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MONEY

Life On Loans There's enough credit available to spawn a new generation of mega-borrowers. How not to get overburdened with debt? By Amit Mukherjee

Gurgaon-based Barnali and Debraj Mazumdar were saddled with a sudden debt crisis after the latter met with a near-fatal accident while travelling to New Delhi. Already burdened with a home and a car loan, the Mazumdars dipped into their meagre savings to fund Debraj's hospitalisation bills, but fell short by Rs 1 lakh. Out of desperation, Barnali funded part of the bill with another loan-a no-questions-asked personal loan. The result: the Mazumdars are now paying monthly installments of over Rs 35,000. What's worse, with Debraj bed-ridden and Barnali the only earning member for now, the Majumdars are facing a debt crisis.

Gaurav Taneja, 31, a Mumbai-based marketing professional, bought a house for Rs 55 lakh, partly financed through a bank and by borrowing about 50 per cent from friends. Taneja's repayment to the bank and his friends strips him of about 80 per cent of his income, leaving little in hand to take care of his personal expenses.

What do these folks have in common? They are overwhelmed with debt-the former due to an unfortunate circumstance and the latter by overspending. That leaves little or no room for investing money or saving cash. More importantly, it also leaves them both increasingly vulnerable to a further credit squeeze.

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Easy Money

These days getting credit is easy. It wasn't too long ago that you received a cold call from a call centre announcing a better rate for you, was it? In such situations, it's easy to get tempted and go for a loan even when not needed. Banks started pushing retail credit aggressively six years ago, bombarding you with different schemes for housing or car loans and at the same time introducing innovative and flexi-payment plans to make the repayment seem easy on you. Off late, it's the no-questions-asked personal loan that is gaining popularity where banks promise instant cash up to Rs 10-50 lakh within 24 hours-all with the intention of getting your business, but perhaps unintentionally driving you deeper into debt.

Little wonder then, the loan numbers from the Reserve Bank of India tell a startling tale for the borrower. Home loan outstanding surged by 44 per cent to Rs 1,86,429 crore, while credit card debt zoomed by 59 per cent to Rs 9,177 crore and education loans nearly doubled to Rs 10,057 crore, as on March 2006.

Kaustav Dhar (R), 33, and Ananya, 31, financed a house and car three years back through some expensive borrowings. But as incomes grew, they increased the EMI payables to reduce the outstanding tenures. It's been tough, but worth it.

HOME LOAN: **Rs 29 lakh** EMI: **Rs 44,000** CAR LOAN: **Rs 4 lakh** EMI: **Rs 20,000**

But the truth is that debt repayments can sometimes go awry, and that's what you should take care to avoid. Much of the borrowing community today seems ill-prepared to deal with an emergency like losing a job or meeting with an accident. "High-paying jobs are available and people are getting fatter salaries and can afford to pay their loans," says Mumbai-based financial planner Gaurav Mashruwala. "But one should remember that factors like economic slump, retrenchment and lay-offs, health problems and even accidents leading to handicaps can rally through things getting out of gear," he continues. "It can be painful when people lose their job and are unable to make payments. The situation is much like companies unable to service debts due to a decrease in revenues in a slowing market. That harms the image."

Even RBI Governor Y.V. Reddy acknowledged on the bank's Foundation Day in September that a debt trap could be lurking somewhere. "With the changing growth dynamics of the economy, it is not difficult to envisage situations where certain segments of the population become susceptible to excessive borrower optimism or even to vicissitudes in the economic environment. Such susceptibility could also arise from unforeseen shocks or emergencies that make repayment difficult."

But given that in this day and age, debt has percolated into our everyday lives, it's better to manage debt prudently than to allow it to snowball into a crisis.

For Needs Only

"Loans ought to help you buy only basic items of necessity and not luxury products"
Gaurav Mashruwala
Mumbai-based Financial Planner

The first rule, as they say, is the cardinal one: avoid borrowing. Till a couple of years back, Indians were quite averse to borrowing, preferring instead to save for a house or a car. Even buying white goods like a TV or a scooter was carefully deliberated. But the trend is slowly beginning to change.

If you have to borrow, make sure that it's for a necessity and not luxury. Home buying perhaps falls into this category. The rate of interest on home loans is the cheapest at around 9 per cent per annum and combined with tax breaks on interest costs, the effective rate reduces to around 6.3 per cent in the highest tax bracket for a loan of up to Rs 17 lakh. Says financial planner Mashruwala: "Loans ought to help you buy only basic items of necessity and not any luxury products. It's always advisable to go for loans to buy items of necessity and get out of the loan at the earliest."

You can also add loans to build assets, rather than fritter the money away on a holiday. If possible, try to gauge the returns from the assets you are building, which should ideally be more than the interest cost of the loan.

For most, perhaps, a car is a luxury, but for the select few for whom a car is a necessity, it's prudent to keep the borrowing down to minimum, and pay off the loan as quickly as possible. Although car loans don't cost too much, with effective rates hovering around 10 per cent due to discounts, cars are depreciating assets and, therefore, the lesser you pay for them in overall interest costs, the better.

Keep an Eye on Liabilities

"One should not take a home loan where the emi exceeds 40 per cent of the net salary"
Mukesh Gupta
Director, Wealthcare Securities

Usually when people borrow, they focus on the monthly installment and whether they can afford to repay it, instead of looking at the entire liability holistically. It may be cheaper to look at a Rs 13,495 monthly installment rather than the Rs 15 lakh home loan behind it. But compare the loan to assets rather than against monthly installments. Says Mashruwala: "Individuals are often borrowing in a manner whereby their outstanding liabilities are much more than 50 per cent of their assets." Ideally, if a person has assets worth Rs 40 lakh, his net loan principal should not exceed Rs 20 lakh, a rule which only a few tend to follow.

Assess What you Can Pay

Housing finance companies have a thumb rule beyond which they will not finance your house: the monthly installment should not exceed about 40 per cent of your net take home income. "One should not take a home loan where the EMI exceeds 40 per cent of your net salary," says Mukesh Gupta, a Delhi-based wealth manager and Director, Wealthcare Securities. So, if your net package is around Rs 50,000, your EMI could go up to Rs 20,000. But individuals often add a car loan and some credit card outstanding to their loan amounts and the overall repayment exceeds 60-70 per cent of the net package.

But Mashruwala prefers to err on the side of caution with good reason. "EMI of all loans combined should not exceed 20 per cent of your earnings, unless there is a home loan. With a home loan, all the EMIs combined should not add up to 40-45 per cent of your monthly cash inflows."

Rules For Smart Borrowing
When taking a loan, do not lose sight of basic principles.

» Monthly installments of all loans combined should not exceed 20 per cent of your total monthly earnings-unless there is a home loan
» If you have a home loan, combined installments should not be more than 40 per cent of your monthly earnings
» Ideally, outstanding liabilities should not be more than 50 per cent of assets
» Borrow to fund assets like real estate, but avoid loans for travel and luxury products
» Get out of a loan as soon as possible
» Borrow for a shorter duration even if the EMI is high
» Do not borrow only for tax benefits
» Do not hesitate to pre-pay loan, even if there is a penalty

Sometimes increasing your monthly installment can go a long way in reducing your liabilities quickly. Ananya and Kaustav Dhar bought a flat in Mumbai in 2003. In June this year, Kaustav, Vice President of a domestic airlines firm in Delhi, doubled the EMI and bought down the tenure of their housing loan from 20 years to around 14 years, thus getting rid of their liabilities quickly.

Pre-pay Whenever Possible

It's essential to bring down the outstanding liabilities, especially in a longer duration loan where the outstanding principal is higher, such as a home loan. Mushruwala says one should not hesitate to repay a loan, even if there are penalties for pre-payment. "The word penalty sounds unpleasant to many, but the numbers when matched would definitely point to more consoling results."

In the initial years, a significant chunk of monthly installment goes towards interest costs, while a small portion goes towards principal, hence the necessity to repay whenever possible so that the outstanding loan amount comes down faster than you expect.

The biggest risk most individuals tend to ignore is the high-cost loans. The outstanding on a credit card loan seems small, but the interest costs are steep. Credit card loans are the costliest followed by personal loans or a holiday loan, which tends to cost around 18-24 per cent per month.

Also, don't bunch loans. Keep track of your loans and clear off one after another. It may seem overwhelming to clear off all the loans simultaneously. And lastly, try and keep about three extra monthly installments handy to tap into whenever an emergency arises.

Performance Pays

Not all equity mutual funds outperform the markets. Here's what made the successful ones tick.

By Mahesh Nayak

When mutual fund distributors sell funds, they usually quote the past performance of the fund. True, all but one equity fund have given positive returns ranging between one and 53 per cent since January this year. In bull markets, especially this one with all but a few stocks rising, it's no secret that most equity fund investors would have made money for investors. But the real test of a fund manager's stock-picking skills can be gauged only when the funds they manage outperform the major market indices.

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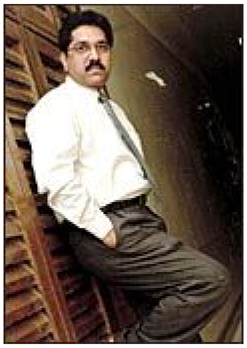
Looking at the past performance over the last year, the returns story seems far from ordinary. Most funds have turned out ordinary performances as out of 128 diversified equity funds, only 18 have managed to beat the Sensex, or about one in seven funds have beaten the Sensex. In other words, the chances of you being in an outperforming fund at the beginning of the year would have been just 14 per cent. But since the time the market began to rally from June (after the crash), about 36 out of 128 funds have outperformed the Sensex. Says Hemant Rustagi, Chief Investment Officer, Wiseinvest Advisors: "Rising large-cap stocks have been the main reason for underperformance of most funds."

"Funds with high concentration over large caps have remained in limelight"
R. Swaminathan
Associate Vice President & National Head (Mutual Fund), IDBI Capital

This year, till date, the Sensex has been volatile, but the overall returns have been encouraging. From a level of 9,400 in the beginning of the year, the Sensex surged to 12,671 on May 11, but selling pressure on concerns of rising oil prices and interest rates brought the index down to a level of 8,800. However, impressive corporate performance pulled back the Sensex to its all-time high of 13,678 levels.

If performances in both the rallies between January and May and from June to October and the year- to-date performances are considered, only 11 funds have come up trumps (see Top Performers). These 11 funds rose more than 42 per cent since the beginning of the year and over 49 per cent since the Sensex low of 8,799, beating the broad-market index. One key aspect which went in favour of these funds was their exposure to the right sectors and stocks last year. "Funds with high concentration over large caps and infrastructure funds have remained in limelight," says R. Swaminathan, Associate Vice President & National Head (Mutual Fund), IDBI Capital.



"Rising large-cap stocks have been the main reason for underperformance of most funds"
Hemant Rustagi
CEO, Wiseinvest Advisors

Some funds that have managed to outperform the market are the Tata Infrastructure Fund, which has predominantly invested in the infrastructure space, a favourite segment in the market in recent times. Tata Infrastructure's overall performance since the beginning of the year has been 52 per cent. This was followed by Reliance Regular Saving Fund and Franklin India Opportunity Fund. Both of them have delivered an overall return of 52 per cent each. In fact, these funds also made a strong comeback, gaining 55 per cent, 63 per cent and 70 per cent in the recent market bounce back (see Top Performers), thus improving their overall performance this year.

Much of the gains in the last year have come from the large-cap space. For Tata Infrastructure Fund, out of the 55 stocks (corpus size of Rs 920.5 crore), the top 10 stocks accounted for 39 per cent (Rs 373 crore) of the total corpus of the fund. BHEL, L&T, Siemens, Grasim Industries, acc, Reliance Industries and Gujarat Ambuja Cements are some of the top picks in the fund.

On the contrary, for Reliance Regular Saving Funds, the top 10 stocks account for 69 per cent (Rs 79 crore) of the total corpus of Rs 115 crore. The fund has gained mainly due to its holding in Infosys Technologies, Reliance Industries, TCS, HLL, L&T, Ashok Leyland and Suzlon Energy. These six stocks account for over 53 per cent of the fund. Many other diversified funds that have outperformed the Sensex had greater exposure towards large cap stocks and in stocks related to infrastructure. "This clearly indicates that investors have to diversify their portfolio such that they should always be in a position to participate in the market upside," says Rustagi.

What To Do Now?

But there's a caveat: past performance is never an indicator of the fund's future performance. Besides, investors can never really time the market and hence, a good strategy in this market is to stay invested for a longer period of say around three years and invest regularly. Also, looking for the next out-performer is easier said than done as active fund managers could change their stock allocations depending on their outlook for stocks and sectors.

Ringside View

» Sixty-two out of 124 funds were outperforming till May 2006 in the first market rally
» But only 18 funds have managed to outperform the Sensex to date this year
» Last year, equity funds returned an average of 28 per cent, lower than 41.5 per cent of the Sensex
» Only 11 funds managed to beat the markets consistently over the two market rallies and overall during the year
» Funds that had an exposure to infrastructure and engineering sectors and large-cap companies came out trumps

But as the market is expected to favour the larger, but higher growth companies, there's a big chance that funds that have a favourable sector exposure towards core economy sectors like infrastructure, engineering and consumer areas, could do well in the future. Sticking to the ones that have invested in stocks on the growing economy should be a reasonable strategy for investing in funds. Says Nilesh Shah, CIO, Prudential ICICI: "Our generation is indeed quite fortunate. We are able to participate in the bull run that our previous generations weren't fortunate enough to witness. The strong economic growth will drive the market, investors should remain calm and stay invested in the right sectors and stocks."

The Hot Sectors

The markets are making new highs and the bulls don't mind. A look at what's in store.

By Clifford Alvares

One doesn't have to look far for reasons for this bull market because that's no secret: foreign investors. This is the fourth straight year they have invested more than $8 billion (Rs 36,000 crore). Besides, new foreign investors are coming in droves with as much as 171 new registrations this year taking the count of foreign investors to 993 till date.

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With more buyers, valuations continue to expand. At last count, the market was hovering at a P-E of 22.57. By contrast, on May 10, before the crash, the P-E was a touch lower at 22.15. Despite talk of overstretched valuations, with huge fund flows into the market, they don't seem to be much of a hindrance. Says Jigar Shah, Vice President, KR Choksey Securities: "There's liquidity that's driving this market. Earnings growth has been captured in the valuations."

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All Round Growth

The spotlight continues to remain on the large caps as foreign investors prefer the more stable and liquid counters. But this market has also been as much a sector story as it has been a large cap story. The core economy sectors such as cement, steel and engineering have been gaining ground on the back of new opportunities in the construction space, particularly as new highways and real estate development projects get commissioned. Sectors that have fuelled the rally are the banking sector, the convergence stocks, technology services companies and capital goods.

Since June, the BSE Bankex has been the star performer giving returns of 74 per cent, as against the Sensex's 50.4 per cent (see The Buzzing Sectors). Next up was the BSE teck index, comprising telecom, media and it companies, which returned 70 per cent driven by consumption and outsourcing. The evergreen it outsourcing sector continues to attract investor attention as a large number of high-priced outsourcing deals take place propping the BSE it index by 66 per cent.

Among the notable laggard to the Sensex is understandably the oil and gas sector, which has been bogged by the high oil prices and the subsidy burden. With the issuance of oil bonds, however, the sector has recovered, and the BSE Oil & Gas index gained 38 per cent. In the bottom of the heap, the FMCG sector has gained 25 per cent in the last five months.

This bull market started in metals and commodity stocks where the increased prices resulted in improved performance of these companies. Slowly but steadily the rally trickled to other sectors such as auto and construction and then the engineering segment. Part of the rally lately has been fuelled by the growth in the banking business. Credit offtake has been strong this year at 28 per cent growth year-on-year, besides valuations were low in the single digits.

Over the next few months, though, it's necessary to put a finger on the sectors that could perform better. As the economy is growing strongly, some sectors could be potential money spinners than others. The trick, of course, is to figure out from which companies the earnings momentum appears strong. In some cases, such as construction and engineering, the answer lies in order books. Besides, some sectors that are a play on consumption could prove to be potential winners. Rajesh Jain of Pranav Securities prefers aviation and media. "The aviation and media sectors look attractive," says Jain, adding, "Over the next three years, it's a good market to be invested in."

Once you zoom in on a sector, look for signs of undervaluation and earnings expansion in specific stocks and then narrow down to a select few companies from about six-to-seven sectors. It's one of the ways forward.

NEWS ROUND-UP

Jobs To Riches
Info Edge (read: Naukri) makes a splash on listing. Is the valuation too high?

It's been a dream debut for Info Edge, the company that runs job site naukri.com. On the first day of listing, the stock closed at a towering Rs 594, landing its investors a whopping 85 per cent gain on the offer price of Rs 320, pushing its market capitalisation to Rs 1,621 crore. By contrast, revenues for fy 2006 stood at Rs 82 crore. Against net profits of Rs 13.29 crore last year, the company's historical price earnings ratio stands at 122 times. But the fast-growing jobs portal could see profits double each year for the next two years, which should result in a p-e of about 60 times for FY 2007 and 30 times FY 2008. Is this too high?

For starters, Info Edge is the first online portal to offer shares in India and it received a fabulous response to its IPO which was oversubscribed a whopping 56 times, as is the craze overseas with online companies. The company owns the job portal naukri.com, which runs online classifieds and also earns subscription revenues for its databases. Job search is among the fastest growing businesses and it contributes more than 90 per cent of the company's revenues currently. Besides, it is also investing in new ventures Jeevansathi.com (matrimonial site) and 99acres.com (real estate site).

Since the company is debt-free and there are no variable or production costs, the operating margins of such businesses are high. Says Rishi Maheswari, Research Analyst, Networth Stock Broking: "For a company like this, there are no variable costs and it's a growing business, so it can command a higher valuation." But there's also a lot of media frenzy with similar online companies overseas and much of the future returns for shareholders will depend on how earnings growth pans out.

-Clifford Alvares

The Threat Of Phishing

A guide to beat net fraudsters who're fishing for your finances.

By T.V. Mahalingam

It's innocuously called Phishing but this internet fraud can clean out your bank account. Phishing is the latest scam perpetrated by fraudsters who send e-mail messages to glean personal information like internet banking user ids, passwords, credit and debit card numbers, and other bank account information from users. Using this information, the fraudsters access bank accounts and subsequently transfer the money out of them.

What's more disturbing is the fact that this form of online fraud has caught up in India. According to PhishTank, an anti-phishing service started by us-based Opendns, India belongs to the axis of evil of phishing websites. India hosts the third most number of phishing websites in the world (8 per cent) only preceded by the US (24 per cent) and South Korea (14 per cent). "The problem is very serious. Earlier fraudsters used viruses to cripple systems, but now they have gone smarter by focussing their attacks on personal users for financial gain," says Manoj Mansukhani, Head (Technology & Global Marketing), MicroWorld Technologies.

The fraudsters often approach unsuspecting victims through e-mails which purport to be credible communication from banks. For example, State Bank of India customers recently received an e-mail which

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SAFETY TEST

DOS

» Log on to a site by typing the proper URL in the address bar
» Before providing your user ID and password ensure that the page displayed has https:// which signifies a secure website and not just http://
» Use different passwords for bank, credit cards and non-banking sites, and periodically change the passwords too
» Access internet banking facilities preferably on laptops or desktops that you generally use. Passwords can be stolen on PCs by monitoring key strokes
» Provide personal details over phone/internet only if you have initiated a call
» Banks never ask you to verify your account information through e-mail

DON'TS

» Click on any link which has come through e-mail from an unexpected source
» Give any information on a page that has come through a pop-up window
» Provide your password over the phone or in response to an unsolicited request over e-mail
» Click on links to your bank's website; instead key the address into your browser yourself
Source: Various banks

claimed to be a security upgrade from the SBI's customer service team. The fraudulent mail claimed that the bank was announcing a new security upgrade "for better and secure banking service, against any fraudulent activities." The mail further went on to state this: "Due to this recent upgrade, you are requested to update your account information by following the reference below." Often the mails and the sites they lead to have the look and feel of the bank.

So, how does one avoid getting phished? Three simple thumb rules, says Madhabi Puri-Buch, Senior General Manager, ICICI Bank. "One, never type your id, password or any other information on a site that you have not visited yourself. Two, use internet banking facilities only on a pc or a laptop that you normally use or consider safe. And finally, when in doubt, ask the bank," adds Puri-Buch. She also adds that phishing attempts despite their regularity are not causing serious financial damage as the customers are becoming increasingly aware. ICICI recently launched a campaign in an attempt to educate customers about banking securely. Banks are also beefing up their levels of security by asking users for details like mobile numbers, random digits of their debit card number, etc.

Winter Wonderlands

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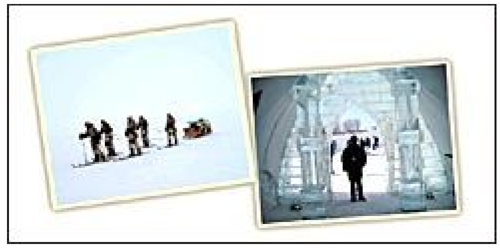
Looking for the exotic and don't mind the expense? Here are four of this season's must-visits.

By Deepti Khanna Bose

It's time to chill out. And holiday planners are taking this season to heart with a host of adventures to soothe your palate, free-up your mind and tempt you with an ever-growing list of exotic holidays tailor-made to suit your wallet. There are plenty of holidays to choose from, if cash is not a constraint.

But before you are lured into that ever-expanding list of holidays, BT Money has looked into some of the most luxurious, indulgent and unique vacation spots for you to visit this winter. These four destination spots have been chosen for two reasons: for starters, they are far removed from work and city-life, both for the mind and for the body, and secondly, though they are exotic, they do not cost a million dollars, but more in the vicinity of a few thousand.

First up on our list is a six night- seven day Arctic adventure, which begins from the moment you land in Stockholm. The package includes a guided tour of the Swedish capital, flying to Kiruna on a quest to witness the magnificent glory of the Aurora Borealis, a visit to the Ice Hotel and Ice Church in Jukkasjärvi, and a visit to the Sami Reindeer Farm for a day of fun and frolic with Rudolph and all his elk; the package also includes a fascinating tour of the Swedish countryside, castles and manors. All this and a fabulous memory to savour for the rest of your days, for the fairly princely sum of Rs 4 lakh per head, including airfare. For more details, log on to www.swedenvisitor.com.



ARCTIC ADVENTURE, STOCKHOLM
BUDGET: Rs 4 lakh per head, including airfare
WHEN: November 1, 2006-February 28, 2007
DURATION: 6 nights & 7 days
THINGS TO DO: Check out the Northern Lights, explore the wilderness of Lapland, visit the Ice Hotel and Ice Church and the Sami Reindeer Farm
LOG ON TO: www.swedenvisitor.com

THE ICE HOTEL, QUEBEC, CANADA
BUDGET: Rs 4.5 lakh per head, including airfare
WHEN: October 31, 2006-March 31, 2007
DURATION: 6 nights & 7 days
THINGS TO DO: Take a chill pill, switch off and enjoy the experience
LOG ON TO: www.icehotel-canada.com

Next up on our list, we zoom in to one of the most exotic, most unique, [HTTP://DEADPRESIDENT.BLOGSPOT.COM](http://deadpresident.blogspot.com)

PALACE ON WHEELS
BUDGET: Rs 1.5 lakh per head, including airfare
WHEN: November 1, 2006-January 31, 2007
DURATION: 7 nights & 8 days
THINGS TO DO: Visit monuments and palaces, elephant, camel & boat rides and glorious sightseeing
LOG ON TO: www.palaceonwheels.net

INTERCONTINENTAL THE GRAND RESORT, GOA
BUDGET: Rs 1.45 lakh per head, including airfare
WHEN: November 1, 2006-March 31, 2007
DURATION: 7 nights & 8 days
THINGS TO DO: Visit churches & forts, be a beach-bum, sample the eclectic cuisine and night life
FOR INFORMATION: Ask your travel agent

and most languid holiday destinations in the world. At approximately Rs 4.5 lakh (including airfare) per head, you can have the divine opportunity of spending six nights and seven days in a real life fairy-tale-winter-wonderland: The Ice Hotel, Quebec, Canada. The package includes a complimentary cocktail 'in the rocks' (in view of the fact all the beverages are served in glasses made out of ice!) every day, access to the Nordic-style Relaxation Space equipped with hot tubs and sauna, a hot beverage served in bed the moment you wake up, a full buffet breakfast, a new bottle of Quebec's famous Ice Cider (in ice glasses) every day, and one of the most beautiful, fascinating rooms you have ever seen in your life, considering that everything there is made out of ice, including the furniture. And of course, for all those who want to go skiing, the hotel will be only too happy to arrange it for you at actuals. For more information and bookings, log on to www.icehotel-canada.com.

For those who don't want to stray too far from home, there's always the novel Palace On Wheels on its splendid and enchanting royal journey through the bygone era of the erstwhile Maharajas. Though times have changed and the winds have shifted, the Palace On Wheels cruises along in royal style, the kind only the Maharajas of yesteryears could have perpetuated and enjoyed. The package includes full catering (it has a world renowned menu and chefs), guided sightseeing tours in deluxe carriages, entrance fees for monuments, elephant and boat rides. This perfect blend of relaxation and cultural activity comes with a price tag of Rs 1.5 lakh (including airfare) per person for seven nights and eight days; for more information and for bookings, log on to www.palaceonwheels.net.

And finally the perfect destination for all seasons, but especially for winter-Goa. Here, we recommend the winter package at the InterContinental The Grand Resort. Set on 86 acres of lush elegantly landscaped beachfront gardens on the western coast of Goa, straddled between two rivers, it offers an 880-metre-long exclusive beachfront, giving the resort a unique advantage of both seawater & freshwater recreational opportunities. At Rs 1.45 lakh (including airfare) for seven nights and eight days, it's definitely worth the money. The hotel's exclusive virgin beach sports white sand, and every so often you will see a turtle coming on shore to nest. For those interested in a wild time, hey, it's Goa, and the party scene is cool. For bookings and to avail the special winter package, contact your travel agent.

Before You Travel Overseas

» Carry addresses and phone numbers of Indian embassies of the countries you will visit
» Take travel insurance valid for the entire trip
» Fill in the contact details at the back of your passport for someone who can be contacted in an emergency
» Be aware of immigration and customs controls of the country you are travelling to, including any necessary visas
» Tell someone where you are going and when you expect to return; leave itinerary and contact details of where you might be in case of emergency
» Take along back-up funds, such as traveller's cheques, some cash or credit cards
» Buy a good travel guide that includes basic information on local laws and customs
» Insure all your vaccinations are up-to-date; inquire about any other suggested medical advice by visiting your healthcare provider

So, for all you folks who can't remember the last time you took a vacation, take your pick, book your trip, pack a bag, and go!

VALUE-PICK

Thermax
Power Packed.

As the focus on efficiency increases, more companies are opting for solutions that save costs. One company that provides comprehensive solutions in different areas such as waste heat recovery, water treatment and recycling, captive power plants, and is well poised to capture the growth coming its way is Thermax. Demand for captive power plants from the cement industry is strong while the steel industry continues to require waste heat recovery systems to improve efficiencies. Besides, with companies expanding capacities, Thermax's products such as boilers are finding more takers.

In many ways, this company has pricing power for its products because of the stronger demand for its products from user industries. Thermax recorded sizeable increase in orders during the June-September quarter, pushing up its order backlog to Rs 2,973 crore, from Rs 2,670 crore in the previous quarter. Besides, this pricing power has also allowed the company to improve its margins to 13.7 per cent in the second quarter (Sept. 2006), which can be sustained with prices of raw materials such as steel fairly stable.

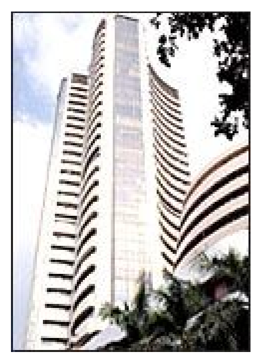
Besides, the company's low gearing has resulted in high returns on capital at over 40s. That, combined with the proposed investment of about Rs 400 crore, makes the stock look attractive at these levels. At the current price of Rs 343, it's quoting at around 24 times its FY07 earnings. Says Priyanko Panja, Vice President, Edelweiss Secuirities: "It is at the centre of corporate capital expenditure which is taking place in the economy, with a high demand for its products."

Over the long haul, there is considerable scope for the stock to appreciate making it a good addition to the portfolio.

-Clifford Alvares

Capital for Markets

RBI's new norms on capital exposure are unlikely to affect markets.



From January 1, 2007, banks that have an exposure to the capital markets may have to change the way they finance the capital market. The Reserve Bank of India (RBI) released new norms for banks saying that the aggregate exposure of a bank to the capital markets should not exceed 40 per cent of its net worth. But the new norms aren't likely to impact the capital markets in any significant way.

There aren't too many public sector banks that fund capital market operations, and those that do are some of the private players. Hitherto banks were allowed to lend up to 5 per cent of their total advances to fund capital market operations, with the new norms the advances to the capital market segment are likely to reduce. But the market observers are unperturbed. Says Rajesh Jain of Pranav Securities: "The market does not depend on such small funding. Earlier this year, margin funding for brokers was withdrawn but that did not affect the market"

Those looking for IPO finance may have to contend with a lesser amount. Banks will not be able to finance IPOs worth more than Rs 10 lakh per individual. Besides, loans against shares or debt overall is restricted to Rs 20 lakh. What's more, banks have been directed to get a declaration from borrowers detailing loans and advances against shares to ensure compliance to the new rules. If you have borrowed heavily against shares, you have to pare down your exposure. But for markets overall, its business as usual.