six-eight weeks. The company will make an investment of around US$ 250 million over next few years. These specialty stores will cater to both GSM as well as CDMA users.

Along with mobile phone services, these retail outfits will also cater to other communication needs of consumers like broadband and gaming and entertainment products. The higher margin in the entertainment options would complement the high volume (but low margin) of the handset business. Thus, handset availability would not be a constraint as these specialty chains are targeting tier-II and tier-III cities.

Urban-rural disparity: Although telecom penetration in India currently stands at around 18.26%, there is a large urban-rural disparity. While urban penetration is as high as 40% (more than 60% in New Delhi, Chennai and Mumbai), rural penetration is as low as 2%. About 70% of India's population resides in rural areas. Most villages in India have no service or have BSNL, the incumbent operator, as the only option. Demand for telephony is buoyant in rural and semi-urban areas as reflected in the robust growth of public call offices (PCOs).

The Eleventh Five-Year Plan (2007-2012) has given the Department of Telecommunications (DoT) a target of reaching a rural tele-density of 10% by 2010. By the end of the plan period (2012), the objective is to have a phone subscriber base of 575 million. To achieve this objective, the Cabinet has approved to bring mobile services in rural areas under the ambit of the Universal Service Obligation (USO) Fund, which is built from a 5% levy on the adjusted gross revenue (AGR) of all telecom service operators. This amendment will enable the USO Fund to extend financial support for mobile services in rural areas. This was provided to fixed line service providers so far. The government proposes to build about 10,000 towers to provide cellular services in areas currently not covered by operators. The infrastructure will cost about Rs 3500-5000 crore, and will be funded from the Rs 7000- crore corpus of the USO fund.

Trai has proposed a subsidy of Rs 12 lakh per rural base station, if it is shared; a 30% discount for backbone services; an additional 10% incentive from the USO Fund for five years, and additional spectrum for rural areas.

But the high subscriber growth and increasing usage even in tier-II circles due to bottom-off call rates have encouraged telecom operators to roll out the network in rural areas without any support from USOF. Telecom operators like Bharti Airtel, RCom and Aircel have submitted negative bids for some of the active infrastructure slots for setting up telecom infrastructure in rural areas, implying that they will pay to the USOF instead of taking its support. BSNL has also submitted zero bids, indicating that it also does not need any support from USOF.

Significant expansion by wireless operators: Most Indian operators have been increasing their population coverage aggressively. The overall tele-density was just at 18.26% end February 2007 — less than 20%. This makes India one of the lowest penetrated countries. Obviously this indicates a huge growth potential.

Despite the fact that Pakistan has lower per capita income than India, the wireless penetration is about 27% there. The penetration in the US and Japan is about 78% and 83%, respectively. In China, which is more populated than India, the penetration is at 41%.

Bharti has increased its coverage to 54% of the country's population. Its network covers 4,600 census towns and over 1,75,000 other towns and villages with over 34,000 sites. Bharti believes that at this point of time 75% to 80% population coverage looks very achievable and viable. It expects to achieve 65%-70% population coverage by end FY 2008.

RCom's network also covers about 54% of the population, with footprints in over 6,000 towns. With more operators entering infrastructure sharing arrangements, the cost of network rollout will decline further, encouraging all operators to cover lowly penetrated areas with low ARPUs and MoUs as well.

It is estimated that the telecom services industry will spend about US$ 20 billion in the coming two years. BSNL has invited bids for 45.5 million GSM lines. Bharti has given guidance for a capex of US$ 2.5 billion for FY 2008. RCom has also projected capex of US$ 2.5 billion in FY 2008 to support the expansion of the company's India focused businesses. The capex includes planned rollout on an aggressive basis of over 20,000 new towers for supporting the wireless business and further increasing coverage and capacity nationwide. The company has created an additional capacity of more then US$ 10 million GSM lines and expanded its coverage by over 1,600 towns to 2,200 towns in its GSM circles. Other wireless players are also coming up with huge capex plans.

Sharing of infrastructure: The Indian wireless telecom sector has adopted the idea of sharing passive wireless infrastructure in a big way in the last six months. Every major wireless player has realised that this could be the beginning of a collaborative growth phase in the Indian telecom industry. This could be a win-win situation for incumbents (like Bharti, RCom and BSNL) as well as for new entrants or operators expanding aggressively into new circles (Hutch, Idea, Aircel and Tata Teleservices). In the last couple of months Bharti and RCom have spun off their base transceiver station (BTS)/tower portfolios into 100%-owned subsidiaries. A few independent tower companies —Essar, GTL Infrastructure and Quipo — have emerged in the past year. Global tower biggies — American Tower Corporation, and Crown Castle International and Tower — have entered India. This all-encompassing move towards enhanced tower sharing is likely to lead to lower capex for all players. As the capex for network rollout reduces, operators will be encouraged to launch services in sparsely penetrated areas with low ARPUs and MoUs. The launch of services in these areas is expected to be the next big driver of growth.

Reduction in fees: India's telecom sector is the most heavily taxed in the world, with a blended tax rate of 20%-30% on revenue. Of this, 6%-10% is licence fees (including contribution to USO fund), 2%-6% is spectrum fees (depending on the circle category), another 0.75% is access deficit charge (ADC), while the remainder is service and sales tax. Trai has recommended to the government to reduce licence fees to a flat 6% and also to abolish ADC. ADC has declined from 15% in 2003 and was reduced recently to 0.75%, from 1.5%.

Low working capital: As 80%-90% of the subscribers in India (50% in China) are prepaid subscribers, working capital for the industry is negative. The negative working capital nature of the business offers advantage to rapidly expanding operators. Bharti and RCom have been able to partially fund their aggressive expansion plans through working capital gains. The working capital gains for the industry are expected to increase, going by the rapidly expanding prepaid subscriber base. This working capital gains will help Bharti and RCom to turn free cash flow positive in the next couple of years.

Expansion of spectrum: For the growth of wireless services, spectrum is the most vital and scarce input. Its inadequacy may not only hamper the growth but also adversely affect the quality of service. As subscriber growth accelerates, capacity constraints are becoming increasingly challenging for operators, particularly in metropolitan areas, where the availability of spectrum is an issue. Several operators who qualify and have applied for additional spectrum have been forced to wait. CDMA operators are not feeling the spectrum crunch as much as GSM operators as CDMA subscribers are less concentrated in particular circles.

India's Ministry of Defense has agreed to vacate 45 MHz of spectrum in the 1,800 MHz band. The Ministry of Defense had reservations about clearing spectrum because it has deployed newer network equipment at this frequency.

These issues may take a few quarters to resolve but it is expected that additional spectrum will be allocated in the next six-nine months, which would address the requirements of the GSM operators.

Strong economic growth: India's economy is expected to grow at a rate of 9% for the next three years. Strong economic growth, which would translate into higher per capita GDP, is creating a new audience for wireless services at an accelerated pace. Moreover, increasing per capita GDP would also mean higher usage. In the last two years, MoUs have gone up 40%. Usage is expected to continue rising for the next two years. The proportion of India's working population (ages 15-64), currently 62.7%, is to rise by 30 basis points (bps) every year over the next 15 years. Thus, more consumers will be able to afford wireless services. The rising income levels of Indian households will provide huge impetus for the wireless sector growth in the next three years, given their utility and value-for-money offers.

Recent developments

FDI ceiling raised: The Union government last fortnight approved the raising of foreign direct investment (FDI) up to 74%, from the prevailing ceiling of 49%, to bolster investment in the telecom services sector. A decision to raise the cap was taken in November 2005. But the government's inability to form guidelines on remote access was stalling the final nod.

Besides FDI, the 74% ceiling includes inflow from FIIs, NRIs, FCCBs, ADRs, GDRs, convertible preference shares and proportionate foreign equity in Indian promoters/investing company. The entry is automatic up to 49% FDI, subject to guidelines notified in Press Note 5 (2005 series). But beyond this, the approval of the Foreign Investment Promotion Board (FIPB) is required.

Currently, 13% of the equity in RCom is held by FIIs. They along with foreign venture capitalist and foreign corporates own 35% in Idea Cellular. The highest foreign investment (except Hutchison Essar) is in Bharti Airtel: 46% of the equity is controlled by FIIs, foreign promoter and foreign corporates (including the 5.6% stake of Vodafone International Holdings, which Vodafone has offered to Bharti). There is no significant foreign investment in Tata Teleservices and Spice Communication.

Vodafone's deal to acquire Hutchison Essar has sparked off a controversy over foreign holding. Recently, Hutchison Telecommunications International's (HTIL) 52% interest in Hutchison Essar was bought by Vodafone. DoT has raised questions about the indirect shareholding of Asim Ghosh and Analjit Singh in the company. It contends that their 12.26% shareholding may have to be included as FDI because it is held by offshore entities. If the claimed and indirect interest of Ghosh and Singh are included, FDI in Hutchison Essar is little over 67% (including the 2.7% stake of IDFC).

The complications have arisen because Hutchison Essar's Indian partner, the Essar group, controls 22% of its total 33% stake in the company through overseas entities. Therefore, if Ghosh and Singh's shareholding is counted as foreign, the total FDI in the company would be 89%, which would exceed the FDI limit of 74%.

Roaming charges cut: Tariffs for telecommunication services in India are one of the lowest in the world. The Indian consumers have immensely benefited from such low tariffs, which has also been a major factor for the explosive growth in the sector.

Over the years, the tariff charges for long distance services have come down significantly. During May 1999 to March 2006, tariff for 51-100-km distance declined by 62%, and for 101-200 km and 201-1000 km by 75% and 87%, respectively, while that for more than 1,000-km distance fell by more than 94%.

Recently, Trai reduced the domestic mobile roaming charges up to 56% and scrapped all forms of rental, surcharge and other additional charges by the mobile operators for providing roaming services. All the wireless service providers have reduced roaming charges and scrapped the rental for roaming services from mid-February 2007.

While the move has benefited about 15 million mobile users who use roaming services, it will have an adverse impact of Rs 800-900 crore on the industry. Refuting claims of revenue loss by operators, Trai said reduction in tariffs would lead to substantial increase in usage for roaming service, resulting in an overall revenue growth for service providers. Trai noted that, in spite of the cost of providing services coming down significantly over the last five years, there has been no effect on national roaming tariffs.

Lower port charges: Trai has lowered port charges that allow cellular operators to connect to BSNL and MTNL lines by up to 29% from 1 April 2007. This move is expected to result in tariff cuts. The revised port charges will be in the range Rs 10500-Rs 39000 instead of the current Rs 14000-Rs 55000. It is expected that the service providers will pass the benefit of reduction in port charges to the consumers.

Port is an essential part for the establishment of interconnection between two networks. Port charges are paid by interconnection seekers to the provider (such as BSNL) for terminating interconnection links on the network.

Reduction in ADC: Trai has the cut access deficit charge (ADC) paid by the private sector operators to BSNL to support its operations in unviable rural areas. Per minute ADC on outgoing international long-distance (ILD) calls has been reduced to zero, from Rs 0.80 per minute; per minute ADC on incoming ILD calls to Re 1 per minute, from the existing Rs 1.60 per minute; and ADC on percentage revenue share to 0.75%, from the existing 1.50% of adjusted gross revenue (AGR) for all service providers.

Outlook

The robust growth in the wireless telecom sector in terms of subscriber addition is expected to continue due to multiple growth drivers that exist: Low handset prices spurring growth of the rural subscriber base, strengthening of handset distribution, significant expansion by wireless operators, increasing per capita GDP, improving demographics, and infrastructure sharing. The government's focus on increasing rural tele-density and lower regulatory levies are some of the factors that would help wireless telephony in India to continue racing ahead of China.

Besides increasing network reach, consumers are sensing a strong value proposition in mobile communication. Tariffs in India are the lowest among all operators in the world.

These factors will continue to drive new customers in going mobile.

A convoluted call

Growth of Indian wireless telecom

Month & Year	**Event**
Phase - I	
December-1991	The Department of Telecom (DoT) began the process of introducing private sector participation in the telecommunications sector by inviting bids from Indian companies with no more than 49% foreign ownership

	for non-exclusive licences to provide cellular services in the four metropolitan circles.
1994	National Telecom Policy 1994 announced
1995	After protracted litigation arising out of the selection process, DoT eventually issued licences for each of the four metropolitan circles. Cellular mobile service is to be a duopoly (i.e., not more than two cellular mobile operators could be licensed in each telecom circle) under a fixed licence-fee regime for 10 years.
1995	Mobile services introduced in India on a commercial basis in the four metropolitan circles. Kolkata became the first metro to have a cellular network in August 2005.
January-1995	DoT invited tenders from Indian companies for licences (to be limited to two per circle) to provide cellular services in 18 telecommunications circles, excluding the four metropolitan circles.
1995 to 1998	The government issued 34 licenses covering 18 service areas to 14 companies.
1996 to 1998	Mobile services introduced in most of other (non-metropoliton) circles. First private sector basic telecom network launched at Indore in Madhya Pradesh in June 1998.
January-1997	Telecom Regulatory Authority of India (Trai) established
November-1997	Association of Unified Telecome Service Providers of India (AUSPI) constituted.
1999	National Telecommunication Policy (NTP) 1999 was announced by the government to address the difficulties encountered by licensees under the initial telecommunications licensing regime.
	NTP 1999 brought about a change from a fixed annual license fee to a license fee based on a percentage of revenue earned by the operator and an extension of the initial license term from 10 to 20 years.
	NTP 1999 also permitted BSNL and MTNL to provide mobile services in those circles where each was already providing fixed-line services. Accordingly, BSNL and MTNL became the third cellular services operators in such circles.
	As part of NTP 1999, the government also initiated another bidding process for a fourth licence for each circle and further announced that additional licences may be issued for certain circles in the future.
Phase - II	
January-2001	The government published guidelines concerning the fourth licence to be awarded for each circle for a period of 20 years (thereafter extendable by 10 years) in the 1,800 MHz frequency range. Pursuant to the guidelines, a company was not permitted to have an interest in more than one bidder company for the same circle and existing licencees were not permitted to submit bids relating to a circle for which they already held a licence.
January-2001	The government issued guidelines to permit fixed line telecommunications service providers to provide limited mobility services using wireless in local loop (WLL(M)) technology.
July-August 2001	DoT issued 25 licenses under NTP 1999 for basic services.

October-2003	Trai recommended to the government that fixed line telecommunications service providers intending to provide limited mobility services based on WLL(M) technology pay a specified amount as an additional entry fee.
November-2003	NTP 1999 was amended to include a unified access services (UAS) licence, permitting a licencee to provide fixed line and/or mobile services using any technology in a defined licence area upon conversion to a UAS licence. There is no limitation on the number of UAS licences that can be granted in any given licence area.
2003	Introduction of calling-party-pays (CPP) regime for cellular mobile
Phase - III	
November-2005	The government raised the foreign direct investment (FDI) limit applicable to the telecommunications services sector from 49% to 74% (held directly or indirectly), subject to compliance with certain conditions.
March-2007	The government approved to raise the FDI ceiling in the telecom services sector, from 49% to 74%.

Growth is shifting base

The Indian telecommunications market has been segregated into 23 areas referred to as circles. There are four metropolitan circles (Mumbai, Delhi, Kolkata and Chennai) and 19 regional circles, which are classified into three categories: A, B and C. There are five category A circles (Maharashtra, Gujarat, Andhra Pradesh, Karnataka and Tamil Nadu), eight category B circles (Kerala, Punjab, Haryana, west Uttar Pradesh (UP), east UP, Rajasthan, Madhya Pradesh and West Bengal) and six category C circles.

Although the metropolitan circles currently comprise only 5% of the total population of India, they accounted for approximately 30.06 million, or 20.52%, of the total number of subscribers in India end December 2006. Category A, category B and category C circles, by comparison, accounted for 31%, 44% and 19% of the total population of India, and 35.84%, 34.78% and 8.86% of the total number of subscribers, respectively, end December 2006.

Historically, the substantial growth in the number of mobile subscribers is, to a large extent, attributable to metropolitan and category A circles. These two categories combined comprised 70.2% of the total mobile subscriber base end August 2003.

However, the circles in these two categories consisted of 56.4% of the total mobile subscriber base end December 2006. By contrast, the share of category B and C circles increased from 29.6% of the total mobile subscriber base end August 2003 to 43.6% of the total mobile subscriber base end December 2006. This shows that the substantial growth is coming from the category B and C circles.

GSM v CDMA: Which is better?

The Indian regulators initially adopted GSM as the primary technology for mobile telecommunications services in India. Accordingly, all mobile telecommunications service providers had to base their services on GSM technology. In 2001, fixed line service providers were given permission to provide limited mobility services using wireless in local loop (WLL) (M) technology.

GSM is a cellular network in which mobile phones connect to it by searching for cells in the immediate vicinity. One of the key features of GSM is the subscriber identity module (SIM), which allows the user to retain his or her information after switching handsets. Alternatively, the user can also change operators while retaining the handset simply by changing the SIM.

CDMA is based on 'spread spectrum' technology, allowing many users to occupy the same time and frequency allocations in a given band/space. CDMA technology consistently provides better capacity for voice and data communications than other commercial mobile technologies.

The GSM mobile subscriber base in India has increased at a CAGR of 90%, from 12.68 million end March 2003 to 105.42 million end December 2006. The CDMA-based mobile subscriber base has increased at a CAGR of 195%, from 1.17 million end March 2003 to 41.11 million end December 2006. GSM subscribers comprised 71.9% and CDMA subscribers 28.1% of the total mobile subscriber base in India end December 2006. Of the total net adds in the 12 months ending December 2006, GSM subscribers were about 72.3%, while CDMA subscribers 27.2%.

In the GSM space, Bharti Airtel, BSNL, Hutchison Essar, Idea Cellular, MTNL and Aircel are the major players. In the CDMA space, Reliance Communication (RCom) and Tata Teleservices are the only two players. RCom is a leader in the CDMA segment, with more than 64% market share. But considering the limited scope for value added services (i.e., non-voice revenue) due to inferior quality handsets and restriction in switching of handsets, it is planning for pan-India footprints in the GSM segment. Since CDMA operators currently provide handset subsidies, which are in the form of promotional minutes, the average revenue per minute (ARPM) is higher in GSM. As the GSM operators are also focusing on lower entry-level handset costs, CDMA operators are expected to continue facing challenges.

Though CDMA operators in India are not facing spectrum crunch, it remains an issue as GSM operators are awarded twice the amount of spectrum awarded to CDMA for the same level of subscribers. About 800 MHz spectrum is still available for CDMA players. But whether the Ministry of Defense clears 1,900 MHz spectrum (CDMA) and 1,800 MHz spectrum (GSM) is still not clear.

Old number, new service provider

In March 2006, the Telecom Regulatory Authority of India (Trai) issued its recommendations to the government to introduce mobile number portability (MNP) by April 2007. This system would enable customers to retain their telephone numbers even while switching from one telecommunication service provider or network to another. The facility would not only benefit subscribers but also force service providers to improve their quality of service to meet competition from their rivals.

Though all service providers may be mandated to implement MNP, this is likely to be done in a phased manner by initially introducing it in the metropolitan and category A circles, followed by category B and then category C circles in six months.

Subscribers would benefit from lower prices after the implementation of the MNP facility as has been the case in Hong Kong and Australia, where operators compete with one another to provide the best packages and improved customer service. MNP may result in a high rate churning as customers would not be afraid of losing their numbers while switching to another network in case of dissatisfaction with the current service provider. About 85% of the subscribers of the Indian wireless industry is prepaid, where the monthly churn is as high as 6%. However, international experience indicates that not more than 8% of the subscribers port their number. Further, the price-sensitive Indian subscribers are unlikely to pay Rs 200 for porting.

However, the Department of Telecommunications (DoT) is of the opinion that as most mobile operators are at present involved in rolling out their network in semi-urban and rural areas, it is not the right time to introduce MNP as they will have to incur heavy expenditure on upgradation of their network and switches. DoT also feels that there is enough competition in all the licence areas, so the introduction of MNP will not yield major benefit to subscribers. DoT wants MNP to be introduced after the sector reaches a tele-density level of around 25 to 30%, from the present 18%.

Hutchison-Vodafone deal: A trigger for consolidation

In February 2007, the United Kingdom-based telecom giant Vodafone agreed to acquire a controlling 67% interest in Hutchison Essar, the fourth largest wireless player in India, via its subsidiary Vodafone International Holdings for a cash deal of US$ 11.1 billion and a net debt liability of US$ 2 billion. The buyout implied an enterprise value of US$ 18.8 billion for Hutchison Essar.

Reliance Communication (RCom) was a major contender to buy out the Hutchison stake in Hutchison Essar, given RCom's decision to expand in the GSM space (it currently dominates the CDMA market). Acquisition of Hutchison Essar, a GSM operator, was seen as the fastest route for RCom to achieve nationwide footprint in the GSM. Now RCom's GSM play would be delayed and Vodafone would provide stiff competition in the GSM segment.

This Hutchison-Vodafone deal is expected to have a significant impact, both on the Indian telecom services industry and sector valuations. Entry of a large, serious and experienced players like Vodafone would intensify competition, resulting in efficient use of resources. Though its presence does not alter the number of players operational in the sector, Vodafone is expected to be a more aggressive than Hutchison, mainly because of its deep pockets as well as India's position as a high growth territory. Vodafone's risk-taking appetite may result in faster roll-out in new circles through a highly competitive strategy.

The valuations for Hutch have also set a benchmark for the sector: less pressure on acquirer and scope for other strategic investments. The recent move by the government to raise the foreign direct investment (FDI) ceiling in the telecom service sector from 49% to 74% would also encourage foreign funds as lot of growth potential remains untapped.

Going forward, consolidation may take place in the industry. Here's why:

Falling revenue: Despite the increase in minute of usage (MoU), there has been a decline in the average revenue per user (ARPU) for GSM service providers. ARPU has dropped from Rs 394 per month in the quarter ended March 2005 to Rs 316 per month in quarter ended December 2006. Bharti had an ARPU of Rs 343.17 per month in the quarter ended December 2006, which was 1.5% lower over the September 2006 quarter, but ahead of Hutchison Essar's Rs 340.15 per month (9% lower over the September 2006 quarter). The average industry ARPU fell to Rs 316 in the quarter ended December 2006, from Rs 356 in the March 2006 quarter — a decline of 11%. The ARPU of Idea Cellular and total wireless ARPU of RCom dipped 12.8% and 6.9%, respectively, to Rs 277 and Rs 230. ARPU of BPL grew 27.40% to touch Rs 386.28.

As the average revenue per user (ARPU) is declining, service providers have to offer innovative payment plans and new schemes to retain existing subscribers and attract new clients. To increase revenue, players are concentrating on value-added services. The non-voice revenue (as a percentage ARPU) is growing significantly. Nonetheless, to sustain growth and margin, service providers have to rely on volume, which can come from a national footprint.

Need for national coverage: Players who do not have a pan-India presence are unable to provide seamless roaming services and are forced to share their revenue with other operators with whom they have roaming arrangement. So presence in more circles results in higher revenue. The increased geographical presence also helps to gain higher volume.

Capex for expansion: Considering the low level of penetration in India, all the major players are expanding their coverage: Those who do not have a national presence are planning to go for a pan-India presence. Expansion requires capital. Bharti Airtel and RCom cover about 54% of the country's population, while about 80% of the Indian population coverage is economically viable.

Infrastructure sharing: To cut on capex, players are going for tower sharing arrangement. This will also enable penetration in areas with low ARPUs and MoUs.

These factors could trigger a wave of consolidation among existing players. Consolidation of the sector will benefit subscribers in the form of lower tariff, innovative schemes, better services and customer satisfaction.

Controlling the airwaves

Bharti Airtel is the market leader in GSM as well as in the total wireless sector. With a pan-India footprint (in all 23 circles), it had a market share of 22.25% and 35.44 million subscribers end February 2007. The company's fully integrated services include broadband and telephone services for voice or broadband access delivered through digital subscriber line (DSL). It also offers telecom solutions to its enterprise customers in addition to national and international long-distance connectivity. Bharti is leader in terms of revenue, too. The consolidated total revenue of Bharti was Rs 4914 crore with a decent operating profit margin (OPM) of 41% in the quarter ended December 2006. Profit after tax (PAT) rose 18% of Rs 1033.34 crore in the quarter over the September 2006 quarter. About 76% of the revenue of the company is from mobile services, and the rest comes from other services.

RCom is the second largest player, offering GSM as well as CDMA services, with a market share of 20.33% in total wireless and 32.39 million subscribers end February 2007. The company operates pan-India (with CDMA network in 21 of the 23 telecom circles and GSM network in eight telecom circles, with an exclusive presence in two small circles: Assam and North-East) across the full spectrum of wireless, wireline, and long-distance, voice, data, video and internet communication services. It also has an extensive international presence through long-distance voice, data and internet services and submarine cable network. The consolidated revenue was Rs 3755.30 crore, with a considerable jump of 650 basis points (bps) in OPM to 40.7% in the quarter ended December 2006. PAT was up 73% to Rs 924.42 crore over the September 2006 quarter. The wireless business of the company contributed about 73% of the revenue and 63% of the total profit before interest and tax (PBIT).

Hutchison Essar, which offers GSM services in 16 circles, had a market share of 18.33% with 29.19 million subscriber base, and **Idea Cellular**, which offers GSM services in 11 circles, had a market share of 8.56% with 13.64 million subscribers end February 2007. **Tata Teleservices** is the second largest CDMA player. It provides integrated services in 20 circles. With a market share of 9.72%, its subscriber base was 15.49 million end February 2007.

BSNL and **MTNL** are also integrated players, together providing both GSM and CDMA services in all 23 circles. Both are the only government-owned players. MTNL has a presence in the Mumbai and Delhi circles, and BSNL in the remaining 21 circles. BSNL has 25.44 million subscribers, while MTNL 2.58 million subscribers. BSNL and MTNL together have a market share of 17.6% with 28.02 million subscribers.

The top four players corner more than 75% market share. Apart from BSNL and MTNL, Bharti and RCom are the only players with pan-India footprints. Bharti is the biggest wireless player in India, outpacing RCom every month in terms of net adds. Bharti has been adding around 1.75 million subscribers every month, compared with 1.4 million by RCom. Bharti would not want to lose any market share and would rather try to increase its share, while RCom, which is the main contender for the market leader position, would try to narrow the gap with the launch of its nationwide GSM services.

Vodafone, which has acquired a controlling stake in Hutchison Essar, will use its extensive experience in other telecom markets in the world to improve its market share. Idea Cellular, which recently raised money through IPO, has also applied for licence for the remaining circles. Soon it will launch its services in the Mumbai and Bihar circles.

7 Market watch : Movers and shakers

Prices as on 30 March 2007 with variation over the fortnight

Company	**Share Price**	**Var.(%)**
Sakthi Sugars	100.8	60.25
Shree Renuka Sugars	467.9	26.15
Bajaj Hindusthan	194.95	20.22
Balrampur Chini	65.9	11.51

There are reports that the Centre has approved creating a two-million-tonne sugar buffer and offered incentives for exports. The buffer stock will be for a maximum of two years. Export subsidy at a flat rate of Rs 1350 per tonne will be given for sugar mills in coastal areas and Rs 1450 per tonne for factories situated in northern states. In addition, an incentive of Rs 440 per tonne will also be offered for exporting raw sugar. The government further removed the present ceiling of 7.5 lakh tonnes of exports under the open general licence (OGL). After banning sugar exports last year due to the surge in retail prices of the commodity, the government had completely lifted the ban in January 2007. India, the world's second-largest sugar producer, is expected to register a bumper output of over 250 lakh tonnes in the 2006-07 sugar season ending September 2007. The world's largest consumer of the sweetener is also likely to use 190 lakh tonnes with a surplus of around 100 lakh tonnes, including 40 lakh tonnes of carryover stocks. Also there are reports that the government has decided to procure 1,061.04 million litres of ethanol from sugar mills at a flat rate of Rs 21.50 a litre over the next three years.

IFCI	33.6	36.86

The New Delhi-based term lending institution's board approved the appointment of Ernst & Young as an advisor for the induction of a strategic investor in the company.

Aban Offshore	2018.2	15.79

The Chennai-based offshore services provider completed acquisition of residual 1.99% stake in the Norwegian subsidiary, Sinvest ASA. Following the latest acquisition of a 1.99% stake, Aban Offshore through its subsidiaries Aban Singapore and Aban International Norway AS (AIN), now holds a 100% of the share capital of Sinvest ASA.

DCM Shriram Consolidated	93.6	14.15

The New Delhi-based diversified firm said it was considering the transfer or sale of its rural retailing business, Hariyali Kisaan Bazaar. The board of DCM Shriram Consolidated (DSCL) also approved developing or selling the company's land holdings in five places including in Delhi. Hariyali Kisaan Bazaar has 65 outlets in rural areas of Uttar Pradesh, Uttaranchal, Haryana, Punjab and Rajasthan. From the current 65 Hariyali outlets, DSCL wants to increase the number to 200 by 2008-end.

Ranbaxy Laboratories	352.6	11.56

The Mohali-based Indian bulk drug major reportedly pulled out of the bidding war for Merck's generic drugs unit, citing high valuations and that the acquisition will not add to earnings and will, in fact, put a strain on cash flows.

Sail	114.1	11.21

The New Delhi-based PSU steel manufacturer signed a shareholders' agreement with Jaiprakash Associates (JAL) to set up a joint venture (JV) for manufacturing cement at Bhilai at approximately Rs 600 crore. Sail will have a 26% stake in the JV, while Jaiprakash Associates will hold the remaining. The project is expected to be executed within 37 months. The new cement plant will have a capacity of two million tonnes. The JV will use the slag generated at the blast furnace of Sail's Bhilai steel plant. Sail will provide one million tonnes of granulated slag at Bhilai and Satna on lease to the JV, and JAL will organise the debt and ensure project execution within a defined scope, cost and time.

Goodyear India	155.3	10.65

The MNC associate tyre manufacturer's net profit surged 200.8% to Rs 10.20 crore in Q4 December 2006 compared with Rs 3.39 crore in Q4 December 2005. Net sales rose to Rs 237.68 crore (Rs 190.96 crore).

Man Industries	196.45	10.56

The Mumbai-based pipe manufacturer secured Rs 1000-crore orders from the United States to manufacture and supply 257 miles of LSAW and HSAW line pipes coated externally and internally with anti-corrosive systems. With this new order, Man Industries' order book stood at Rs 2200 crore. The company's board also approved a scheme of demerger between Man Aluminium and itself.

Kalindee Rail Nirman Engineers	173.85	10.1

In consortium with a Spanish company, Kalindee Rail Nirman Engineers received a Rs 119-crore order from Rail Vikas Nigam for constructing a third line, Palwal-Bhuteshwar (81 km), for the North Central Railway.

Satyam Computer Services	470.1	9.5

The Secundarabad-based software major entered into a five-year $200-million contract with Applied Materials to provide application development, maintenance, and support plus business transformation core technology services through a managed services delivery model. In addition, Satyam Computer Services has created a dedicated development center for Applied Materials. The facility is part of Satyam's Electronic City campus in Bangalore.

Garware Offshore Services	182.4	8.57

The Mumbai-based offshore services provider registered a net profit of Rs 3.63 crore in Q4 December 2006 compared with Rs 2.16 crore in Q4 December 2005. Net sales increased to Rs 13.98 crore (Rs 9.13 crore).

IVRCL Infrastructures	292.1	8.07

The Hyderabad-based construction company plans to construct 2.9-million square feet of dwelling space over about 1,800 units at an estimated construction cost of around Rs 800 crore. The project, to be funded through internal accruals and debt, is to begin by August 2007. The project is expected to generate revenue of about Rs 1007 crore over three-four years.

Titan Industries	841.5	7.12

The Tata group diversified company plans to foray into the optical eye-wear business by launching a retail chain, Titan Eye+, in Bangalore. Titan Industries will offer products, including its own brands, in the fashion eye-wear category besides other licensed brands. The retail chain will sell and service prescription eye-wear, offering allied optical services like eye check-up, and products spectacle frames, and contact lenses. The product offering shall also include its own brands in the fashion eye-wear category besides licensed brands. The company plans to open about 150 stores in the medium term.

NTPC	149.75	6.96

The state-run power generation firm signed an agreement with KFW, Germany, for a term loan of $100 million. The loan agreement, which NTPC signed, is an unsecured facility without sovereign guarantee bearing variable interest linked to the London Inter-Bank Offer Rate (Libor), and has a maturity of 10 years. NTPC plans to utilise the money to part finance the expenditure on renovation and modernisation of its power plants.

Paradyne Infotech	91.15	6.73

The Mumbai-based mid-sized software company acquired US-based Links Group International in a $4.75-million all-cash deal. The US takeover will be executed through Paradyne's wholly-owned subsidiary in the US, Dyne Techservices. The funding would be through a mix of debt and internal accruals. Links Group's current year revenue is above $7 million, and gross profit above $1.4 million.

Punj Lloyd	162.55	6.21

The Mumbai-based turnkey engineering services provider bagged a Rs 258-crore extension contract from the New Doha International Airport (NDIA). The extension will enhance the capacity of the fuel system to take care of phase II expansion of the new airport. With this extension, the total contract value becomes Rs 618 crore.

TRF	515.45	5.63

The Tata group engineering company was awarded a Rs 125-crore order for supplying yard equipment for the Krishnapatnam port. The order placed by Navyug Engineering Company also involves engineering and commissioning of the equipment supplied.

Glenmark Pharma	609.8	5.57

Schering Corporation and MSP Singapore Company together filed a restraining suit against the Indian drug maker from marketing a copy-cat version of ezetimibe. Ezetimibe is marketed by Schering under the brand name, Zetia. The cholesterol drug is a blockbuster, grossing $1.5 billion in the US. Glenmark Pharma is the first and, it believes, the only applicant to have filed an abbreviated new drug application (ANDA) for ezetimibe, entitling the company a 180-day exclusivity for selling the drug in the US if the US court ruled in its favour.

Reliance Industries	1368.5	5.27

The Mumbai-based refining major signed an agreement with US-based Rohm and Haas Company for the joint construction of an acrylic-monomer complex. This proposed facility will have the capacity to make approximately 200,000 tonnes of acrylic acid and its esters annually. While the key objective would be to serve the domestic market, the complex could also export acrylic acid and derivatives. The proposed acrylic acid plant is expected to be world-scale, and will be located at a site with world-class infrastructure using Rohm and Haas' technology.

Bayer Diagnostics India	610.15	5.06

Siemens AG would pay an interest of Rs 38.63 per share to public shareholders of Baroda-based MNC associate as part of a takeover deal with Bayer AG. The interest will be paid over the original offer of Rs 629.45 per share to compensate for the delay in implementing the open offer, which was scheduled to be completed by September 2006. Thus, Siemens will effectively shell out Rs 668.08 per share of Bayer Diagnostics India.

IndusInd Bank	41.95	4.88

The Hinduja group private sector bank raised $33.83 million by issuing 29.49 million GDRs. It sold each GDR, representing a share, at $1.147. Following the GDR issue, the equity capital of IndusInd Bank has gone up from Rs 290.32 crore to about Rs 320 crore. The GDR issue will enable IndusInd Bank to boost its capital adequacy ratio (CAR) from 11.10% to 11.25%. The capital raising will enable

IndusInd Bank to pursue new business lines like wealth management and asset reconstruction. The private bank is also planning to expand its presence overseas by setting up a banking unit in Singapore. At present, IndusInd Bank has representative offices in Dubai and London. The overseas business strategy of IndusInd Bank is to enter into tie-ups rather than set up branches abroad.

Godrej Consumer Products	147.05	4.85

The Godrej group FMCG company announced the formation of an equal joint venture with a Swedish firm to make sanitary napkins and diapers. The Indian consumer products giant has roped in Sweden's SCA Hygiene Products for the joint venture. The new firm, Godrej SCA Hygiene, will have an equity investment of Rs 20 crore ($4.6 million) to equally shared by the two firms.

Elecon Engineering	389.95	4.24

The Elgi group material handling equipment maker won three orders aggregating Rs 39.65 crore: a Rs 12.58-crore export contract from Botswana's Tati Nickel Mining, a Rs 15-crore order of a new cement project from Chettinad Cement Corporation, and a Rs 12.07-crore deal from Indure for design, manufacturing and supply of wagon tipplers.

KSB Pumps	493.1	4.06

The MNC associate pump manufacturer posted a net profit of Rs 12.10 crore in the December 2006 quarter compared with Rs 8.50 crore in the December 2005 quarter. Net sales increased to Rs 108.30 crore (Rs 86.70 crore).

NIIT	696.8	3.93

The New Delhi-based IT education services provider struck a partnership with US-based EMC Corporation to offer training in information storage technology in India and 31 other countries, where NIIT has its network of education centres.

Nestle India	934.5	3.37

Net profit of the MNC associate FMCG company declined 15.7% to Rs 62.46 crore in the December 2006 quarter compared with Rs 74.16 crore in the quarter ended December 2005. Total income rose 18.3% to Rs 743.59 crore (Rs 628.54 crore). Profit was adversely impacted by the steep increase in the prices of commodities and higher operating costs associated with upgraded formulations and manufacturing processes of infant nutrition products.

Patel Engineering	337.95	2.32

The Mumbai-based construction company's joint venture (JV) with Gammon bagged Rs 806-crore orders from Satluj Jal Vidyut Nigam for its 434-MW Rampur hydro electric project. Satluj Jal Vidyut Nigam is a JV between the government of India and government of Himachal Pradesh. The project, located on the Satluj river in Shimla and Kullu districts of Himachal Pradesh, involves construction of a 15-km-long head race tunnel (HRT), and a 140-m deep surge shaft and power house on the right bank of Satluj river near Village Bael in district Kullu. The project will be completed in the next 54 months. Patel Engineering's current order book is at Rs 4800 crore. Of these, 50% of the orders are from the hydro division, 28% from the irrigation division, and 22% in transportation and other sectors.

Aventis Pharma	1230.1	0.89

Net profit of the 50.1% subsidiary of Sanofi-Aventis fell 8% to Rs 34.70 crore in the December 2006 quarter compared with Rs 37.60

crore in the December 2005 quarter. Net sales moved up 11% to Rs 217.60 crore (Rs 195.70 crore). Net profit rose 17% to Rs 169.30 crore in the year ended December 2006 (Rs 145.10 crore). As a result of the change in the accounting policy, sales and profit before tax were lower by Rs 11 crore in the year ended December 2006.

Rajesh Exports	376.95	0.75

The Bangalore-based jewellery exporter's board approved a joint venture with a Kerala-based NBFC for retailing the company's products across southern India. The Kerala-based Muthoot Pappachan Group has 450 outlets spread over Kerala, Karnataka, Tamil Nadu, Maharashtra and Andhra Pradesh. Under the tie-up, the company will manufacture Shubh Muthoot pure gold coins of 1,2,4,8 and 20 gms. Shubh is a brand owned by Rajesh Exports.

Pyramid Saimira Theatre	269.1	0.19

The Chennai-based cinema chain operator joined hands with Baderwals Infraprojects, to build 200 malls in four years. Pyramid Saimira would hold 49% in ther joint venture, Baderwals Pyramid Development, and will invest about Rs 250 crore in the next two years on the project, estimated to cost Rs 12000 crore. The joint venture will include 100 larger format malls covering 3,00,000 sq ft each and budget hotels. By 2010, Pyramid Saimira hopes to have malls in 300 locations across India through such partnerships.

Tata Metaliks	84.7	-0.41

The Tata group pig iron producer formed a Rs 150-crore joint venture (JV) with Japan's Kubota Corporation for making ductile iron pipes widely used for water supply. The JV will be a subsidiary of Tata Metaliks. The project cost will be funded through an equal mix of debt and equity. Of the equity portion of Rs 75 crore, Tata Metaliks will pick up 51% and Kubota Corporation 44%, while the balance 5% will be held by Metal One of Japan. The manufacturing unit will come up on 40 acres in Kharagpur, West Bengal, which is adjacent to the company's existing foundry-grade pig iron facility. The new venture will use liquid pig iron from Tata Metaliks and is likely to become operational by 2009.

Gitanjali Gems	197.8	-0.65

The Mumbai-based jewellery exporter will invest Rs 100 crore over three years to set up malls with 20,000 - 60,000 sq ft of space catering to wedding shoppers and luxury buyers. It will also open stores to retail international brands.

Essar Shipping	43.05	-14.41

The Essar group shipping company's offer to buy back shares to delist failed as the number of shares tendered under the offer was less than the number required to reduce the public shareholding below the mandatory limit of 90%. The shares deposited in the special depository account of the trading members during the reverse book building will be returned to the shareholders and Essar Shipping's shares will continue to remain listed on BSE.

8 Market Snapshot

8.1 Market Snapshot - Part I

The fortnight in the market (16 Mar - 30 Mar 2007)

	30-Mar-07	**16-Mar-07**	**Var(%)**
BSE Sensex	13072.1	12430.4	5.16
Nifty	3821.55	3608.55	5.9
BSE 200	1556.72	1482.62	5
BSE 500	4955.39	4735.6	4.64
BSE Mid-Cap	5384.12	5235.57	2.84
BSE Small-Cap	6470.51	6274.64	3.12
BSE IT	4899.39	4879.46	0.41
BSE Consumer	3570.33	3476.38	2.7
BSE Capital	9074.72	8334.96	8.88
BSE FMCG	1739.1	1625.99	6.96
BSE PSU	5921.88	5443.75	8.78

BSE Healthcare	3649.43	3459.06	5.5
BANKEX	6542.01	6107.72	7.11
BSE Metal	8488.44	8071.82	5.16
BSE Oil	6419.18	6049.3	6.11
BSE Auto	4869.13	4794.72	1.55
BSE-Teck	3528.76	3431.66	2.83
FII-Equity	1686.2	-685.2	-346.09
FII-Debt	-76	1903.3	-103.99
MF-Equity	-609.94	-1120.36	-45.56
MF-Debt	476.88	4151.95	-88.51
Figures in Rs cr.			
World Indices			
Nasdaq	2421.64	2372.66	2.06
Dow Jones	12354.35	12110.41	2.01
S&P 500	1420.86	1386.95	2.44
FTSE 100	6308	6130.6	2.89
Nikkei 225	17287.65	16744.15	3.25
Hang Seng	19800.93	18953.5	4.47
Seoul Composite	1452.55	1427.88	1.73
Strait Times	3231.24	3068.75	5.29

TOP 10 BSE VOLUMES GAINERS

	Group	**Avg. Volumes**
IFCI	B1	21025100
Indiabulls Real	B1	10151332
AMD Metplast	B1	3993712

Jagjanani Text	B1	3690543
Idea Cellular	A	3503222
Sparsh BPO	B1	2683061
Reliance Natural	B1	2485904
Raj Television	B1	2365860
Tele Data Infor.	B1	2089087
Reliance Communi	A	2063066

TOP 10 NSE VOLUMES GAINERS

IFCI	B1	87740424
Indiabulls Real	B1	14980270
ITC	A	9040193
Idea Cellular	A	8955021
S A I L	A	8443566
Guj. Ambuja Cem	A	6315628
Reliance Communi	A	5928093
I D B I	A	4898899
India Cements	A	4838801
Reliance Petro	A	4269088

New 52-week High

	New High	Prv.High
Aban Offshore Lt	2074	2008
Phoenix Mills	1649	1609
CMC	1429	1344
Info Edge (India	778	757.95
Core Projects	705	681.45

Wartsila India	630.95	529.9
Bhushan Steel	514.4	505
Elder Pharma	435	432.2
IOL Broadband	390	388.4
CESC	386.85	382.15
Hind.Composites	286	281.25
Karuturi Net.	263.1	248.75
Geefcee Finance	257.55	213.65
Max India	249.35	248
Magma Leasing	242.8	225.55
Nahar Spinning	214	156.38
H T Media	204.5	203.5
Foods & Inns	203	188.6
Saksoft	165	164.65
Indus Fila	161.25	160
J K Inds.	159.9	158.7
Bombay Swadeshi	139.7	108.33
Jaybharat Text	138.65	124.6
Sujana Metal Prd	132.5	124.6
Idea Cellular	98.4	94.25
Marico	67.5	63
Jai Balaji Spon.	61.7	61.3
Nahar Exports	60.75	57.35
Tele Data Infor.	58.65	54.8
Centurion BnkP	40	39.7
Orient Press	38	36.9
Dhanlaxmi Cotex	35.7	29.75
IFCI	34.25	32.95

Oasisi Securitie	33	30.9
Sudal Inds.	23.8	20.8
Usher Agro	23.28	19.35
Shri Ramrupai	20.95	19.95
Inani Securities	17.88	17.13
Supreme Holdings	16.73	9.06
Ladderup Finance	16.26	15.2
Neelkanth Rock	10.61	9.5
Madan Fin. Serv.	5.98	5.35
Libords Sec.	5.6	5.15
Chitradurga Spin	4.55	4.18
IndoCount Fin	4.14	3.94

Figures in Rs

New 52-week low

	New low	**Prv. low**
Hero Honda Motor	629.1	637
Ramco Inds.	615	661
Wyeth	440	441
Solvay Pharma	420.4	440.2
Welcast Steels	392.5	414.2
Merck	390	410.2
CCL Products	301.1	326.3
Nippo Batteries	300	301.35
Anuh Pharma	275	282
Vardhman Hold.	235	277.6

Tata Coffee	232	242.25
Wheels India	200.25	217.2
Vardhman Textile	192	196.15
I M P A L	172	180.05
Kemp & Co.	172	174.8
Ador Welding	172	181.1
Lanco Infratech	157.5	164
Sutlej Textiles	147	161.15
Inv.& Prec.Cast.	142.1	143
Hyd.Industries	141	150.05
ITC	140.15	140.4
BOC India	126.7	128
Ramco Systems	125	128
Kernex Microsyst	124	128.6
Timken India	114	114.15
Aegis Logistics	111.05	111.3
Sudarshan Chem.	102.2	105.65
Kinetic Engg.	100	103
Shivam Autotech	94.35	103.15
Vindhya Telelink	92.1	101.3
Igarashi Motors	91.1	96.5
Parekh Aluminex	87.55	90.3
Titanor Comp.	85.7	88.8
Ucal Fuel Sys.	83	85
Everest Inds.	82.95	88.2
Fiem Inds	82.25	84.5
Keltech Engeries	82.05	85.05
Hind.Sanitarywar	82	84.05

Excel Crop Care	81.05	83
Tata Metaliks	80.2	84
Andhra Sugars	80.1	86
Balmer Law. Inv.	76.1	80
Shah Alloys	73.75	84
Modipon	73	79
Celebrity Fash	72.25	77
Upper Gang. Sug.	70	72.5
JBM Auto	68	70.5
Dwarikesh Sugar	68	72.1
Sunil Hitech	67.1	72
Paushak.	66	80
Hind.Oil Explor.	62.05	65
Piramyd Retail L	62	62.05
Sakthi Sugars	61.3	62.1

Figures in Rs

8.2 Market Snapshot - Part II

Group	30-Mar-07	16-Mar-07	Var (%)
Advance & Declines			
BSE			
Advances	1214	408	197.55
Declines	1217	2039	-40.31
Unchanged	23	7	228.57
NSE			
Advances	593	154	285.06
Declines	412	862	-52.2
Unchanged	17	6	183.33
A			
Advances	163	36	352.78
Declines	42	168	-75
Unchanged	0	1	-
B1			
Advances	375	91	312.09
Declines	311	598	-47.99
Unchanged	6	3	100
B2			
Advances	327	160	104.38
Declines	446	623	-28.41
Unchanged	12	2	500
S			
Advances	211	59	257.63

Declines	234	388	-39.69
Unchanged	2	0	-
T			
Advances	70	38	84.21
Declines	123	156	-21.15
Unchanged	2	1	100
BSE's PE Ratio			
BSE 30	20.33	19.19	5.94
BSE 100	17.64	16.73	5.44
BSE 200	17.52	16.51	6.12
BSE's Price to Book Value			
BSE 30	5.07	4.78	6.07
BSE 100	4.43	4.2	5.48
BSE 200	4.3	4.06	5.91
BSE's Dividend Yield (%)			
BSE 30	1.25	1.32	-5.3
BSE 100	1.23	1.29	-4.65
BSE 200	1.24	1.32	-6.06
Volumes			
A	41812424	47991627	-12.88
B1	90359946	87007632	3.85
B2	20356496	16609298	22.56
S	13292047	10047131	32.3
T	10834351	11159550	-2.91
TS	392159	360167	8.88
Market Cap			
A	2757301	2614242	5.47
B1	568473.4	553010.3	2.8

B2	75247.41	75871.64	-0.82
S	90610.53	89453.24	1.29
T	11087.26	10984.38	0.94
TS	1714.03	1721.85	-0.45

Market Cap Gainers & Losers

A

TOP GAINERS	**30-Mar-07**	**Var (%)**
Corporation Bank	4143.98	32.4
Bank of India	8178.57	22.44
Oriental Bank	4698.88	18.63
Dena Bank	1003.87	17.84
Hind. Lever	45292.52	16.09
B H E L	55334.12	15.6
O N G C	187824.9	15.21
JSW Steel	8091.1	15.17
Pfizer	2377.65	14.59
Aurobindo Pharma	3622.59	13.87
TOP LOSERS	**30-Mar-07**	**Var (%)**
Merck	660.57	-10.89
CMC	1834.97	-7.41
Lanco Infratech	3521.07	-7.21
Abbott India	788.07	-5.88
Rolta India	2661.19	-5.73
Indo Rama Synth.	667.72	-5.59
Ramco Systems	196.02	-5.19
Glaxosmithkline	9460.99	-4.82
Guj. Gas Company	1629.28	-4.67

Parsvnath Develo	4783.73	-4.52
B1		
TOP GAINERS	**30-Mar-07**	**Var (%)**
Sakthi Sugars	316.21	60.25
IFCI	2150.37	36.86
Uniphos Enterp.	97.73	34.04
Usher Agro	38.43	31.38
MRO-TEK	107.31	30.93
CRISIL	1806.85	29.06
Shree Renuka Sug	1114.07	26.15
Aurionpro Solu	328.11	25.48
Liberty Shoes	281.5	24.73
Mangalam Drugs	21.42	23.6
TOP LOSERS	**30-Mar-07**	**Var (%)**
Atlanta	439.12	-36.94
Eicher Motors	695.65	-17.67
Samtel Color	93.2	-16.84
Shamken Multifab	3.6	-16.67
Nova Petro	39.15	-15.2
Shree Ganesh Frg	31.31	-15.1
House of Pearl	642.37	-14.64
Essar Shipping	1834.27	-14.41
Southern Online	23.46	-14.32
Modipon	57.66	-13.98
B2		
TOP GAINERS	**30-Mar-07**	**Var (%)**
Nicco Corpn.	171.81	110.89
Supreme Holdings	10.52	77.4

Ind Bank Housing	14.74	48.89
Disa India	202.04	47.96
NCJ Intl.	4.47	41.01
Garnet Const.	53.01	40.54
Pranav. Spinning	4.14	38
CLIO Infotech	6.76	34.39
Akanksha Finvest	0.7	32.08
Rap Media	127	29.59
TOP LOSERS	**30-Mar-07**	**Var (%)**
Osian LPG Bottl.	4.5	-40.94
Mefcom Agro Inds	12.38	-36.74
Aviva Industries	5.46	-36.66
Trijal Inds.	0.66	-35.29
Mideast Portfol.	0.66	-33.33
Jayant Mercan.	12.99	-33.32
Tripex Overseas	32.96	-33.1
Shricon Indus.	2.7	-33
Shamrock Indl.	1.41	-32.54
Vertex Spinning	577.39	-31.52
S		
TOP GAINERS	**30-Mar-07**	**Var (%)**
Mewar Polytex	5.57	38.9
Cupid ltd	30.78	34.94
Tulip Star Hot.	27.89	31.81
Sulzer India	111.92	30.2
Basant Agro Tech	41.71	29.7
Royal Cush. Vin.	20.4	29.44
IT People	149.77	25.16

Bajaj Hind Sugar	151.2	25
Donear Inds.	1069.9	24.51
Baba Arts	59.6	23.29
TOP LOSERS	**30-Mar-07**	**Var (%)**
Vimal Oil &Foods	20.78	-33.61
Sumeet Inds.	32.1	-29.59
Transworld Info.	750.94	-25.35
M K Exim (India)	7.77	-24.56
VXL Instruments	15.65	-22.91
Multi Arc	24.43	-18.89
R T Exports	12.19	-16.05
Emmsons Intl.	26.37	-15.78
Orient Ceramics	57.13	-15.43
Zigma Software	11.41	-15.42

Figures in Rs cr

8.3 Market Snapshot - Part III

Market Capitalisation

Industries

TOP GAINERS	**30-Mar-07**	**Var (%)**
Oil Drilling / Allied Services	220823.5	14.03
Personal Care - Multinational	55490.99	13.95
Sugar	11979.55	12.88
Steel - Sponge Iron	8874.57	11.09
Engineering - Turnkey Services	53032.48	10.01
Personal Care - Indian	16724.23	9.53
Banks - Public Sector	141933.3	9.42
Electric Equipment	119743.7	9.34
Tyres	5153.31	8.99
Textiles - Processing	7536.09	8.67
Steel - Large	111351.8	7.68
Telecommunications - Service Provider	282528.8	7.42
Paints / Varnishes	12204.44	7.21
Transport - Airlines	7476.83	7.11
Electronics - Components	35673.28	6.579
TOP LOSERS	**30-Mar-07**	**Var (%)**
Textiles - Spinning - Synthetic / Blended	1436.01	-14.48
Textiles - Jute - Yarn / Products	324.53	-10.42
Textiles - Composite	1982.66	-7.07
Aquaculture	68.5	-4.56
Recreation / Amusement Parks	40.27	-4.26
Detergents / Intermediates	2716.83	-3.65
Diversified - Medium / Small	14192.6	-3.34
Automobiles - LCVs / HCVs	34608.98	-2.92
Electrodes - Welding Equipment	789.79	-2.81

Automobiles - Scooters And 3 - Wheelers	25157.36	-2.45
Computers - Software - Converts	1989.38	-2.04
Computers - Hardware	9461.83	-1.42
Pharmaceuticals - Multinational	20084.56	-1.41
Pumps	5039.28	-1.31
Ceramics - Tiles / Sanitaryware	1744.78	-1.17

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 30-Mar-07	High /low frm date of listing	Var. (%) frm offer price	Var(%) frm list price
Astral Poly	22/02/2007	2	115	115	105	115	100	20/03/2007	83	115/76	-28	-28
Jagjanani Text	23/02/2007	2	25	22	23	25	20	19/03/2007	23	29/19	-7	3
Lawreshwar Poly	08/02/2007	9	16	16	14	18	14	19/03/2007	12	18-Nov	-28	-27
Abhishek Mills	01/03/2007	1	100	94	91	100	79	19/03/2007	61	100/60	-39	-35
AMD Metplast	23/02/2007	5	75	65	78	83	65	19/03/2007	71	94/65	-5	10
Page Industries	27/02/2007	1	360	342	282	342	272	16/03/2007	296	342/241	-18	-13
Raj Television	23/02/2007	2	257	275	226	275	207	16/03/2007	207	275/195	-19	-25
Vijayeswari Txt.	19/02/2007	1	100	90	69	90	65	09/03/2007	65	90/61	-35	-28
Idea Cellular	15/02/2007	50	75	92	86	94	84	09/03/2007	95	98/84	26	2
Euro	13/02/2007	3	165	151	119	159	115	09/03/2007	123	159/100	-25	-18

Ceramics												
Mudra Lifestyle	14/02/2007	4	90	95	64	95	62	09/03/2007	59	95/55	-34	-37
Indus Fila	14/02/2007	1	170	160	132	160	117	08/03/2007	152	161/117	-11	-5
Mindtree Consul	14/02/2007	103	425	599	620	679	575	07/03/2007	831	1022/575	95	39
Broadcast Init	14/02/2007	2	120	117	69	118	67	07/03/2007	60	118/59	-50	-48
Evinix Accessori	15/02/2007	3	120	110	74	128	70	07/03/2007	85	128/69	-29	-23
Oriental Trimex	14/02/2007	1	48	42	29	47	28	07/03/2007	24	47/21	-51	-44
Indian Bank	09/02/2007	32	91	105	98	105	77	01/03/2007	90	105/77	-1	-14
SMS Pharma	08/02/2007	3	380	350	358	390	285	28/02/2007	281	395/251	-26	-20
Transwarranty Fi	02/02/2007	2	52	60	47	63	46	26/02/2007	37	63/32	-29	-38
C & C Constructi	09/02/2007	20	291	350	240	350	229	26/02/2007	170	350/158	-42	-51
Power Fin. Corp.	06/02/2007	77	85	104	112	117	104	23/02/2007	104	121/101	23	0
Firstsource Solu	02/02/2007	49	64	75	80	89	75	22/02/2007	72	89/62	13	-4
Redington India	25/01/2007	43	113	140	163	174	125	15/02/2007	137	191/118	21	-2
House of Pearl	23/01/2007	4	550	500	469	580	445	15/02/2007	337	580/319	-39	-33
Cinemax India	24/01/2007	42	155	175	152	179	145	14/02/2007	127	204/101	-18	-27
Technocraft Indu	23/01/2007	11	105	125	101	130	97	12/02/2007	94	130/77	-11	-25
Pochiraju Inds.	18/01/2007	5	30	45	49	64	35	09/02/2007	24	64/23	-19	-46
Global	18/01/2007	50	250	417	510	524	381	08/02/2007	534	724/381	113	28

Broadcast

Akruti Nirman	19/01/2007	81	540	701	564	729	552	07/02/2007	406	729/332	-25	-42
Cambridge Techno	09/01/2007	6	38	49	100	108	48	07/02/2007	55	120/48	44	12

Price in Rs. Var (%) From Offer Price & List Price is over Price 30/03/2007.

9 Market Report : Change of weather

The global recovery tide, built up by the US Fed’s decision to keep interest rates unchanged, sweeps the market off its feet

Domestic bourses swayed to global trends in the second half of March 2007. Though local stock markets recovered from the five-month low middle of March 2007 on

Related Tables

- Sensex snapshot
- How the indices have fared
- FIIs buy, MFs sell
- More gainers
- Top Gainers
- Top Losers
- Big-ticket trades

deepening US mortgage lending crisis, the undertone remained cautious and volumes low on concerns of high domestic inflation and rising interest rates.

Some of the key takeaways in the fortnight ended 30 March 2007 were:

* The Indian rupee surged to a seven-year high at just above 43 versus the US dollar on 28 March 2007.

* Global crude oil price hit a six-month high of above $66 a barrel on 30 March 2007 amid rising tension between Iran and the West. A stand-off over the capture of British sailors and marines by Iran escalated and US naval exercises in the Gulf continued to ratchet up tension between Tehran and the West. Iran, the world's fourth largest oil exporter, suspended an offer to release the only woman among the 15 British personnel it is holding captive. Their recent capture occurred just before the United Nations imposed new sanctions over Iran's nuclear programme.

* The Securities & Exchange Board of India (Sebi) board, approved on 22 March, a proposal for mandatory grading of IPOs by one of the three rating agencies: Crisil, Icra and Care. The regulator will periodically review the IPO grading process. It also tightened the disclosure norms of real-estate IPOs with immediate effect.

* Sebi approved a proposal to allow short selling by institutions. Detailed guidelines will be put in place in due course. Presently, institutions are not allowed to short sell in the cash market.

* The capital market watchdog made the Permanent Account Number (PAN) mandatory for preferential allotments. Listing agreement to be suitably amended to allow companies to publish abridged annual reports.

* The Union Cabinet raised the foreign direct investment (FDI) ceiling in the telecom sector up to 74%, from 49%.

* US Federal Reserve kept interest rates unchanged at 5.25% at its meeting on 21 March 2007. It also reiterated that inflation still remained its main concern.

* After trading hours on 30 March 2007, the Reserve Bank of India (RBI) raised repo rate (at which banks borrow from it) by 25 basis points (bps) to 7.75% with immediate effect. The central bank also raised its cash reserve ratio (CRR) that banks have to keep with it by half a percentage point. The CRR will rise to 6.50% in two tranches, the first on 14 April 2007 and the other on 28 April 2007. The CRR hike will drain Rs 15500 crore from the banking system.

Index movements

Benchmarks: The 30-share BSE Sensex jumped 641.70 points (5.16%) to 13,072.10 in the fortnight ended 30 March 2007. The S&P CNX Nifty advanced 213 points (5.9%), to 3,821.55, for the fortnight.

Niche indices: Small- and mid-cap stocks recovered. The BSE Small-Cap Index rose 195.87 points (3.1%) to 6,470.51. The BSE Mid-Cap Index gained 148.55 points (2.8%), to 5,384.12.

The fortnight that was

19 March: Strong global markets and short covering in derivatives lifted the Sensex by 214.59 points, to 12,644.99. Asian stocks nudged higher with the markets shrugging of a hike in interest rate by China's central bank. China's main share index opened down more than 2%, but soon regained its poise.

20 March: Firm global markets helped the Sensex recover 61 points. Banks and cement shares bounced back. Asian markets edged higher, tracking overnight gains in US stocks. US stocks rallied after Britain's Barclays and Dutch ABN Amro confirmed they were in talks to merge.

21 March: Supportive global markets once again worked wonders, taking the Sensex up 240 points. China's main index hit an all-time high. Banking, FMCG, IT and the metals shares led the rally on Indian stocks.

22 March: Hopes of a rate cut by the US Federal Reserve lifted stocks around the globe, and the benchmark Sensex surged 362 points. The US Federal Reserve's policy-setting meeting on 21 March 2007 dropped an explicit reference to the possibility of taking rates higher in its statement, sparking talk about the next move of a rate cut. But these hopes were short lived as investors soon started believing that the US central bank may not be in a hurry to cut rates as it had also reiterated that inflation still remained its main concern. The Fed kept rates unchanged at 5.25% on 21 March 2007.

23 March: The Sensex shed 22 points due to profit taking after its four-day long solid surge.

26 March: Unwinding of positions in the derivatives segment ahead of the expiry of the March 2007 derivative contracts on 29 March 2007 pulled the Sensex down 162 points. Auto and banking shares led the fall on that day.

28 March: Weak global markets wiped out 240 points from the Sensex on 28 March 2007. US crude jumped $5 to a six-month high of more than $68 a barrel late on 27 March 2007 on rumours of a military clash between Iran and the US navy. Prices relented after Washington dismissed the talk, but stayed up by nearly $1 for the day.

29 March: Recovery in Asian markets took the Sensex up 95 points. The barometer index spurted over 100 points to briefly cross the psychologically significant 13,000 mark. But it settled below that level for the day at 12,979.66.

30 March: A smooth rollover of the March 2007 derivative contracts to the April 2007 series took the Sensex up 92 points on 30 March — the last trading day of financial year FY 2007 (ending 31 March 2007). It settled above the 13,000 level at 13,072.10.

Institutional investment

FIIs: Foreign institutional investors (FIIs) remained net buyers in the fortnight. Their net inflow in the eight trading sessions from 19 to 29 March 2007 totaled Rs 1684.10 crore. But for March 2007, there was a net FII outflow, aggregating Rs 1082 crore (till 29 March).

Mutual funds: Alternate bouts of buying and selling by mutual funds were a marked feature of the fortnight. Mutual funds pulled out a net Rs 526.24 crore in eight trading sessions from 19 to 29 March 2007. For March 2007, withdrawal by mutual funds aggregated Rs 1801 crore (till 29 March).

Stock-specific action

Hindustan Unilever: FMCG major Hindustan Unilever (HLL) bounced back on reports that it had hiked prices of some its key detergent brands: Surf Excel Blue and Surf Excel Quick Wash. The stock jumped 16% to Rs 205.25 in the fortnight.

IT: Software stocks were under pressure towards the latter part of March 2007, when the rupee hit a seven-year high at just above 43. Any rise in the rupee proportionately impacts the revenue and profit of IT firms. Also, a weak consumer confidence report heightened concerns about a slowdown in the US, where these companies generate most of their revenue.

Ranbaxy Lab: Ranbaxy Laboratories surged on reports that the company had pulled out of the bidding war for Merck's generics unit, citing high valuations. The stock rose 11.5% to Rs 352.60 in the fortnight. Earlier, the Ranbaxy scrip had witnessed a battering on worries over possible equity dilution on its intended acquisition of Merck's generics unit. Merck is hiving off the generics unit to concentrate on branded formulations. Merck's generics unit sells products in over 90 countries, and is the fourth-largest maker of generic drugs.

Dr Reddy's Lab: Just like Ranbaxy, Dr Reddy's Laboratories, too, got a boost after the company decided to opt out of the race for acquisition Merck's generics unit. The stock gained 6.6% to Rs 727.50 in the fortnight.

ONGC: Oil exploration major ONGC bounced back on value-buying after a steep fall. A surge in oil price also aided the stock's recovery. The scrip rose 15.2% to Rs 878.15 in the fortnight.

IFCI: Term lending institution IFCI surged after it appointed, on 22 March 2007, Ernst & Young as an advisor for wooing a strategic investor into the company. Volumes in the stock remained high on a daily basis.

Banks: Bank stocks recovered from the lower level partly due to value buying after a steep recent fall and partly due to short covering in derivatives ahead of the expiry of the March 2007 contracts on 29 March 2007. State Bank of India jumped 8.5% to Rs 992.90, ICICI Bank gained 5.2% to Rs 853.10 and HDFC Bank rose almost 5% to Rs 949.40 in the fortnight. Earlier, bank stocks had tumbled on concerns of slowdown in credit offtake in a rising interest-rate scenario.

Bhel: Battered PSU power equipment major Bharat Heavy Electricals (Bhel) surged 15.5% to Rs 2260.75 in the fortnight. Bhel is seen as the biggest beneficiary of the 60,000-MW capacity addition planned over the next five years. Bhel is already sitting on a healthy order backlog. Bhel is to unveil its tentative results for FY 2007 on 3 April 2007.

L&T: Engineering & construction major L&T advanced 11.8% to Rs 1619.15
in the fortnight. L&T is seen as the biggest beneficiary of the government's thrust on the infrastructure sector in the Union Budget 2007-08.

Telecom: Telecom shares nudged higher after the telecom regulator cut access deficit charge (ADC). Reliance Communications spurted 11.4% to Rs 420, and Bharti Airtel gained 6.4% to Rs 763.20 in the fortnight. The Telecom Regulatory Authority of India (TRAI) on 21 March 2007 reduced ADC, the fee paid by all telecom users to fund the loss-making rural network expansion by state-run Bharat Sanchar Nigam (BSNL), to approximately Rs 2000 crore for FY 2008, from the existing Rs 3200 crore.

Listings

A number of IPOs fell below their offer prices on listing.

* Abhishek Mills debuted at Rs 94 on BSE on 19 March 2007. The stock settled at Rs 91.15 on that day — a discount of 8.85% over the IPO price of Rs 100. The stock weakened further to end at Rs 61.20 on 30 March 2007. The price discounted its April-September 2006 (six months) annualised EPS of Rs 9.60 by a PE multiple of 6.37 against a PE multiple of 10.4 at the offer price.

* AMD Metplast started drading at Rs 65.10 on BSE on 19 March. The stock closed at Rs 78.30 on that day — a slight premium of 4.4% over the IPO price of Rs 75. The price of Rs 71.40 on 30 March 2007 discounted its FY 2006 (ended March 2006) EPS of Rs 4.50 by a PE multiple of 15.86 against a PE multiple of 16.6 at the offer price.

* Jagjanani Textiles settled at Rs 23.15 on on 19 March 2007, the day of its debut — a discount of 7.4% over the IPO price of Rs 25.

* Lawreshwar Polymers ended at Rs 14 on the day of its listing on 19 March — a discount of 12.5% over the IPO price of Rs 16.

* Astral Poly Technik strarted trading at Rs 115 on 20 March 2007. The stock closed at Rs 104.55 — a 9 % discount over the IPO price of Rs 115. The scrip drifted further to settle at Rs 82.65 on 30 March 2007. The price discounted its April-December 2006 (nine-month) annualised EPS of Rs 7 by a PE multiple of 11.80 against a PE multiple of 16.42 at the offer price.

Market outlook

The Sensex advanced nearly 16% in financial year FY 2007 (ended 31 March 2007). The Nifty added 12.3% in the financial year.

Rising interest rates will impact corporate profitability. Moreover, companies' expansion project may get delayed when interest rates are rising. Nevertheless, the India growth story remains intact. India's long-term growth drivers are a favourable demography (large share of young population), robust domestic consumption and acceleration in infrastructure creation

In the short term, the next major trigger for the market is Q4 ending March 2007 results. IT bellwether Infosys kickstarts the earnings season on 13 April 2007. Market men are keenly awaiting its guidance for FY 2008 (ending 31 March 2008), which it will declare along with the Q4 results. Some investors believe Infosys' guidance for FY 2008 could be conservative in view of the risks of a global slowdown.

In the derivatives segment, the market-wide rollover of the March 2007 futures to April 2007 was 70-72% against 78-80% during the previous expiry. Rollover in the Nifty March 2007 futures to April 2007 was at 65%, against 74% in the previous expiry, according to estimates. A large portion of the rollover to April 2007 was of short positions due to weak investor sentiment.

Sensex snapshot

		Var(%)*
Current (30 March-07)	13,072.10	

Lifetime closing high (8 Feb-07)	14,652.09	-10.7
End of calendar 2006	13,786.91	-5.18
One-year ago (30 March-06)	11,307.04	15.61

* As on 30 March 2007

How the indices have fared

	30-Mar-07	Variation over (%)			
		Fortnight	Month	Quarter	Year
BSE 30	13072.1	5.2	1	-5.2	15.6
NIFTY (S&P CNX)	3821.55	5.9	2	-3.7	11.8
BSE 500	4955.39	4.6	0.4	-6	10.2
BSE IT Sector	4899.39	0.4	0.6	-7.1	20.4
BSE FMCG Sector	1739.1	7	-2.6	-10.1	-21.8
BSE Capital Goods	9074.72	8.9	2.7	-0.2	12.6
BSE Healthcare	3649.43	5.5	4.3	-3.8	-5
BSE PSU	5921.88	8.8	3.6	-1.9	-2.8
BANKEX	6542.01	7.1	2.1	-7.7	24.6
CNX IT	5180.7	0.4	1	-4.6	17.2
BSE Auto	4869.13	1.6	-4.7	-11.8	-7
BSE Metal	8488.44	5.2	-0.3	-6.1	-2.9
BSE Oil&Gas	6419.18	6.1	1.9	3.9	30.4
BSE Mid-Cap	5384.12	2.8	-2.3	-7.3	2.6
BSE Small-Cap	6470.51	3.1	-3.5	-6.1	-0.7

FIIs buy, MFs sell
Institutional investment in Rs crore

	FII	MF
19-Mar-07	2.1	33.07
20-Mar-07	-250	140.13
21-Mar-07	136.3	-56.33
22-Mar-07	164.5	87.1
23-Mar-07	713.1	-168.15
26-Mar-07	678.5	-295.26
28-Mar-07	80.5	-206.79
29-Mar-07	520.2	-60.01
30-Mar-07	-359	-83.7

More gainers

Movement of the Sensex stocks

	30/03/2007	16/03/2007	VAR(%)
Hindustan Lever	205.25	176.8	16.1
BHEL	2260.75	1955.75	15.6
ONGC	878.15	762.2	15.2
Larsen & Toubro	1619.15	1448.85	11.8
Ranbaxy Laboratories	352.6	316.05	11.6
Reliance Commn	420	376.9	11.4
Satyam Computer	470.1	429.3	9.5
Reliance Energy	495.15	455.6	8.7
State Bank of India	992.9	914.4	8.6
NTPC	149.75	140	7

Dr Reddy's Lab.	727.5	682.1	6.7
Bharti Airtel	763.2	717.3	6.4
Cipla	235.7	223.5	5.5
Reliance Industries	1368.35	1299.8	5.3
ICICI Bank	853.1	810.65	5.2
Maruti Udyog	819.7	779.4	5.2
Hero Honda Motors	685.15	652.3	5
HDFC Bank	949.4	904.2	5
Tata Steel	449.6	430.5	4.4
Grasim Industries	2091.25	2011.75	4
ITC	150.4	145	3.7
Gujarat Ambuja	106.7	103.65	2.9
ACC	734.65	721.9	1.8
HDFC	1520.35	1505.4	1
Hindalco Industries	130.3	129.7	0.5
Tata Consultancy	1231.2	1236.1	-0.4
Wipro	558.35	565.9	-1.3
Infosys Technologies	2012.6	2047.25	-1.7
Bajaj Auto	2425.45	2488	-2.5
Tata Motors	727.75	749.45	-2.9

Figures in Rs

Top Gainers

NAME	**Price 30/03/2007 (Rs)**	**VAR.(%) over 30/03/06 Price**

A		
Adani Enterprises	210.05	257.53
CMC	1211.2	135.21
Sterlite Optical Technologies	182.05	93.67
Bharti Airtel	763.2	83.73
Ipca Laboratories	603.25	76.49
B1		
Kaashyap Technologies	1.72	1620
Jai Corp	2109.25	1533.81
Isibars	7.8	1064.18
Unitech	387.35	849.39
Lumax Industries	502.85	299.09
B2		
Rasoya Proteins	106.95	1844.55
Ritesh Industries	41.75	1349.65
Vas Infrastructure	72.7	1256.34
Mefcom Agro Industries	43.45	598.55
Core Projects & Technologies	611.95	570.78

Top Losers

NAME	Price 30/03/2007 (Rs)	VAR.(%) over 30/03/06 Price
A		
TVS Motor Company	59.6	-57.03
Arvind Mills	43.5	-54.16

Engineers India	452.55	-45.45
Novartis India	313.65	-42.55
VisualSoft Technologies	74.05	-42.13
B1		
Upper Ganges Sugar & Industries	80.2	-78.44
Marksans Pharma	51.05	-77.61
Sutlej Industries	65	-77.28
LML	9.31	-73.32
Nova Petrochemicals	14.5	-73.25
B2		
Kedia Infotech	0.49	-75.86
Dhampur Sugar (Kashipur)	11.6	-74.95
Hotline Glass	2.16	-73.23
Kanchan International	13.07	-73.16
Saya Housing Finance Company	4.6	-71.18

Big-ticket trades

Bulk deals on BSE in the fortnight ended 30 March 2007*

Scrip Name	Client Name	Deal* Type	Quantity	Price (Rs)**
29/03/2007				
PRAJAY ENG S	THE INDIA FUND INC	S	402000	217
SHREY SH LOG	RHODES DIVERSIFIED	B	850000	84
SHREY SH LOG	FIDELITY INVESTMENT MANGE	S	2195734	84.03
SIMPLEX TRAD	GAYATRI LEASE FINANCE P L	B	7500	127.45
TULIP STAR H	SEAGLIMPSE INVESTMENTS PV	S	80000	57.65
UNITED BREW	CROWN CAPITAL LTD.	B	1311155	270

UNITED BREW	FIDELITY INVESTMENTS INTE	S	2100000	270
28/03/2007				
DECCAN AVIAT	UBS SECURITIES ASIA LTD	B	3417336	94
DECCAN AVIAT	ICICI VENTURE FUNDS MGMT	S	3423866	94
ESSAR SHIP	CLSA MAURITIUS LIMITED	B	3736445	39.39
ESSAR SHIP	MONEY MATTERS ADVISORY SE	S	3031363	39.42
GATEWAY DIST	UBS SECURITIES ASIA LTD	B	1706775	161.95
GATEWAY DIST	ICICI VENTURE FUNDS MGMT	S	1709737	161.95
LIBERT SHOES	MAVI INVESTMENT FUND LTD.	B	300000	169.94
MILKFOOD	JPMSL COPTHALL MAURITIUS	B	25000	275
MILKFOOD	MACKERTICH CONSULTANCY SE	S	24547	275
NAG CONS COM	UBS SECURITIES ASIA LTD	B	3104573	158.95
NAG CONS COM	ICICI VENTURE FUNDS MGMT	S	3104573	158.95
PVR LTD	UBS SECURITIES ASIA LTD	B	693881	166.05
PVR LTD	ICICI VENTURE FUNDS MGMT	S	693881	166.05
SAMTEL COLOR	UBS SECURITIES ASIA LTD	B	618273	19.95
SAMTEL COLOR	ICICI VENTURE FUNDS MGMT	S	623772	19.95
SANGAM INDIA	UBS SECURITIES ASIA LTD	B	1878270	74.85
SANGAM INDIA	ICICI VENTURE FUNDS MGMT	S	1878363	74.85
SHIVA CEMENT	IDBI LTD	S	571253	7.73
TULIP STAR H	SEAGLIMPSE INVESTMENTS PV	S	76000	54.95
WELSPUN INDI	UBS SECURITIES ASIA LTD	B	3124421	70.6
WELSPUN INDI	ICICI VENTURE FUNDS MGMT	S	3122851	70.6
26/03/2007				
AUTOIND	MERIL LYNCH CAP MRKT ESPA	B	118918	223.23
AUTOIND	MERRILL LYNCH CAPITAL MAR	B	118918	223.23
AUTOIND	UBS SECURITIES ASIA LTD.	S	100000	223.01
BHARAT BIJLI	PRINCIPAL MUTUAL FUND AC	B	35260	1150

LIBERT SHOES	LOTUS GLOBAL INVESTMENTS	B	100000	158
LIBERT SHOES	FINDEAL INVESTMENT PRIVAT	S	100000	158
23/03/2007				
AML	HSBC FINANCIAL SERVICES M	S	155258	73.75
GAYATRI PROJ	BUENA VISTA FUND MANAGEME	B	77000	233.68
GAYATRI PROJ	GOLDMAN SACHS INVESTMENTS	S	76000	232.98
INDBUL REAL	CITIGROUP GLOBAL MARKETS	S	1271751	345.1
MASTEK	RELIANCE CAPITAL TRUSTEE	B	174000	305
MASTEK	INFRASTRUCTURE LEASING AN	S	174300	305
PAGE INDUSTR	HDFC MUTUAL FUND ACCOUNT	B	155000	288.97
SHIVA CEMENT	IDBI LTD	S	464642	7.94
22/03/2007				
ANG AUTO	MERRILL LYNCH CAPITAL MAR	B	57331	279.23
GAYATRI PROJ	BUENA VISTA FUND MANAGEME	B	110000	234.93
GAYATRI PROJ	GOLDMAN SACHS INVESTMENTS	S	145000	234.83
HANUNG TOYS	DSP MERRILL LYNCH MUTUAL	S	154000	130.34
MODIPON LTD	MAVI INVESTMENT FUND LTD	B	135000	81.5
POKARNA LTD	MERRILL LYNCH CAPITAL MAR	B	69028	210.29
SUJANA METAL	MORGAN STANLEY AND CO INT	B	615000	124.14
XPRO INDIA-PMS	THE INDIAMAN FUND MAURITI	S	404498	36.6
21/03/2007				
SHIVA CEMENT	HSBC FINANCIAL SERVICES M	S	710755	7.5
SHRIRAM TRAN	RELIANCE CAPITAL TRUSTEE	B	1502851	120
SHRIRAM TRAN	CITICORP FINANCE INDIA LI	S	1505200	120
20/03/2007				
AMD METPLAST	HSBC FINANCIAL SERVICES M	S	337273	84.63
AML	HSBC FINANCIAL SERVICES M	S	125000	90.3
ORICON ENT	RELIANCE CAP. ASST. MA.LT	B	300000	75

PEARL GLOBAL	MAVI INVESTMENT FUND LIMI	B	100000	91
PHOENIX MILL	DEUTSCHE SECURITIES MAURI	B	120452	1502.61
SUJANA METAL	MORGAN STANLEY AND CO INT	B	360000	120.23
SUJANA METAL	ABN AMRO BANK N.V. LONDON	S	302000	120.18
SURYAJYOTI S	MORGAN STANLEY AND CO INT	S	300000	54.75
VIJAYES TEXT	HSBC FINANCIAL SERVICES M	S	127762	78
19/03/2007				
AML	HSBC FINANCIAL SERVICES M	S	120000	90.96
SUJANA METAL	MORGAN STANLEY DEAN WITTE	B	300000	117.95
16/03/2007				
INDIABULLS	MORGAN STANLEY AND CO INT	S	1000000	387.27
WYETH LTD	RELIANCE CAPITAL TRUSTEE	B	420138	440
WYETH LTD	CITIGROUP GLOBAL MARKET M	S	422000	440.03

*B - Buy, S - Sell. ** = Weighted Average Trade Price / Trade Price. *Only institutional deals taken into consideration

10 Stock Watch

10.1 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) 02.04.07	TTM YEAr	TTM EPS (Rs)	P/E
3i Infotech	28	230	200612	8.6	26.9
A B B	39	3399	200612	80.3	42.3
Ador Welding	41	178	200612	25.5	7
Agro Tech Foods	83	75	200612	4.7	16.1
Ashok Leyland	5	36	200612	3.1	11.8
Asian Paints	63	741	200612	25.8	28.7
Atlas Copco (I)	25	694	200612	31.9	21.8
Aventis Pharma	73	1214	200612	73.5	16.5

B H E L	39	2154	200612	87	24.8
Bajaj Auto	8	2301	200612	119.2	19.3
Ballarpur Inds.	64	106	200612	13.5	7.9
Balmer Law. Inv.	50	88	200612	4.2	21.2
BASF India	22	186	200612	19	9.8
Beck India	22	304	200612	21.3	14.3
Bharat Bijlee	39	1180	200612	71.4	16.5
Bharat EarthMove	44	1061	200612	52.8	20.1
Bharat Electro.	43	1456	200612	79.9	18.2
Bharat Forge	17	303	200612	10.5	28.9
Biocon	70	465	200612	14.3	32.5
Blue Star	2	200	200612	7	28.7
BOC India	22	125	200612	9.5	13.2
Castrol India	22	212	200612	12.5	17
CCL Products	89	300	200612	31.6	9.5
Century Textiles	107	504	200612	21.8	23.1
Clariant Chemica	22	315	200612	26.7	11.8
CMC	26	1161	200612	34.6	33.6
Colgate Palm.	66	333	200612	13.3	25
CRISIL	106	2539	200612	49.7	51.1
Cromp. Greaves	39	191	200612	4.7	40.6
Cummins India	46	256	200612	11.6	22.2
Deepak Fert.	49	82	200612	9.5	8.6
Deepak Nitrite	22	125	200612	15.6	8
DIC India	77	158	200612	14.5	10.9
Dr Reddy's Labs	70	711	200612	53.4	13.3
Eimco Elecon	44	275	200612	15	18.3
Engineers India	45	439	200612	24.8	17.7

Esab India	41	298	200612	27.7	10.8
Fag Bearings	13	608	200612	44.3	13.7
Foseco India	22	334	200612	25.5	13.1
GlaxoSmith C H L	54	537	200612	30.2	17.8
Glaxosmithkline	73	1104	200612	37.8	29.2
Godrej Consumer	65	143	200612	5.4	26.6
Goodyear India	105	150	200612	19.6	7.7
Grasim Inds.	107	2055	200612	139.1	14.8
Guj. Gas Company	106	1261	200612	69.3	18.2
Gujarat Apollo I	44	112	200612	14.3	7.8
H D F C	51	1433	200612	55.4	25.9
H T Media	47	172	200612	4.6	37.8
HDFC Bank	12	902	200612	33.2	27.2
Hercules Hoists	44	1373	200612	103	13.3
Hind.Construct.	31	84	200612	3.5	23.8
Honda Siel Power	39	163	200612	16.6	9.9
Honeywell Auto	43	1654	200612	65.1	25.4
Hyd.Industries	20	140	200612	27.3	5.1
I-Flex Solutions	27	2057	200612	42	48.9
Indian Hotels	57	140	200612	4.3	32.9
Indian Hume Pipe	20	355	200612	30.1	11.8
Indraprastha Gas	106	98	200612	9.1	10.8
Infosys Tech.	27	1921	200612	59.3	32.4
Ingersoll-Rand	25	275	200612	15.3	18
Intl. Combustion	44	267	200612	32.6	8.2
K C P	19	216	200612	31.5	6.9
Kalpataru Power	102	1045	200612	47.7	21.9
Karur Vysya Bank	12	239	200612	28.1	8.5

Kirl. Oil Engine	46	226	200612	15.7	14.4
KPIT Cummins Inf	28	131	200612	4.9	26.7
Lanxess ABS	69	137	200612	15	9.1
Larsen & Toubro	45	1525	200612	38.7	39.5
M & M	7	715	200612	37.8	18.9
M I C O	10	3200	200612	138.2	23.2
Monsanto India	68	1341	200612	66.7	20.1
Nestle India	54	940	200612	32.7	28.8
Nicholas Piramal	70	241	200612	9.2	26.3
Orchid Chem.	71	255	200612	13.9	18.4
Paper Products	62	316	200612	23.9	13.2
Petron Engg.	45	147	200612	9	16.3
Porritts&Spencer	97	193	200612	22.1	8.8
Ranbaxy Labs.	70	341	200612	10.9	31.3
Raymond	97	336	200612	18.8	17.9
Reliance Communi	90	397	200612	6.3	63
Reliance Inds.	80	1314	200612	75.2	17.5
S E Asia Marine	82	174	200612	17.2	10.1
Shanthi Gears	44	60	200612	4.2	14.4
Shree Cement	18	910	200612	57.1	15.9
Siemens	43	1036	200612	24.1	43
SKF India	13	310	200612	19.3	16.1
St Bk of Bikaner	11	3244	200612	476.2	6.8
St Bk of India	11	930	200612	74.1	12.6
Steelcast	17	242	200612	30.3	8
Sundram Fasten.	48	64	200612	4	16.1
Tata Chemicals	49	201	200612	19.3	10.4
Tata Elxsi	28	274	200612	15.3	17.9

Tata Motors	5	669	200612	46.5	14.4
TCS	27	1189	200612	35.9	33.1
Thermax	44	370	200612	15.9	23.2
Torrent Cables	15	145	200612	22.9	6.3
TRF	44	493	200612	26	18.9
Unichem Labs.	70	242	200612	23.2	10.4
UTI Bank	12	460	200612	21.3	21.6
Valecha Eng.	31	202	200612	19.4	10.4
Vesuvius India	81	220	200612	13.2	16.7
Voltas	107	80	200612	2.8	28.8
VST Till. Tract.	7	118	200612	20	5.9
Wockhardt	70	378	200612	24.2	15.6

TTM: Trailing 12 months.

10.2 TRF : High growth rates to sustain

This Tata group company is on the fast track, capitalising on the surging demand for material handling projects in core industries

Related Tables

TRF: Financials

TRF, formerly known as Tata-Robins-Fraser, was incorporated in 1962. It services core industries including power, mining, coal, steel, fertilisers, cement and ports. Since its inception, the company has specialised in the manufacture of advanced systems for conveying, stacking, blending, reclaiming and processing of bulk raw materials. It also undertakes turnkey contracts for bulk material handling plants.

With world class technical associates, TRF has made its mark in coke oven equipment (specially stamping-charging-pushing equipment), coal dust injection systems for blast furnaces and coal beneficiation systems. The company diversified to manufacture underground mining machinery — side discharge loaders and load haul dumpers — and acquired the stamp-charging technology for coke-oven machinery in technical collaboration with German firms end 1980s.

Currently the Tata group controls 42.88% stake in TRF

The manufacturing sector is working at near-full capacity utilisation. The good economic growth over the past few years and absence of any major expansion in most of the industries have resulted in a pick-up in investment in fixed assets required to expand and modernise capacities to cater to future demand. Corporate India has already announced huge capital expenditure for the next four-five years. All the industries that TRF services — power, steel, ports, cement, mines, chemical/ fertilisers, and construction — have chalked out huge investment plans. This will directly benefit TRF.

As per recent estimates, Rs 220000 crore and Rs 262000 crore are to be invested in the power and steel sectors between 2006 and 2015. Of this, Rs 42500 crore will be invested in material-handling activities in this period. This presents huge potential for TRF, which caters to such industries. Coal and ports are also likely to provide an additional Rs 5000-crore business to material handling companies over 2006-15.

TRF has an ongoing case-to-case basis association with Techint (formerly Italiampianti) of Italy for manufacture of latest state-of-the-art yard equipment. The company is maintaining its on-going association with Landers Machinenfabrik, Koch Transporttechnik, Schalke and Claudius Peters Projects GmbH (all from Germany); and Grinaker LTA and Bateman Engineering Technology (both from South Africa). It has signed an agreement with Kocks Krane, Germany, for supplying shipyard cranes and container cranes. In addition, the company is at an advanced stage of finalising associations with some other leading firms to cater to emerging opportunities in new and existing business areas. Due to the technical expertise of these established foreign companies, TRF will have an edge over competition in securing new orders.

TRF's sales rose 50% to Rs 205.60 crore and operating profit margin (OPM) improved from 6.8% to 8.1% in the nine months ended December 2006. This took operating profit (OP) up by 79% to Rs 16.64 crore. Profit after tax (PAT) rose 236% to Rs 10.15 crore.

TRF has changed its business policy. It now gets its clients to purchase steel, unlike earlier days when the company procured the raw material. This saves it from the vagaries of volatile steel prices and provides more predictable margin. OPM is expected to improve further with larger orders and stable staff cost after the rightsizing efforts of the past few years.

Tata Steel's acquisition of Corus, UK, and the Tata group's global plans can also open up new global opportunities for the company.

Sales and net profit will rise by 46% and 138%, respectively, in FY 2007. EPS works out to Rs 30.6. The share price trades at Rs 493. This gives an attractive PE of just 16.1.

In FY 2008, we expect TRF to register EPS of Rs 45.9. At the current market price of Rs 493, PE on FY 2008 EPS falls to just 10.7, which is very low for a Tata group engineering company set to continue to grow at a fast rate.

TRF: Financials

	0403(12)	0503(12)	0603(12)	0703(12P)	0803(12P)
Sales	173.44	200.06	216.55	316.68	443.35
OPM(%)	5.6	5.2	7.8	8.7	9
OP	9.69	10.48	16.98	27.41	39.9
Other Income	1.17	1.63	0.24	1.32	1.3
PBIDT	10.86	12.11	17.22	28.73	41.2
Interest	2.12	4.11	4.35	2.26	2
PBDT	8.74	8	12.87	26.47	39.2
Dep.	1.52	1.4	1.3	1.35	1.55
PBT	7.22	6.6	11.57	25.12	37.65
EO	1.93	0	0	0	0
PBT after EO	5.29	6.6	11.57	25.12	37.65
Provision for taxation	1.97	2.6	4.5	8.29	12.42
PAT	3.32	3.96	7.07	16.83	25.22
EPS (Rs)*	8.9	7.8	13.9	30.6	45.9

* Annualised on current equity of Rs 5.10 crore. Face Value: Rs 10. EO: Extraordinary items. Figures in Rs crore (P): Projections.
Source: Capitaline Corporate Database.

11 Capitaline Corner : Agro Tech Foods : The popcorn growth story

The MNC associate is set to make the most of the rising consumption of popcorn at home and at organised retail outlets

Related Tables

Agro Tech Foods: Financials

ConAgra Foods Inc of USA, the world's third largest foods company, holds a majority stake of 48.3% in Agro Tech Foods, through CAG Tech Holdings, Mauritius.

Agro Tech Foods operates in two business segments: branded foods, and bulk and processed commodities. The company has two very successful foods brands: Sundrop edible oil and ACT II, the No 1 popcorn brand in the world. Some other brands include Crystal and Rath vanaspati oil. The company has stopped its non-profitable brands of chips and atta, and has developed a strategy of focusing only on products with a gross margin above 20%.

Bulk and processed commodities include oils and grains procured, processed and distributed; and seed buying operation. This segment is not the focus of the company.

Earlier, Agro Tech Foods was a group company of ITC and had its manufacturing plant at Mantralayam in Andhra Pradesh. Subsequently, the plant was sold to ITC and was leased back for 99 years to the company for Rs 16 crore. Subsequent to ConAgra taking a majority stake, the parent found this arrangement totally unviable as reflected in the poor margin and losses.After a long conflict between the company and ITC, a London court passed an order of settlement: the company had to pay Rs 43 crore to ITC in phases (as reflected in extraordinary items over the past few years).

Presently, Agro Tech Foods has no manufacturing plant. Manufacturing is outsourced to unorganised players under its quality control. Hence, there is no need for any capex or any other significant investment to increase volume.

In 1996, Agro Tech Foods sold the Mantralayam undertaking to ITC as a slump-sale unit. Hence, it anticipated no capital gain tax. Unfortunately, the income-tax (IT) department rejected the claim of slump-sale and considered the sale as a short-term capital gain and levied a tax liability of Rs 12.87 crore. The company paid the amount but appealed the judgement. The hearing before the tribunal was over on 18 December 2006, and the final order is expected soon. If the order is negative, the company will route the tax payment already made through profit & loss (P&L), showing it as an extraordinary loss. If the company, wins the judgment, then there will be a cash inflow of Rs 12.87 crore plus interest income for almost 10 years. This will further improve the cash flow position substantially.

Sundrop normally contributes nearly one-third of the total turnover of Agro Tech Foods. The brand continues to grow at 10%. The company is operating this brand at a gross profit margin of around 15%, which it intends to increase to 20% with deeper penetration and promotion. With growing consumption and income level, the shift towards premium quality will sustain the profitable growth of this brand.

Currently, ACT II brand is available at over 120 locations across the country, where hot, fresh and tasty popcorn is served. The target market for vending popcorn is cinema theatres, amusement parks, shopping malls, coffee parlors, college canteens or even railway stations and bus stands. Over the next 12 months, Agro Tech Foods plans to increase the availability of ACT 11 vending operations in more than 400 locations across the top 14 towns. The company's ACT II ready-to-eat brand, launched six months ago, has also received a very positive response.

The ACT II brand contributes nearly Rs 25 crore to the top line, with a gross margin of around 30%. Going forward, this brand has scope for almost doubling sales every year from both the vending popcorn as well as from the ready-to-eat segments, considering the huge untapped rural and urban markets with hardly any competition.

We expect Agro Tech Foods to register EPS of Rs 5.3 in FY 2007 and Rs 6.6 in FY 2008. At the current market price of Rs 75, the scrip trades at 14.2 times its FY 2007 earning and 11.4 times its estimated FY 2008 earning. This discounting is very low.

Agro Tech Foods: Financials

	0503(12)	0603(12)	0703(12P)	0803(12P)
Net Sales	1042.3	937.9	1041.3	1000
OPM %	0.9	1.7	1.8	2.6
OP	9.7	16.3	18.8	26
Other income	6.1	1.7	2	2
PBIDT	15.8	18	20.2	28
Interest	6.2	3.9	2.3	2.3
PBDT	9.6	14.1	17.9	25.7
Depreciation	2.5	2.3	2.2	2.2
PBT	7.1	11.8	15.7	23.5
Tax	-1.9	1.7	2.84	7.5
PAT	9	10.1	12.86	16
EO (net of tax)	-8.9	-5.6	0	0
PAT after EO	0.1	4.5	12.86	16
EPS*	3.7	4.1	5.3	6.6

*Annualised on current equity of Rs 24.4 crore of face value of Rs 10 each. (P): Projections. Figures in crore. Source: Capitaline Corporate Database.