Table of Contents

1 Apna Money : MUTUAL FUND SCOREBOARD - Part III

Scheme/ Index Name	N.A.V. (Rs)	Corpus Jan-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 Income Plans - Short Term												
HDFC Multiple Yield Fund-Plan 2005 - (G)	10.9987	184.94	2.59	4.6	4.53	N.A	N.A	4	10	15	0	0
HDFC Monthly Income Plan - STP (G)	12.6422	352.97	-8.51	1.15	2.66	6.68	7.09	17	24	24	16	8
HDFC Multiple Yield Fund (G)	11.9812	308.2	-1.9	2.62	3.46	6.29	N.A	7	20	22	18	0
Tata Monthly Income Fund - (App)	14.5237	37.75	5.07	6.94	4.89	5.96	5.83	1	5	13	19	16
FT India Monthly Income Plan - (G)	20.1802	631.68	-9.36	4.07	5.87	7.96	8.26	21	12	10	9	4
HSBC Monthly Income Plan (G)	12.1312	52.1	-5.29	4.31	7.07	7.12	6.52	11	11	5	12	12
ING Vysya MIP Fund - Plan B (G)	12.0545	5.83	-2.2	7.71	4.68	7.17	6.24	8	3	14	11	15

JM Monthly Income Plan - (G)	12.9336	15.73	-9.08	2.7	3.81	8.01	6.79	18	19	19	8	10
Kotak Income Plus (G)	12.8556	103.93	-6.12	3.21	3.85	8.76	7.84	15	18	18	6	5
LICMF Monthly Income Plan - (G)	23.5716	209.46	-9.37	3.71	4.25	9.38	8.75	22	14	16	5	3
Magnum Monthly Income Plan - (G)	16.3932	125.25	-5.73	0.97	5	7.1	6.32	13	25	12	13	14
Principal Monthly Income Plan - (Growth Accum)	14.8528	60.03	-6.11	3.3	3.62	5.37	5.38	14	15	21	21	18
Pru ICICI MIP (G)	18.6952	664.31	-5.58	6.22	7.72	9.75	8.92	12	6	4	3	2
Sundaram Monthly Income Plan - (G)	12.5701	51.73	-3.49	3.24	3.92	8.13	7.77	9	17	17	7	6
Birla MIP - Savings 5 (G)	11.5469	6.4	1.88	5.84	6.08	5.46	N.A	6	8	8	20	0
Tata MIP Plus Fund - (G)	11.6764	57.06	-9.14	1.64	1.83	5.22	N.A	19	23	25	23	0
Chola	13.1344	5.99	-4.04	6.2	5.4	6.42	6.42	10	7	11	17	13

Monthly Income Plan (G)											
DSP ML Savings Plus Fund Conservative (G)	12.0494	12.84	3.77	7.58	6.8	6.99	N.A	2	4	6	14	0
DSP ML Savings Plus Fund Moderate (G)	15.1298	193.05	1.92	8.56	8.43	9.44	8.75	5	2	2	4	3
Deutsche Monthly Income Plan A (G)	12.3613	6.73	-16.38	2.25	3.76	6.9	7.06	25	21	20	15	9
Deutsche Monthly Income Plan B (G)	11.8258	1.38	-11.19	2.16	2.73	5.33	5.48	23	22	23	22	17
Templeton MIP - (G)	19.5163	138.11	-6.27	3.95	6.01	7.71	7.21	16	13	9	10	7
ABN AMRO Monthly Income Plan (G)	12.9179	56.39	3.28	16.46	11.13	10.83	N.A	3	1	1	2	0
Birla Monthly Income Plan - (G)	18.7813	178.43	-9.16	4.64	6.56	7.17	6.74	20	9	7	11	11
Reliance Monthly	13.4304	516.15	-11.32	3.27	8.23	12.03	10.18	24	16	3	1	1

Income Plan (G)												
Average			-4.87	4.69	5.29	7.55	7.24					
Min			-16.38	0.97	1.83	5.22	5.38					
Max			5.07	16.46	11.13	12.03	10.18					
Monthly Income Plans - Long Term												
HDFC Monthly Income Plan - LTP (G)	14.5783	1194.72	-1.31	8.15	8.73	13.08	12	2	3	3	2	1
UTI-MIS Advantage Plan (G)	13.6422	118.51	-12.21	4.74	5.64	11.52	10.42	7	5	6	5	2
Reliance Monthly Income Plan (G)	13.4304	516.15	-11.32	3.27	8.23	12.03	10.18	6	8	4	3	3
Pru ICICI Income Multiplier Fund - Regular (G)	14.1676	511.3	-3.99	8.92	10.5	13.69	N.A	3	2	2	1	0
Principal Monthly Income Plus - (G)	12.4413	23.72	-7.54	4.06	4.02	7.2	7.35	4	6	8	8	5
HSBC Monthly Income Plan - Savings (G)	12.8917	76.99	-9.47	5.15	7.51	9.45	8.7	5	4	5	7	4
DSP ML	13.7815	63.59	4.03	11.7	10.84	11.75	N.A	1	1	1	4	0

Savings Plus Fund Aggressive (G)												
Birla MIP - Wealth 25 (G)	13.1231	118.85	-12.67	3.94	5.59	9.5	N.A	8	7	7	6	0
Average			-6.81	6.24	7.63	11.03	9.73					
Min			-12.67	3.27	4.02	7.2	7.35					
Max			4.03	11.7	10.84	13.69	12					
Arbitrage Funds												
JM Equity & Derivative Fund (G)	11.4745	343.48	8.17	7.27	7.74	N.A	N.A	3	3	3	0	0
Kotak Cash Plus (G)	11.0938	113.89	9.34	8.01	8.01	N.A	N.A	2	2	2	0	0
Pru ICICI Blended - Plan B (G)	11.1837	92.4	6.22	6.58	7.11	N.A	N.A	4	4	4	0	0
Pru ICICI Blended - Plan A (G)	11.4801	579.76	11.58	9.79	9.38	N.A	N.A	1	1	1	0	0
Average			8.83	7.91	8.06	0	0					
Min			6.22	6.58	7.11	0	0					
Max			11.58	9.79	9.38	0	0					
Dynamic / Flexi Debt Funds												
Tata Dynamic Bond Fund - Plan B (App)	12.0073	0.63	6.68	6.31	5.78	6.18	5.26	4	4	6	3	1
Sundaram	13.0147	0.43	3.92	4.03	3.9	3.45	2.7	5	7	7	7	4

Select Debt - DAP (G)												
Pru ICICI Flexible Income Plan	13.6412	71.7	7.69	7.52	7.22	6.05	4.8	1	2	3	4	2
Kotak Flexi Debt (G)	11.5645	526.86	7.6	7.48	7.49	6.66	N.A	2	3	2	2	0
Grindlays Dynamic Bond Fund - (G)	13.4674	14.69	1.58	5.15	6.13	5.3	4.07	7	6	4	6	3
Birla Dynamic Bond Fund - Retail (G)	11.3705	5.38	3.3	5.9	6.06	5.58	N.A	6	5	5	5	0
ABN AMRO Flexi Debt Fund (G)	11.5174	223.56	7.59	9.6	8.88	6.7	N.A	3	1	1	1	0
Average			5.48	6.57	6.49	5.7	4.21					
Min			1.58	4.03	3.9	3.45	2.7					
Max			7.69	9.6	8.88	6.7	5.26					
Children Gift Funds - Savings Plan												
HDFC Children’s Gift Fund-Savings Plan	14.44	56.98	-16.8	-2.48	-1.12	4.94	6.78	2	2	2	2	2
Prudential ICICI Child Care Plan-Study Plan	19.5403	29.7	3.33	13.77	11.25	13.5	11.33	1	1	1	1	1
Average			-6.74	5.65	5.07	9.22	9.06					
Min			-16.8	-2.48	-1.12	4.94	6.78					

Max	3.33	13.77	11.25	13.5	11.33

2 Bulletin

BOOK CLOSURES & RECORD DATES

Company	Dt. of Cl, Rec. Dt.	Purpose
ACC	16.03 to 28.03	AGM & 150% Div
Andhra Cements	17.03 to 22.03	AGM
Arihant Foundatn	16.03 to 23.03	AGM & 20% Fin Div
Axtel Industries	23.03 to 26.03	AGM
Bajaj Hind Sugar	24.03 to 29.03	AGM
Bajaj Hindustan	17.03 to 30.03	60% Div & AGM
BWL	19.03 to 22.03	AGM

Caplin Point Lab	20.03 to 24.03	AGM
Dwarikesh Sugar	13.03 to 23.03	60% Fin Div & AGM
Glaxosmithkline	16.03 to 30.03	310% Div
Guj. Gas Company	16.03 to 20.03	AGM & 125% Div
Hotline Glass	14.03 to 28.03	AGM
Hotline Teletube	14.03 to 28.03	AGM
Indo Gulf Inds.	22.03 to 30.03	AGM
Merck	23.03 to 30.03	AGM & 200% Div
MH Mills & Inds	24.03 to 30.03	AGM
MRF	13.03 to 22.03	140% FinDiv& AGM
Nuchem	22.03 to 29.03	AGM
Pfizer	13.03 to 22.03	AGM & 125% Div
Riga Sugar	13.03 to 15.03	Div & AGM
Sanghi Polyester	24.03 to 31.03	AGM
SM Dyechem	12.03 to 21.03	AGM
Swasti Vinayaka	17.03 to 26.03	8% Div & AGM
Uttam Sugar Mill	23.03 to 28.03	AGM
Videocon Appl.	17.03 to 30.03	5% Div & AGM
Videocon Commun.	17.03 to 30.03	AGM & 5% Div
Videocon Inds.	17.03 to 30.03	35% Div & AGM

FORTHCOMING BOARD MEETINGS

Date	Company	Purpose
12/03/2007	Bajaj Electrical	Inter Div
12/03/2007	Balkrishna Inds.	2nd Inter Div
12/03/2007	Banco Products	Inter Div
12/03/2007	DMC International	Inter Div
12/03/2007	Grasim Inds.	Inter Div

12/03/2007	Praj Inds.	2nd Inter Div
12/03/2007	Suzlon Energy	Inter Div
12/03/2007	UltraTech Cem.	Inter Div
13/03/2007	Albright & Wil.	Accts
13/03/2007	Himatsing. Seide	2nd Inter Div
13/03/2007	JSW Steel	Inter Div
13/03/2007	Larsen & Toubro	Inter Div
13/03/2007	Unichem Labs.	Inter Div
14/03/2007	Gateway Distripa	2nd Inter Div
14/03/2007	Grindwel Norton	Accts & Div
14/03/2007	K C P	Inter Div
15/03/2007	M I C O	Accts
15/03/2007	Nestle India	Inter Div
16/03/2007	Bervin Invest.	Inter Div
16/03/2007	Greaves Cotton	3rd Inter Div
16/03/2007	Mah. Seamless	2nd Inter Div
16/03/2007	Ultramarine Pig.	Inter Div
17/03/2007	Asahi India Glas	Inter Div
20/03/2007	Nestle India	Accts & Div
28/03/2007	DIC India	Accts & Div

RIGHTS / BONUS / STOCK SPLIT RECORD DATES & EX-RIGHTS / EX-BONUS / EX-STOCK SPLIT

Company	**Ratio**	**Dt. of Cl, Rec. Dt, XR, XB, SS**
BONUS		
HCL Technologies	1:1	R.D 16/03/2007
		XB from 15/03/2007
Arvind Chemicals	2:1	R.D 19/03/2007
		XB from 15/03/2007

STOCK SPLIT

Max India	1:5	R.D 19/03/2007 SS from 12/03/2007
Suryadeep Salt	10:1	R.D 22/03/2007 SS from 15/03/2007

3 Apna Money

3.1 Viewpoint : Budget good for economy, bad for markets

Budget good for economy, bad for markets

With volatility likely to continue, investors should look from a medium- to long-term horizon

The Nifty has been up around 40% in calendar year (CY) 2006 and has delivered a CAGR return of around 38% in 2003–2006. This rally has been supported by significant improvement in fundamentals and strong corporate earning growth.

After a positive closing for eight consecutive months, the Indian markets corrected in February 2007. The Nifty was down around 10%-11% in February 2007. The fall in the markets over the month can be attributed to a number of factors including (a) the sharp run-up over the last eight months, (b) concerns relating to domestic inflation, (c) contraction of risk appetite accompanied with higher volatility, and (d) an average Union Budget 2007-08 from a stock-market perspective.

In February 2007, inflation went up as high as 6.9%. To control inflation and excess liquidity, the Reserve Bank of India (RBI) raised the repo rate by 25 basis points (bps) and the cash reserve ratio (CRR) by 50 bps. Even the finance minister cut impact duty on many products including cement and capital goods, reduced fuel prices and banned exports of price-sensitive commodities.

These measures could possibly have an impact on economic and corporate earning growth. It has also raised concerns that the government is willing to take on steps to control inflation even at the expense of economic and corporate earning growth.

In an environment with concerns about growth, the budget assumes greater importance as a driver for market performance. It can be considered positive from a macro-economic perspective with emphasis on agriculture, infrastructure and fiscal consolidation.

Efforts on fiscal consolidation are commendable and the full-year fiscal deficit for FY 2007 is now estimated to be 3.7% of GDP, lower than the budget forecast of 3.8% of GDP. The government expects the fiscal deficit to shrink to 3.3% of GDP in FY 2008.

A significant thrust has been placed on infrastructure spending, which is budgeted to increase 40% to 2.9% of GDP. Key initiatives have been taken in the fields of agriculture, irrigation and education, which are a basis for long-term equitable growth.

The budget is, however, negative from a stock market perspective for the following reasons:

* MAT has been introduced for export-oriented companies, particularly impacting the IT sector.

* Retrospective withdrawal of tax benefits to select companies in the construction sector has come as a negative surprise, severely impacting the earning of construction companies.

* Increase in excise is going to impact the profitability of companies in the cement sector. The graded price-based model sends signals of the government’s intervention in the free-market pricing structure.

* Imposition of service tax on rentals is going to adversely impact the real-estate and retailing sectors.

* Increase in dividend distribution tax and an additional cess of 1% (against an expectation of a possible cut in surcharge) would impact investor sentiments in general.

At an overall level, the budget, though positive on the macro-economic front, can adversely impact corporate earning growth and, subsequently, market performance.

So the main question that arises is that do these concerns alter the longer-term fundamental picture? It does not. Economic growth drives such as strong consumption expenditure, robust private and government investments and infrastructure spending, favourable demographics, and increased export competitiveness are structural in nature and are not impacted by these shorter-term concerns. These structural factors should continue to drive economic growth.

The Indian economy has already clocked a growth rate of 9.1% in the first three quarters of FY 2006. Gross savings and capital formation rate have each crossed 32% of GDP in FY 2006. International credit-rating agencies like Fitch and S & P have recently upgraded their sovereign ratings on India to investment grade with a stable outlook. Corporate quarterly results have been robust and have been much stronger than expectations for a third quarter in succession.

The longer-term growth theme remains intact and this should continue to attract long-term investors to the Indian markets. However, as long as inflation remains high, the government may continue to address the same through various tightening measures. Sentiments in the global equity markets seem to have become less bullish. The markets could, thus, potentially correct to lower valuations to factor in a moderation in expectations. The same has already partly occurred with the market fall.

The Sensex now trades at 16.2x FY2008 earning compared with 18.3x FY2008 earning at the peak. It is difficult to judge whether the markets will correct further or if the current correction is enough to factor in contraction in risk appetite. The markets will be driven by global uncertainties, greater clarity on the impact of some of the budget proposals and further measures taken by the government.

While the short- to medium-term outlook remains uncertain, this provides a good opportunity for long-term investors to increase exposure to equities at more attractive levels. Given that market volatility is likely to continue, investors should look at investing primarily from a medium- to long-term horizon.

Sanjay Sinha is Head of Equity, SBI Mutual Fund. The views expressed are his own and the publication does not necessarily subscribe to them

3.2 Taxation : Righting the wrong

Righting the wrong

It is not only assessess who make mistakes while filing returns. Even IT officers do while passing orders

It is human to err. Everyone should be given an opportunity to rectify his error/mistake. Income-tax laws also provide for rectification of mistakes through sec 154. What are the provisions of sec 154?

A) Sub-Section (1): The income-tax (IT) authority can rectify any mistake apparent from the record and may amend the following orders: an order passed under any provision of the Act; and an intimation or deemed intimation under sec 143(1)

IT authority as per sec 116 means the Central Board of Director Taxes (CBDT), Directors – General/Chief Commissioners, Directors/Commissioners/Commissioners (Appeals), Additional Director/Additional Commissioner/Additional Commissioner (Appeals), Joint Directors/Joint Commissioners, Deputy Directors/Deputy Commissioner/ Deputy Commissioner (Appeals), Assistant Directors/Assistant Commissioners, income-tax officers, tax recovery officers, and inspectors.

Mistake apparent from the record, means a mistake which is obvious and patent and not something which is established by a long-drawn process of reasoning and debate. It is glaring and obvious and can be a mistake of fact or mistake of law. It includes misreading a clear provision, application of wrong provision of the Act or erroneous application of same, and relief granted contrary to statutory provision. It should not involve statutory interpretation. It also includes over looking a non-discretionary but mandatory provision.

Record for the purpose of sec 154 does not merely mean assessment order. Things which accompany return are also part of record [Annamallais Agencies v/s CIT (2003) 260 ITR 478 (Mad)]. A record comprises all proceedings on which the assessment order is based [Maharana Mills (P.) vs ITO (1959) 36 ITR 350 (SC)].

A record also means record of case comprising entire proceedings including documents and materials produced by parties and taken on record by the IT authority available at the time of passing of the order which is the subject matter of the proceedings for rectification. One can not go beyond the record and look into fresh evidences or materials not on the record at the time the order is sought to be rectified was passed [Gammon India vs CIT (1995) 214 ITR 50 (Bom)].

B) Sub-section (1A): The assessing officer (AO) cannot amend an order mentioned in sub-sec (1) if is subject to appeal or revision. But if only part of the order is subject matter of appeal or revision, then the other part of the order, which is not the subject matter of appeal, can be amended by AO under sec 154.

C) Sub-section (2): The mistake apparent from the record can be rectified by the IT authority either on its own or after it has been pointed out by the assessee or by the commissioner (appeals).

D) Sub-section (3): Before making any amendment to the order, which has the effect of enhancing an assessment or reducing a refund or otherwise increasing the liability of the assessee, the concerned IT authority has to give notice to the assessee of its intention of amending the order and also give a reasonable opportunity of being heard to the assessee.

E) Sub-section (4): Amended order shall be passed in writing by the concerned income tax authority.

F) Sub-section (5): If any amendment has the effect of reducing the assessment, the AO will make refund due to the assessee.

G) Sub-section (6): If an amendment has the effect of enhancing the assessment or reducing the refund already made, AO will issue a notice of demand to the assessee for the sum receivable from the assessee. The notice issued will be deemed to be issued under sec 156 and provisions of this act will apply accordingly.

H) Sub-section (7): Time limit to make application for rectification under sec 154 is within four years from the end of the financial year in which the order sought to be amended was passed.

The word "order" in expression "from the date of the order sought to be amended" in sec 154(7) includes amended or rectified order and, therefore, where original assessment is subsequently rectified, a second application for rectification made within four years from date of first rectificatory order is valid [Hind Wire Industries v CIT (1995) 212 ITR 639 (SC)].

I) Sub-section (8): Where an application for amendment is made by the assessee on or after 01 June 2001, the IT authority has to act upon it and pass an order in writing within a period of six months from the end of the month in which such application is made. Refusal to make rectification shall also require an order under this section. The authorities making rectification are authorised by the CBDT to dispose of an application even after the expiry of time limit, if a valid application had been filed by the assessee within the statutory time limit but was not disposed of by the concerned authority within the aforesaid time limit vide circular No.73, 7 January 1972.

J) The assessee can file an appeal or can make an application for revision under sec 264 against the order of rectification passed by the AO.

3.3 Future Perfect : Rainy-day nest

No need to keep a paying guest to make your house earn for you. Mortgage it to a bank and earn steady income during your life

Independence has become a catch word for not only the yonger generation also for senior citizens. Today's grandparents want to live life on their own terms and do not want to be financial dependent on their children. Many provide for the retirement years through savings. But often the income required for retirement is underestimated or due to some reason a chunk of the retirement funds are used for other purposes like medical emergencies, and child's education.

Coming to the rescue of senior citizens who need a steady income during their golden years is reverse mortgage. Highly popular in the west reverse mortgage unlocks the money locked in your most important asset — your home.

What is reverse mortgage? A reverse mortgage is a loan against your home that you do not have to pay back for as long as you live there. With a reverse mortgage, you can turn the value of your home into cash without having to move or to repay the loan each month. The cash you get from a reverse mortgage can be paid in several ways: all at once, in a single lump sum of cash; as a regular monthly cash advance; as a 'credit line' account that lets you decide when and how much of your available cash is paid to you; or as a combination of these payment methods.

Still the owner

No matter how this loan is paid out to you, you typically do not have to pay anything back until you die, sell your home, or permanently move out of your home. To qualify for most loans, the lender checks your income to see how much you can afford to pay back each month. But with a reverse mortgage, you do not have to make monthly repayments. So you do not need a minimum amount of income to qualify for a reverse mortgage. You could have no income and still be able to get a reverse mortgage.

With most home loans, you could lose your home if you do not make your monthly payments. But with a reverse mortgage, there are no monthly repayments to make, so you can not lose your home by not making them. Reverse mortgage systems would, perhaps, be a boon to senior citizens who are property rich, but cash poor, and shall be another instrument for the banks to compete for

How does it work? Suppose the value of your house is assessed at Rs. 60 lakh and you are 65 years of age. Assuming that you will live upto the age of 82 years, you are eligible to get loan for a tenure of 15 years. It becomes important to mention that the older you are the more eligible you become for the loan since this would reduce your loan tenure. Let's say you get 60% of the value of your house as loan, which comes to Rs. 36 lakh. It means that you will receive Rs 88000 on an annual basis. So, every month you will get Rs 7352 for 15 years.

How do you get the loan? You have to approach a housing finance company (HFC) or a bank and express your interest in pledging your home for the reverse mortgage scheme. The HFC will assess the value of your house and, depending on your age and the prevailing interest rate, the amount of loan payable to you will be decided.

The value of the house will be determined by independent valuation through the generally accepted property valuation methodology in the industry. Though there would be a provision for periodic valuation and consequent adjustment of payments, the loan amount will be fixed on the basis of current value and not on possible future appreciation. The interest rate at which the loan will be given is most likely to be marginally higher than the prevailing interest rates as the lending company will receive its money when the borrower dies. The loan to value ratio is fixed at 45%-60% of the value of the property based on the age.

What happens after the loan tenure? Under the present recommendations of the National Housing Bank (NHB), the borrower needs to be 62 years of age and the tenure of the loan is fixed at 15 years. However, if he outlives the tenure of the loan, he will not be asked to move out of the house. Although payments will stop after 15 years, the interest will keep accumulating till the accounts are finally settled.

Loan tenure

The corpus accumulated at the end of 15 years will be used to fund the years that you outlive the loan tenure. The accounts will be settled by the HFC only after the borrower's death or if he vacates or sells the property. The settlement of the outstanding loan amount, along with the accumulated interest, will be met by the proceeds of the sale. In the event of the borrower's death, his spouse can continue to occupy the property until her demise, and she is usually made a co-borrower. So it makes sense to include the spouse in the loan or else the bank will reclaim the loan after the borrower's demise.

How is it different from a usual home loan? A reverse mortgage, as the name implies, goes in reverse of the usual loan structure. Here it is the borrower who gets a monthly payment instead of making a payment. There is an evaluation of the cost of the property. Around 60% of the evaluated value is lent by the bank. It is a loan without recourse. The lender will never ask the borrower to pay the loan amount. Instead, he will recover the loan after the death of the borrower.

The rate of interest is expected to be 1-2% higher than the home loan rate. There will also be some additional cost like the property evaluation costs. Reverse mortgage does not take into account any income stream or your earning capacity. It will only evaluate the value of your home and lend.

3.4 Investing : Changing times, changing needs

Changing times, changing needs

Have a lifelong commitment to mutual funds, but not necessarily to any particular scheme

Many investors consider units of mutual funds to be similar to stocks. This is wrong. Mutual funds are financial intermediaries allowing group of investors to pool their money with a pre-defined objective. Managers with necessary expertise and experience in deploying large corpus of funds invest in assets as per their fund’s objectives.

Mutual funds can be classified into equity-oriented funds (diversified, sector-specific, large-, mid-, and small-cap funds) and non-equity oriented funds (monthly income plans, sector specific funds, fixed maturity schemes, balanced funds, gilt funds, and debt funds). Besides, there are balanced and hybrid schemes which invest in both equities and debt instruments. Further, mutual funds schemes can be divided into sub-categories depending on the risk-return parameters of the individual. Other forms of classification include open- and close-ended.

There are approximately 200 equity funds that are available to investors. However, if we take a close look at the number of schemes offered by all the mutual fund houses, most of them resemble old wine presented in a new bottle, except a few of them which have actually justified their fund objective.

Before choosing a mutual fund, investors should study the investment objective, the track record of the fund manager, standard deviation (measuring volatility in the fund’s performance), expense ratio, the entry and exit load attached to the scheme, the performance of other funds falling under the umbrella of the mutual fund house, and periodical returns offered by the fund over the last three to five years or the return from the scheme since its inception. Browsing through the fact sheet of mutual funds for all these details provides a fair idea about the tactful application of investments and the returns.

While purchasing stocks, one has to pay brokerage, security transaction tax (STT) and service tax applicable on the transaction. All these expenses add up to the per unit cost of the shares. Similarly, when a unit of mutual fund is purchased, the investor has an entry and exit load clause attached to it. The entry and exit loads take care of the expenses incurred to manage the fund. A majority of equity-oriented schemes have an entry load of 2.25%, while debt-oriented schemes have varying exit loads.

Just as investors can sell or buy shares in the primary and secondary markets, investors in mutual funds can also buy units from new fund offering (NFOs) or from the secondary market. Some schemes are listed on the stock exchange, while open-ended funds are sold and redeemed by fund houses every working week day.

Again, investors in stocks can change the composition of their portfolio by liquidating same holding and adding new stocks. Similarly, mutual fund investors can exchange their units and switch over to another scheme of the same fund house or sell their units to invest in schemes of other fund house. However, in close-ended scheme, they have no choice but to stay invested for the period of maturity.

Investment in 10 to 12 mutual fund schemes should normally cover almost all the value-rich companies and sectors. When an investor has exposure to a large number of mutual fund schemes, there is a possibility of some of the schemes overlapping each other's investment objective. One needs to rebalance the portfolio and make sure that they are not over-exposed to a particular stock. Hence, a switch to some other scheme with a different basket of shares make sense.

When you invest in stock, you a target a return over a timeframe. Similarly, investors in mutual fund can also aim for certain returns over a period. Subsequently, investors can sell their units and take exposure to new schemes with some other investment objective.

What distinguishes a good mutual fund from a mediocre is returns. The fund should generate a return equivalent to the benchmark comparative index or outperform it, just as a stock should out perform its peers in the some sector and the broad market. For example, a mutual fund generates a return of 30%. This is a very high rate of return compared with safer investment avenues like bonds, fixed deposits and postal saving schemes. But if the comparable benchmark index has given a return of 45% over the same period and similar mutual fund schemes from other fund houses in the sector have generated returns in the range of 40% to 50%, it becomes necessary to switch over to another better performing fund.

Weigh the risk-profile

Besides return, the other reason for switching over from one scheme to another is the risk profile of the investor. A switch becomes a necessity to realign the portfolio to adjust it with the changes in the risk-return appetite.

Other factors that may instigate switching from one scheme to another is the change in investment objective, or investment strategy of the scheme, or fund manager (investors associate a substantive part of the fund performance with the experience and concepts of the fund manager), or assets under management (AUM) of the scheme. Large assets can act as a drag on the NAV, while a low asset base reduces the flexibility of the fund manager to take exposure to large-caps.

Another reason is for maximising returns. Investors in a unit-linked insurance scheme can switch four times a year among the different options without any extra cost. To start with, the policyholder can initially choose the maximiser option, which gives him maximum equity exposure. Let's say that at the time of purchase of the insurance policy, the NAV was Rs 35 and the Sensex was hovering at 11,500 levels. The investor remains invested till the Sensex reached 14,000. The applicable NAV of the scheme has also risen accordingly. Now, the investor feels that the equity market seems to be overvalued. He switches over to a conservative preserver option, where his returns will fall in the range of 8% to 10%, but will also come with very high degree of safety. As the NAV of the conservative option is lower that that of the maximiser option, the investor gets more units at the price at which he exited from the maximiser option. He remains invested in the conservative option till the time he observes the volatility in the market to have stabilised. Thereafter, he notices the Sensex is climbing up and has reached near the 12,800 levels. Again, the investor switches to the maximiser option to capitalise on the rising Sensex. The NAV of the maximiser option could be more than that of the conservative option. So the investor switching from the maximiser option may get less units. But with the rising Sensex, he would be in for gain. In this way the investor utilises the maximum benefit with minimum costs involved.

What is the cost of switching over? Investors can switch from one equity-oriented mutual fund to another by paying STT of 0.25%. However, some fund houses charge an additional 0.25% over and above STT, making the total switch-over cost to escalate to 0.5%.

Equity-oriented funds that have a minimum lock-in period of one year attract a switching charge of 1% besides STT. If the investor intends to switch from a equity-oriented scheme to a debt fund, he has to redeem the units and proceed after deduction of STT.

Investors should not to get carried away by new fund offers that attract them with the option of no-entry load and NAV at face value of the unit. As a matter of fact, mutual funds can claim up to 6% of total funds raised allocated towards expenses related to the scheme, which brings down the returns.

The Securities and Exchange Board of India (Sebi) has clarified that NFOs of close-ended schemes can amortise expenses on the corpus of funds over the tenor of the scheme. However, open-ended schemes have to amortise the expenses at one go and this reflects on the NAV of the scheme.

Investors should not fail to understand that their objective isn't to invest in mutual funds with lower NAVs, but in schemes that coincide with their investment objective and perform in line with the benchmark index.

3.5 Investment Strategies : Hedging? Or speculation?

Hedging? Or speculation? **Capital required for derivatives trading is much less than needed in the cash market. But the risks are greater**

Related Tables

Taking a forward view

Related Articles

Pay-off time

In developed countries, volumes in the derivatives market are far more than in the cash market. India is also fast catching up with this trend. The National Stock Exchange (NSE), the market leader in futures and options (F&O) trading, reported an almost 90% leap in turnover in value terms in 2005-06 compared with 2004-05. A

Derivatives are financial products that derive their value from underlying financial assets such as stocks, bonds, commodities, currencies and so on. This article, however, restricts itself to stock and index derivatives.

Before derivatives trading was introduced in 2000, the cash market had b*adla* system to facilitate carry-forward of trades. The need for derivatives trading was felt after market regulator Securities Exchange Board of India (Sebi) banned badla or carry-forward trades, blaming it for unbridled speculation. Now trading in the cash market is delivery based and settled on the second day.

But liquidity in the market depends on healthy speculation or forward-looking projection on stocks' performance. To introduce regulated speculation, Sebi permitted index futures in June 2000, and index options in June 2001. Stock options were allowed in July 2001, while stock futures introduced in November 2001. The purpose of a parallel F&O market is to shift large number of speculators from the cash market to the derivatives market.

Futures contract is a binding contract between the buyer and the seller. The buyer is obliged to purchase the underlying asset from the seller at a predetermined price and date in future. The quantity of the underlying asset is standardised. When the underlying asset is an index, the future contract is called index future. If the underlying asset is a stock, the future contract is called stock future

Option trading gives the buyer the right but not the obligation to buy or sell the underlying asset (stock or index) at a predetermined price within or at the end of a specified period. The buyer pays a premium to the seller for vesting him the right but not the obligation to buy the underlying asset. The seller has to fulfill his obligation if the buyer decides to exercise his option. The predetermined price is also known as strike or exercise price. The underlying asset in stock option in stocks. The underlying asset for index options is any stock index, say, the Nifty or the Sensex. Apart from the Nifty and Sensex, the investor can also trade in various sector-specific indices such as IT index, Bank Index, and so on.

The key difference between options and futures is that the holder of the option contract has the right but not the obligation to buy or sell the underlying asset on or before the expiry of the contract. In futures trading, on the other hand, the contract is binding on both the parties: buyer and seller. Second, the option holder pays a premium and bears limited risk, while the seller bears unlimited risk. In futures, both parties have unlimited risk.

Options follow two different set of rules when it comes to settlement. An option that is exercised on or before the expiry date is called American option. Any option that is exercised only on expiry date is called European option. At present, all the index options that are available on Indian stock exchanges are European in nature, while stock options are American style.

If a buyer of stock options decides to exercise his option before expiry date, he submits his request for exercise to the stock exchange. In turn, the stock exchange randomly assigns the exercise request to the sellers of the options. Profit is credited to the buyer’s account and debited from the seller’s account.

Taking a call

Options are of two types: call and put option. Call option provides the right to the buyer to buy the underlying asset on or before the expiry date at or predetermined price. In put option, buyer gains the right to sell the underlying asset on or before expiration date at a predetermined price. If the investor is bullish, he can buy call option, or else he can buy put option if he thinks the market would tank in future. These are the two most simple strategies of investing in options. Many other complex trading strategies are available depending on market scenario, various permutation and combinations of F&O products and so on.

Stock exchanges periodically revise the list of stocks available for trading in the F&O segment depending on new listings and changes in market capitalisation of stocks. End March 2006, futures and options on 118 stocks were available.

Just as stock prices in the cash market are available, so also are F&O quotes. How to read those quotes? Take an example: Reliance Industries CA-1500-MAR. Here, CA means call option, 1500 refers to strike price (Rs 1500), and MAR means the option would expire in March.

The F&O trading pattern on the NSE indicates that the futures are more popular compared with options. Contracts on securities are more popular than those on indices. Among options, call options are more popular than put options.

Investors need to open a separate account with broker for trading in derivatives. To start with, the investor has to pay an initial margin. The purpose of the initial margin is to reduce the default risk and ensure settlement. Besides, the exchange calculates variation margin, known as mark-to-market or MTM. This daily margin is calculated by taking into consideration gain or loss on the investor’s outstanding position. MTM is an effective risk management tool widely used by stock exchanges. The investor needs to carefully go through the fine print and understand the mechanism of margin, as it is not as simple as it looks.

Lot size of the contract is fixed by the stock exchanges. Lot size refers to number of underlying shares that one F&O contract represents. Invariably the lot size depends on the minimum contract size and varies from company to company, depending on the stock price. Sebi has fixed the minimum contract size at Rs 2 lakh based on the recommendation of the Standing Committee on Finance, a parliamentary committee. The market regulator periodically realigns lot sizes taking into consideration price appreciation or decline. In February 2007, NSE revised the lot size of 64 stocks to meet Sebi guidelines of minimum contract value of Rs 2 lakh. Lots of 52 stocks were revised downwards, while 12 stocks witnessed upward revision.

The three-months horizon

The F&O contracts are available for a maximum period of three months. The investor can opt for one-, two-, or three-month contract. The settlement of F&O takes place on the last Thursday of each month. If the last Thursday is public holiday, settlement takes place on the previous day. New contracts are introduced on the next working day.

Investors needs to exercise extra caution while trading at and around settlement period as volatility is on the higher side in this period. All types of F&O contract are cash settled. There is no delivery of shares. The gain or loss is settled by calculating difference between original ‘buy’ or ‘sell’ price minus final settlement price. The risk of default or counter-party risk does not exist as the clearing corporation of the stock exchange acts as counter-party for settlement and guarantees execution of trade. Otherwise, the investor can square up his position any time before expiry of contracts.

Currently, brokers charge around 5 paise to 10 paise on both F&O contract. For futures, it is applicable on the contract value, while for options it is applied on the contract value plus premium. Recently, Sebi came out with a circular mandating brokerage on the premium amount at which the option contract was bought or sold and not on the strike price of the option contract. Further, brokerage on options contracts shall not exceed 2.5% of premium or Rs. 100 whichever is higher.

The various benefits of investing in derivatives include high leverage, risk mitigation, and opportunities to speculate for short term. In derivatives trading, ‘leverage’ is the key. The investor pays margin money and brings in additional funds depending on MTM gains or losses. The current margin is around 10%. The investor can take position up to eight to 10 times of its initial margin. For instance, to take a position in RIL futures with a strike price of Rs 1400 and lot size is 150, the contract size would be Rs 2.1 lakh. An investor can pay just Rs 21000 as initial margin and take position worth Rs 2.1 lakh. The investor would require Rs 2.1 lakh to buy 150 shares of RIL in the cash market. Thus, due to high leverage, the investor can take large exposure with small amount.

Investors can also protect their investment by using derivatives as tool to hedge risk. For this, investors need to take equal and opposite positioning futures. For instance, if the investor is long in RIL in the cash market, he can take short position in RIL in the futures market to cover risk. Stock futures cover stock- and industry-specific risk, which is also known as unsystematic risk.

Moreover, investors can take short position in index futures to cover market risk, which is nothing but risk associated with the broader market such as political, economic, policy and so on.

If an investor has a strong short-term market view, he can always invest or speculate by using index futures.

Coping with volatility

However, volatility in index futures is much higher compared with underlying spot indices. Besides, the investor should know the composition of the index and weights enjoyed by various companies. This is essential to form an opinion and gauge future movement of the index.

Investors can also take exposure to options, call or put, depending on short-term view on the market and stock. Out here, the maximum amount the investor can lose is the premium paid. Thus, the investor carries limited downside risk with good opportunities to make profit.

Investors can also think of arbitrage between cash market and F&O market. However, this is bit technical and requires in-depth understanding of the derivatives market.

Market liquidity in derivatives is still an issue, particularly for options. Investors should give preference to most liquid contracts to get better deal as the difference between bid (buy) and ask (sell) prices would be minimal.

F&O are high-leverage products. The risk is limited to the premium paid in options. However, risk is unlimited in futures and in put options. Derivatives are suitable to investors with a high-risk appetite.

Presently, investors can speculate up to a maximum of three months. Thus, it is not possible to take long-term position in F&O market. Stock market experts believe that more long-tenure F&O products are needed to meaningfully increase in depth of the market.

Taking a forward view

Permitted lot sizes of contracts in the derivatives (F&O) market

Derivatives on indices	
Underlying	**Market Lot**
S&P CNX Nifty	50
CNX IT	50
BANK Nifty	50
Deri. on Individual Sec.	**Market Lot**
ABB	100
Aban Offshore	200
Associated Cement Co.	375
Allahabad Bank	2450
Alok Industries	3350
Amtek Auto	600
Andhra Bank	2300
Arvind Mills	4300
Ashok Leyland	4775
Aurobindo Pharma	350
Bajaj Auto	100
Bajaj Hindustan	950
Balrampur Chini Mills	2400
Bank of Baroda	1400
Bank of India	1900
Bata India	1050
Bharat Electronics	275
Bharat Earth Movers	250
Bharat Forge Co	1000
Bharti Airtel	500
Bharat Heavy Electricals	150
Ballarpur Industries	1900

Bombay Dyeing & Mfg. Co	300
Bongaigaon Refinery	4500
Bharat Petroleum Corporation	1100
Canara Bank	1600
Cairn India Limited	1250
Century Textiles	425
CESC	550
Chambal Fertilizers	6900
Chennai Petroleum Corporation	900
Cipla	1250
Colgate Palmolive (I)	525
Corporation Bank	1200
Crompton Greaves	1000
Cummins India	950
Dabur India	2700
Divi's Laboratories	250
Dr. Reddy's Laboratories	400
Escorts India	2400
Essar Oil	5650
Federal Bank	1300
GAIL (India)	750
Gateway Distriparks	1000
The Great Eastern Shipping Co.	600
Glaxosmithkline Pharma	300
GMR Infrastructure	1000
Gujarat Narmada Fertilizer Co.	2950
Grasim Industries	175
GTL	1500

Gujarat Alkalies & Chem	1400
Gujarat Ambuja Cement	2062
Hindustan Construction Co	1400
HCL Technologies	325
HDFC	150
HDFC Bank	200
Hero Honda Motors	400
Hindalco Industries	1595
Hindustan Lever	1000
Hindustan Petroleum Corporation	1300
Hinduja TMT	300
ICICI Bank	350
I-FLEX Solutions	150
IDBI	2400
IDFC	2950
IFCI	7875
Indian Hotels Co.	1750
India Cements	1450
Indian Bank	2200
Indusind Bank	3850
Infosys Technologies	100
Indian Petrochemicals Corpn.	1100
Indian Overseas Bank	2950
Indian Oil Corporation	600
ITC	1125
IVRCL Infrastructure & Projects	500
J & K Bank	300
Jet Airways (India)	400

Jindal Steel & Power	125
Jaiprakash Associates	300
Jaiprakash Hydro-Power	6250
Jindal Stainless	2000
JSW Steel	550
Kotak Mahindra Bank	550
The Karnataka Bank	1250
LIC Housing Finance	1700
Lanco Infratech	850
Larsen & Toubro	200
Lupin	350
Mahindra & Mahindra	625
Maharashtra Seamless	600
Maruti Udyog	400
Matrix Laboratories	1250
United Spirits	250
Mphasis	800
Mangalore Refinery and Petrochemicals	8900
Mahanagar Telephone Nigam	1600
Nagarjuna Constrn. Co.	1000
Nagarjuna Fertiliser & Chemicals	14000
National Aluminium Co.	1150
NDTV	1100
Neyveli Lignite Corporation	5900
Nicolas Piramal India	1045
National Thermal Power Corporation	1625
Oil & Natural Gas Corp.	225
Orchid Chemicals	1050

Oriental Bank of Commerce	1200
Parsvnath Developers	700
Patni Computer Syst	650
Power Finance Corporation	2400
Punjab National Bank	600
Polaris Software Lab	1400
Praj Industries	1100
Punj Lloyd	300
Ranbaxy Laboratories	800
Reliance Communications	700
Reliance Energy	550
Reliance Capital	550
Reliance Industries	150
Shree Renuka Sugars	500
Reliance Petroleum	3350
Steel Authority of India	2700
Satyam Computer Services	600
State Bank of India	250
Shipping Corporation of India	1600
Sesa Goa	150
Siemens	375
Sobha Developers	350
SRF	1500
Strides Arcolab	850
Sterlite Industries (I)	875
Sun Pharmaceuticals India	225
Sun TV	125
Suzlon Energy	200

Syndicate Bank	3800
Tata Chemicals	1350
Tata Consultancy Services	250
Tata Motors	412
Tata Power Co.	400
Tata Steel	675
Tata Tea	275
Titan Industries	411
Triveni Engg. & Inds.	3850
Tata Teleserv(Maharastra)	10450
TVS Motor Company	2950
Ultratech Cement	200
Union Bank of India	2100
UTI Bank	450
Vijaya Bank	6900
Voltas	1800
Videsh Sanchar Nigam	525
Wipro	600
Wockhardt	600
Zee Entertainment Enterprises	700

Market lot for May 2007 & later expiries*

Bajaj Hindustan	1900
Balrampur Chini Mills	4800
Cairn India Limited	2500
Chennai Petroleum Corporation	1800
Colgate Palmolive (I)	1050
Divi's Laboratories	62

Gateway Distriparks	2000
The Great Eastern Shipping Co.	1200
Grasim Industries	88
ITC	2250
Mahindra & Mahindra	312
Shree Renuka Sugars	1000
Siemens	188
Sterlite Industries (I)	438
Tata Tea	550
Titan Industries	206
Triveni Engg. & Inds.	7700
Voltas	3600

*The National Stock Exchange (NSE) reduces or increases frequently the lot size of a number of contracts, including the briskly traded Nifty contract, to conform to the prescribed minimum contract value of Rs 2 lakh as per a Sebi circular of 2004. This exercise becomes necessary due to the fall or rise of the markets.

Pay-off time

Pay-off in futures: Pay-offs in futures are simple. For instance, investor A buys Reliance Industries (RIL) futures at Rs 1200 on expectation that the price will rise in future. Now, if RIL goes up to Rs 1400, investor A would earn Rs 200 per share. On the contrary, the seller of the future contract would lose Rs. 200 per share.

Pay-off in options: If the price of the underlying shares decline below the strike or exercise price, the buyer of the put option makes profit. If the price of the underlying share goes beyond the strike or exercise price, the buyer of the call option makes profit. Such options are said to be ‘in-the-money’ option. In short, in-the-money options are those which can be exercised for profit. Premium on in-the-money options are higher compared with ‘out-of-the-money’ options.

Out-of-the-money options are those which are worthless and cannot be exercised. Premium on out-of-the-money options is low.

For instance, an investor buys RIL call option with a strike price of Rs 1500. But the RIL market price goes up to Rs 1600. If the investor exercises his option, he can earn Rs 100 per share (Rs 1600 *minus* Rs. 1500). The simple concept of buying at lower level and selling at higher applies here. This option is said to be in-the-money option.

Now assume the share price goes down to Rs 1400. The call option would turn worthless or out-of-the-money as buying from the cash market at Rs 1400 is a profitable proposition compared with exercising the option and buying at Rs 1500.

Take the same example forward: if the share is trading at Rs 1500, the investor will not make any profit or loss on this call option. Such options are called 'at-the-money' option. If we choose to exclude brokerage and other transaction costs, this is break-even point.

For the seller of the option, premium is the assured income. If the buyer decides to exercise his option, the loss arising from this would be borne by the seller. If the option is not exercised, the seller keeps full premium. If the buyer exercises the option on settlement date, the pay-off for the seller would be premium minus loss on option exercised or settled. This could be profit or loss, depending on the magnitude of the loss: difference between the strike price and the settlement price.

3.6 MUTUAL FUND SCOREBOARD - Part IV

Scheme/Index Name	N.A.V.	Corpus	Annualised					Ranking Returns				
	(Rs)	Jan-07	1 WK	1 mon	3 MON	6 MON	1 year	1 WK	1 mon	3 mon	6 mon	1 year
Short Term Plans												
HDFC High Interest Fund - STP (G)	13.5261	45.08	4.13	2.65	5	6.26	6.95	9	11	10	10	7
HDFC Short	13.2969	78.3	1.65	0.47	3.88	5.53	6.18	13	13	13	14	16

Term Plan (G)												
Birla Bond Plus - Retail (G)	13.7825	233.38	2.88	1.36	4.09	5.78	6.87	12	12	12	11	9
Templeton India Short Term Income (G)	1352.54	519.11	-5.3	-5.49	1.93	4.76	6.35	19	20	19	17	13
Pru ICICI Short Term Plan (G)	14.1297	481.04	4.65	3.75	5.46	6.48	6.88	8	8	9	7	8
Grindlays Super Saver Income - Short Term (G)	14.6578	66.55	0.36	-1.44	2.63	4.65	5.83	14	15	17	18	17
Chola Freedom Income-Short Term Fund (Cumu.)	11.8217	111.45	7.42	7.52	7.55	7.76	7.05	3	3	3	2	5
Deutsche Short Maturity Fund (G)	12.4555	45.64	-2.47	-3.14	2.25	4.95	6.23	17	19	18	15	15
DSP ML Short Term Fund (G)	12.8842	98.78	6.93	-2.04	2.77	4.93	6.36	4	17	16	16	12
HSBC Income Fund - Short Term Plan (G)	12.3253	66.23	-15.73	-11.95	-1.48	2.76	4.78	21	21	21	21	20
ING Vysya Select Debt Fund (G)	11.1533	6.03	3.7	2.79	2.91	3.77	4.25	11	10	15	20	21
UTI-Liquid -	12.134	34.21	-0.86	-1.47	1.57	4.29	5.71	16	16	20	19	18

Short Term Plan (G)											
Birla Sun Life Short Term Fund (G)	13.2805	35.64	9.24	9.01	8.4	8.01	7.35	1	1	1	1	2
JM Short Term Fund - (G)	13.267	41.99	-0.28	3.23	5.54	6.3	6.25	15	9	8	9	14
Kotak Bond - Short Term Plan (G)	13.3931	223.3	-3.58	-0.09	4.87	6.4	6.78	18	14	11	8	10
LICMF Short Term Plan - (G)	11.9471	0.9	5.02	4.99	5.71	5.56	5.42	7	5	7	13	19
Principal Short Term Plan (G)	13.3685	470.48	-10.51	-2.58	3.43	5.59	6.62	20	18	14	12	11
Reliance Short Term Fund - (G)	12.973	401.15	3.9	4.52	6.75	7.27	7.29	10	7	5	5	3
Sundaram Select Debt - STAP (G)	13.0199	17.13	7.74	7.87	7.67	7.57	8.11	2	2	2	4	1
Tata Short Term Bond Fund - (G)	13.252	46.09	6.78	6.65	7.41	7.66	7.01	5	4	4	3	6
ING Vysya Income Portfolio - Short Term (G)	13.1891	115.22	6.57	4.53	6.26	7.04	7.26	6	6	6	6	4
Average			1.54	1.48	4.5	5.87	6.45					
Min			-15.73	-11.95	-1.48	2.76	4.25					
Max			9.24	9.01	8.4	8.01	8.11					

Short Term Plans - Institutional												
Principal Income Fund - STP - Inst (G)	12.4196	470.48	-10.31	-2.38	3.63	5.8	6.76	7	6	5	5	4
JM Short Term Fund - Inst Plan (G)	12.5359	41.99	0.04	3.56	5.74	6.58	6.58	5	3	3	3	5
Grindlays SSIF - STP - Super Inst (G)	10.8628	66.55	0.96	-0.93	3.12	5.09	6.34	4	5	6	6	7
Chola Freedom Income-Short Term-Inst (Cum)	11.9636	111.45	7.38	7.5	7.59	7.78	7.14	1	1	1	1	2
Birla Bond Plus - Institutional Growth	13.9136	233.38	3.11	1.57	4.29	5.99	7.1	3	4	4	4	3
HSBC Income Fund - STP - Inst Plan (G)	12.4897	66.23	-15.32	-11.59	-1.1	3.16	5.19	8	8	8	8	8
Templeton India Short Term Income - Inst (G)	1081.13	519.11	-5.2	-5.39	2.03	4.86	6.48	6	7	7	7	6
Pru ICICI Short Term Plan - Inst (G)	14.2677	481.04	4.94	4.04	5.76	6.79	7.2	2	2	2	2	1
Average			-1.8	-0.45	3.88	5.76	6.6					
Min			-15.32	-11.59	-1.1	3.16	5.19					
Max			7.38	7.5	7.59	7.78	7.2					

Liquid Funds

HDFC Liquid Fund (G)	14.7856	2374.76	7.73	7.78	7.71	7.39	6.94	1	1	3	3	5
UTI-Money Market Fund (G)	20.9088	184.08	6.64	7.01	7.75	7.45	7	21	15	2	2	2
Templeton India TMA - Reg (G)	1851.27	3434.43	7.13	7.04	7.1	6.93	6.65	15	14	18	19	14
Prudential ICICI Liquid Plan - (G)	18.2418	12396.2	7.33	7.36	7.27	6.99	6.69	9	8	13	15	12
DSP ML Liquidity Fund (G)	18.2191	2630.59	6.94	6.9	7.07	6.96	6.78	19	18	19	17	10
Birla Sun Life Cash Manager (G)	18.2987	407.26	7.59	7.54	7.61	7.33	6.79	3	4	5	5	9
Birla Cash Plus - Retail (G)	20.0359	9304.29	7.43	7.42	7.4	7.16	6.85	6	6	9	10	8
HSBC Cash Fund (G)	12.5325	2880.16	7.08	7.18	7.28	7.02	6.67	16	13	12	14	13
ABN AMRO Cash Fund (G)	11.4002	745.96	6.59	6.73	6.82	6.74	6.18	22	19	22	20	20
BOB Liquid Fund (G)	13.3337	44.87	7.56	7.52	7.16	6.94	6.69	4	5	15	18	12
Sahara Liquid - Fixed Pricing (G)	1333.65	15.68	7.43	7.36	7.42	7.13	6.5	6	8	8	11	16
UTI Liquid - Cash Plan (G)	1219.24	8289.45	7.36	7.41	7.37	7.23	6.79	7	7	10	7	9

Reliance Liquid Fund - Treasury Plan (G)	17.9591	1785.98	7.18	7.19	7.17	6.96	6.41	12	12	14	17	17
Chola Liquid Fund - Cum Plan	15.0637	408.09	7.31	7.18	7.13	7.09	6.89	10	13	17	12	6
Canliquid (G)	13.5735	946.51	7.16	7.23	7.37	7.18	6.98	13	11	10	9	3
ING Vysya Liquid Fund - (G)	15.7808	2939.69	7.61	7.42	7.3	7.07	6.71	2	6	11	13	11
JM High Liquidity Fund - (G)	20.4618	874.2	7.35	7.63	7.62	7.35	6.69	8	2	4	4	12
LICMF Liquid Fund - (G)	13.5271	7329.4	7.3	7.57	7.97	7.74	7.36	11	3	1	1	1
Principal Cash Mgmt - Liquid (G)	14.6355	4278.28	7.35	7.23	7.15	6.96	6.67	8	11	16	17	13
Grindlays Cash Fund - (G)	13.7215	406.02	7	6.93	6.83	6.66	6.22	17	17	21	22	19
Kotak Liquid - (G)	14.7215	5074.01	6.99	6.99	6.92	6.69	6.38	18	16	20	21	18
Deutsche Insta Cash Plus Fund (G)	12.5051	1209.07	6.93	7.24	7.53	7.22	6.95	20	10	6	8	4
Tata Liquid Retail Invest Plan - (G)	1724.41	4685.2	7.49	7.54	7.44	7.25	6.86	5	4	7	6	7
Sundaram Money Fund -	15.6201	1044.74	7.15	7.26	7.1	6.97	6.62	14	9	18	16	15

Appreciation												
Average			7.23	7.28	7.31	7.1	6.72					
Min			6.59	6.73	6.82	6.66	6.18					
Max			7.73	7.78	7.97	7.74	7.36					
Floating Rate Income Fund - Short Term												
Deutsche Floating Rate Fund (G)	12.0548	106.79	7.49	7.53	7.54	7.25	7	9	8	9	9	5
Chola Floating Rate Fund (G)	11.4253	2.81	4.02	3.79	5.28	5.23	5.48	20	19	20	20	20
Templeton Floating Rate Income - ST (G)	13.3939	983.2	7.56	7.6	7.45	7.21	6.61	7	6	10	10	14
Pru ICICI Floating Rate - Option A (G)	11.5534	1292.89	6.42	6.85	7.17	6.91	6.66	16	15	14	14	13
Pru ICICI Floating Rate Plan Option B(G)	12.3978	1292.89	6.7	7.11	7.42	7.17	6.92	15	13	11	12	6
Principal FRF - SMP Regular (G)	11.5624	494.95	7.77	7.73	7.7	7.45	7.13	2	4	5	5	4
HSBC Floating Rate Fund - STP (G)	11.4062	329	7.28	7.19	7.13	6.84	6.51	11	11	15	15	15
Grindlays Floating Rate Fund - (G)	12.3404	266.96	6.39	6.46	6.56	6.55	6.3	17	16	17	17	18
ABN AMRO	11.3944	136.87	6.05	6.12	6.2	6.28	6.13	18	17	18	19	19

Floating Rate (G)											
Kotak Floater Short Term (G)	12.2407	341.9	7.51	7.55	7.6	7.42	6.91	8	7	7	6	7
UTI-Floating Rate Fund - STP (G)	1216.4	762.9	7.62	7.37	7.24	7.12	6.9	6	10	13	13	8
JM Floater Fund - STP (G)	12.2797	194.26	6.97	7.17	7.3	7.18	6.89	14	12	12	11	9
Reliance Floating Rate Fund (G)	11.6026	1476.64	7.7	7.78	7.95	7.63	7.15	4	3	3	2	3
Sundaram Floating Rate - ST (G)	11.285	160.43	7.26	7.05	6.77	6.62	6.35	12	14	16	16	17
Tata Floating Rate Fund - STP (G)	11.9285	311.49	7.75	7.71	7.59	7.36	6.87	3	5	8	7	11
ING Vysya Floating Rate (G)	11.4988	24.13	7.22	7.52	7.97	7.54	6.75	13	9	2	3	12
LICMF Floating Rate Fund - STP (G)	11.8993	1450.75	7.64	8.11	8.38	8.08	7.5	5	1	1	1	1
Tata Floating Rate Fund - STP Inst (G)	11.6315	311.49	7.9	7.86	7.74	7.51	7.19	1	2	4	4	2
Magnum Floating Rate	11.5308	66.31	4.3	4.32	5.77	6.3	6.4	19	18	19	18	16

Plan-STP (G)											
Birla Floating Rate Fund - STP (G)	12.2601	830.45	7.41	7.55	7.67	7.34	6.88	10	7	6	8	10
Average			6.95	7.02	7.22	7.05	6.73					
Min			4.02	3.79	5.28	5.23	5.48					
Max			7.9	8.11	8.38	8.08	7.5					
Floating Rate Income Fund - Long Term												
Magnum Floating Rate Plan-LTP Regular(G)	11.4798	22.49	11.02	8.15	6.69	6.94	6.33	1	1	7	6	6
Tata Floating Rate Fund - LTP (G)	11.5228	5.85	4.98	5.98	6.69	6.36	5.62	13	12	7	11	11
Sundaram Floating Rate - LT (G)	11.2543	8.94	5.8	6.27	6.43	6.58	6.47	11	9	10	8	4
JM Floater Fund - LTP (G)	11.9425	8.27	5.59	5.91	5.44	5.81	6.06	12	13	12	13	9
Kotak Floater Long Term (G)	11.6033	86.71	6.48	6.1	6.73	7.04	6.91	8	11	6	4	2
Principal FRF - FMP Regular (G)	11.6051	176.95	7.83	7.77	7.73	7.62	7.24	4	2	2	2	1
Pru ICICI Long Term Floating Rate Plan A (G)	11.4563	201.36	7.06	6.47	6.68	6.62	6.47	7	8	8	7	4
Birla Floating	12.2417	51.89	6.1	6.78	7.37	7	6.37	10	7	4	5	5

Rate Fund - LTP (G)												
Grindlays Floating Rate Fund LTP (G)	11.4502	80	7.34	7.11	6.67	6.39	5.81	5	6	9	10	10
HSBC Floating Rate Fund - LTP (G)	11.3843	74.99	10.65	7.41	7.01	6.57	6.2	2	4	5	9	7
Templeton Floating Rate Income - LT (G)	13.3991	799.07	7.09	7.29	7.38	7.26	6.66	6	5	3	3	3
DSP ML Floating Rate (G)	12.2538	501.39	6.35	6.22	6.37	6.32	6.14	9	10	11	12	8
ABN AMRO Long Term Floating Rate (G)	10.9193	218.62	8.13	7.65	7.96	7.8	7.24	3	3	1	1	1
Average			7.26	6.85	6.86	6.79	6.42					
Min			4.98	5.91	5.44	5.81	5.62					
Max			11.02	8.15	7.96	7.8	7.24					

Returns are calculated for the respective period ended 05 March 2007.

3.7 Commodities : Copper, zinc, but not coffee!

Liquidation of positions and ban on rice and wheat futures give rise to volatility

The global commodity markets faced intense volatility in the fortnight ended 3 February 2007. The unwinding of Japanese yen carry-trades (borrowing in yen carrying low interest rates and investing in currencies or stocks in markets giving higher returns) impacted all global asset classes. While the world equity markets reacted to the appreciation in the Japanese currency nervously, commodities also faced selling pressure with precious metals falling off multi-month highs.

More drama unfolded in the domestic commodities market with the Union government announcing on 28 February 2007 a ban on launching new forward contracts in wheat and rice to curb inflationary pressures. This acted as yet another dampner for agricultural commodities, which had come under selling pressure in February 2007 after the government scrapped futures trading in urad and tur — two major commodities in the pulses complex. The movement in metals and energy, meanwhile, was in tandem with global trends.

Here is a round-up and a brief outlook of major commodities in the fortnight ended 3 March 2007:

Metals: Bullish

Copper: Copper rose on a combination of short covering and bargain hunting in the initial part of the fortnight ended 3 February 2007. The commodity, under pressure since the last two months, bounced back this time. The London Metal Exchange (LME) data also supported the red metal: inventories dropped from 2,16,000 tonnes on 17 February 2007 to 2,05,400 tonnes on 1 March 2007. The MCX copper futures for April, traded on the Multi-Commodity Exchange of India, surged initially on this date, hitting a seven-week high of Rs 286.6 per kg on 25 February 2007.

However, bulk liquidation was observed in the commodity afterwards, pulling down the contract to close at Rs 268.8 on 3 March 2007—a moderate gain of 2.71% in the fortnight.

Zinc: The trading pattern in MCX zinc futures was similar to copper futures. The commodity gained strength in the initial period on falling LME inventories and good buying support, which took the MCX April zinc contract from Rs 153.6 to a high of Rs 165.65 on 26 February 2007. The open interest in the contract also went up by 44%.

A steeep fall in global equities cast a shadow on the commodity afterwards. There was a sharp sell-off despite the decline in LME inventories continuing to enhance the medium-term prospects of the commodity.

Silver: Silver has followed movements in gold prices over the last few weeks. The white metal gained strength from the move-up in gold prices in the fortnight-ended 3 March 2007.

Comex gold futures, traded on the precious metals division of the New York Mercantile Exchange (NYMEX), shot up to a nine-month peak on 26 February 2007, pushing Comex silver futures to a high of $14.86 on the same day. MCX silver futures for April also raced ahead, hitting Rs 21549. The contract, however, closed at Rs 19322 — down 6.65% in the fortnight

*Trading idea***:** Both zinc and copper should firm up in the coming days as trading in the global markets returns to normalcy, digesting the impact caused by the unwinding of the Japanese yen carry-trades.

Copper is likely to find support at low levels on rising demand from China. As per the data released by the General Administration and Customs of China, refined copper imports of China have surged by 86% to 1,31,851 tonnes in January. This should boost sentiments in the global copper mart. The LME warehouse stocks of zinc dipped from 99,000 tonnes on 21 February 2007 to 93,400 tonnes on 2 March 2007 — shedding about 6% and portraying a bullish picture in the near term.

Energy: Firm

Crude Oil: After witnessing a reversal in the middle of January 2007, crude oil prices continued their upward movement in the second half of February 2007 as well. While the initial gains in the commodity stemmed from falling inventories of heating and fuel oil in the US due to an extended cold snap in the north-eastern region of the country, the recent strength emanated from strong defiance by Iran on its nuclear programme.

Light, sweet crude oil futures for April 2007 rose at a steady pace on good buying support and hit a one-month high of $62.40 per barrel on 1 March. The contract closed at $62.14 per barrel.

MCX crude oil futures also gathered steam following international cues, and firmed to a high of Rs 2756 on 1 March 2007. The contract closed at Rs 2723 — up 4.56% in the fortnight.

Natural Gas: Natural gas futures have acted in a mixed manner over the last few weeks. The commodity soared from 19 February onwards with the MCX April contract hitting a high of Rs 354.3 per million british thermal units (mbtu). Some profit booking, however, was seen in the commodity afterwards when the Energy Information Administration reported (EIA) that natural gas inventories in the US were above the average of the last five years.

According to EIA estimates, working gas in storage was 1,733 billion cubic feet (bcf) on 23 February 2007 — a net decline of 132 bcf, from the previous week's stock of 179 bcf. But the above five-year average (1,554 bcf) stock softened the commodity on NYMEX, with futures closing at Rs 325.8 — down 2.52% in the fortnight.

*Trading idea***:** Crude oil futures are likely to trade on a firm note in the coming weeks as the Iran nuke issue enfolds. The 15-member UN Security Council is expected to have a draft resolution in the coming weeks on additional sanctions to curb Iran's nuclear aspirations. The new measures are a follow-up to a key Security Council resolution in December 2006 that imposed trade sanctions after Iran refused to suspend uranium enrichment.

These developments are expected to keep the commodity well supported at moderate dips. However, worries of a US economic recession may prompt traders to sell the commodity at higher levels.

Natural gas is likely to witness continued mixed trading pattern in the coming days. Further profit booking can be expected to emerge as the MCX March futures expire on 20 March 2007.

Agricultural commodities: Mixed trends

Jeera: Unwarranted rainfall remained the prime driver of jeera's rally in the fortnight ended 3 March 2007. Futures gained over 3% and spot prices more than 10%. Erratic monsoon in major jeera-sowing regions including Rajasthan and other northern parts of India played havoc, prompting jeera traders to take long positions in the futures market, while urging physical traders to maintain stocks in warehouses in anticipation of higher rates in the near future.

According to market sources, the country's production of jeera is likely to fall 20%-25% to 1,12,000 tonnes in 2006-07.

NCDEX's benchmark March futures, traded on the National Commodity Exchange of India, ended at Rs 10935 per quintal — spurting by more than 3% in the fortnight ended 3 March 2007. Spot market prices also surged. In Unjha Mandi, the commodity swelled by more 10%, closing at Rs 11006 per quintal.

Coffee: The Economic Survey for 2006-07, released on 27 February 2007, expressed concern about the problems of coffee growers in India. The report highlighted the stagnating output of coffee since 2000-01.

The Wholesale Price Index (WPI) of coffee, however, has improved from 90 on 24 January 2004 (1993-94=100) to 196.2 on 27 January 2007. With increase in prices, there appears to be a resurgence in coffee production so far in 2006-07.

Meanwhile, coffee futures on MCX witnessed a declining trend in the fortnight ended 3 March. Both March and May expiry contracts falling 3% and 1.5%, respectively, taking cues from the global markets, particularly the London International Financial Futures Exchange (LIFFE).

Near-month expiry contract closed at Rs 6903 per quintal on 17 February 2007. A steady decline was witnessed from those levels since then, and the contract closed at Rs 6696 per quintal on 2 March 2007. The contract touched an intra-day high of Rs 7035 per quintal on 26 February 2007, and a low of Rs 6579 per quintal on 2 March 2007. Open interest in the contract fell by 14%.

Coffee May expiry contract is a much interesting story. Open interest in the contract amplified by 100% in the fortnight ended 3 March 2007, while the contract's closing price dipped a meager 1.5%. The May expiry contract closed at Rs 6794 per quintal 3 February 2007. Thus, the fall in prices was triggered primarily by short selling.

Red Chilli: Chilli futures recouped some of their lost ground this time, emboldened by the resurgence of buying interest by traders in the physical market as prices slumped by more than 5% in the first couple of weeks of February 2007.

Low market arrivals also bolstered the buoyancy in the market. Total arrivals were 30,000-35,000 bags from the middle of February 2007 against the daily average arrival of 50,000-60,000 bags due to some unseasonable rainfall in Madhya Pradesh, a state which accounts for most of the arrivals.

From Rs 3755 per quintal, NCEX March chilli futures embarked on a northward journey throughout the fortnight. The contract ended at Rs 4338 per quintal, gaining more than 14% in the fortnight ended 3 March 2006. The counter lost 14% in open interest, indicating some short covering.

The spot market also showed bullish trends. At Guntur Mandie, exchange-quality chilli closed at Rs 4285 per quintal, spurting by more than 5% in the fortnight ended at 3 March 2007.

Trading idea: Lower production of jeera in the country coupled with rise in stock positions in the market will be a major concern for the market. The development will, nevertheless, keep the current buoyancy intact. Traders might hunt for fresh long positions in the futures market at every decline in the near term.

However, the story is opposite for coffee. Considering the current movement in prices and the international scenario, coffee looks bearish in the coming weeks. Near-month expiry contract can see further declines from the current levels as traders square off their positions: contracts expire in March. The May contract is already witnessing heavy short selling. So, overall, the ‘commodity is in a bearish mood.

3.8 Commodity Watch : As good as gold

A weak dollar and prospects of rising crude oil prices make the yellow metal attractive once again after a recent correction

Related Tables

Mismatch favours bulls

The recent corrective dip in gold prices has come at the right time for those commodity market participants who missed the opportunity to be part of the rally that is likely to push the yellow metal to its quarter-century peaks once again.

After surging 13% in 2006, Comex gold futures for April, traded on the precious metals division of the New York Mercantile Exchange (NYMEX), clocked a high of $692.5 per ounce on 26 February 2007 — a jump of 14% in eight weeks.

The commodity, however, retreated from these highs as the global markets tumbled under extreme volatility caused by the unwinding of the Japanese yen carry-trades (borrowing in low-interest bearing Japanese currency to invest in currencies and stocks in markets giving high returns). Comex gold closed at $644.1 per ounce on 2 March 2007 — a drop of nearly 6% in four sessions.

2006 performance

Gold had performed slightly below expectation in 2006. The yellow metal returned about 13% in 2006 — a fair return but insipid when compared with the 37% appreciation in silver and a 14.50% jump in platinum. While the commodity managed to top a 25-year high of $730 in May 2006, every other spurt in the yellow metal was limited as crude oil and the US dollar, the twin factors determining the demand for gold, gave mixed signals.

Crude oil eased end of the year, thereby keeping gold under check and restraining the annual return on the commodity.

The 2006 data released by the World Gold Council recently points towards a steady rise in gold prices in 2007 as well. Though the data show that both supply of and demand for gold have dipped from a year-ago period, the decline in supply is much steep than the fall in demand.

While the demand for gold came down 9.8% in 2006, supply slipped 13.3%. Furthermore, the continuous fall in the output of gold in South Africa, the largest producer of the commodity, is also pushing up prices. According to South Africa's Department of Minerals and Energy, the index of physical production of gold dipped 7.7% in 2006 compared with 2005.

Which are the key factors that will determine gold's movements in 2007?

US economy: The US economy has slowed down quite considerably over the last couple of years. Recent GDP figures of 2.2% for the fourth quarter (ending December) of 2007 confirm the impact of the monetary tightening by the US Federal Reserve. The Fed hiked its benchmark lending rate for a consecutive 19 times from May 2004 to June 2006. The overheating in the US economy appears to have cooled down with a substantial slump in the housing market. Though the US Fed, as a result, has held rates at 5.25%, the other major central banks have been raising rates, pulling the US dollar down due to dropping interest-rate differentials.

The dollar weakness enhances the appeal of gold as an alternative asset in the international markets. The ballooning trade deficit of the US means a further decline in the US dollar in the coming months.

Iran face-off: Gold showed great strength when global geopolitical tensions escalated following Iran's blunt refusal to suspend uranium enrichment. Now the UN Security Council is likely to impose additional sanctions to curb Iran's nuclear ambitions, stirring the global geopolitical climate and making gold a safe haven.

Iran is the second-largest exporter in the Organisation of the Petroleum Exporting Countries (Opec). It is also located along the Strait of Hormuz, a channel that sees about 90% of global oil exports flow through it.

Market participants expect any threat of sanction on Iran to cause a sharp spike in crude oil prices in the coming days. This is likely to push up inflationary pressures, spurring further buying in gold.

Outlook

The recent sell-off in gold, which stemmed from weakness in major global equity markets, is likely to give way to sustained buying in the commodity over the coming months. The latest spell of volatility and correction in global equities has been primarily triggered from the unwinding of yen carry-trades (borrowing in the low-interest bearing Japanese currency and investing in other markets giving higher returns) after the Bank of Japan increased its benchmark interest rates from 0.25% to 0.50% last fortnight. The Japanese yen closed at an 11-week high at 116.79 against the US dollar on 2 March 2007.

This prompted fund houses to cut their long positions in gold to make up for the falling strength in equities. However, given the current geopolitical scenario and prospects of further erosion in the value of the US dollar, gold should appreciate from these levels, marching towards quarter-century highs once again.

Mismatch favours bulls

Demand-supply of gold in tonnes

	2005	**2006**
Supply		
Mine production	2,522	2,467
Net producer hedging	-86	-403
Total mine supply	2,436	2,063
Official sector sales	659	319
Old gold scrap	889	1,069
Total supply	3,984	3,451
Demand		
Fabrication		
Jewellery	2,704	2,267
Industrial & dental	429	458
Sub-total above fabrication	3,133	2,725
Bar & coin retail investment	412	400
Other retail investment	-24	-28
ETFs & similar	208	265
Total demand	3,729	3,362

Source: The World Gold Council

3.9 MUTUAL FUND SCOREBOARD - Part I : Performance as on 05 March 2007

Scheme/ Index Name	N.A.V. (Rs)	Corpus Jan-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												
HHDFC Core & Satellite Fund (G)	22.575	721.61	-14.27	-2.73	2.26	N.A	N.A	22	26	24	0	0
HDFC Top 200 Fund (G)	97.942	1787.97	-11.93	-0.02	8.5	33.33	42.61	16	23	20	9	4
HDFC Equity Fund - (G)	134.736	4167.65	-8.76	3.28	11.52	36.42	43.38	6	15	17	5	2
HDFC Growth Fund (G)	42.445	397.66	-12.3	1.39	13.45	30.92	37.03	18	19	11	10	9
HDFC Premier Multi-Cap Fund (G)	16.503	780.06	-11.28	0.96	4.74	N.A	N.A	13	21	23	0	0
Birla Sun Life Equity Fund (G)	163.24	490.88	-10.51	8.44	12.97	41.62	42.56	10	6	12	2	5
Reliance Vision Fund - (G)	161.49	2610.45	-10.48	3.33	12	34.16	53.76	9	14	15	7	1
Reliance Equity Opportunities Fund (G)	19.4034	2355.51	-8.8	5.45	17.21	N.A	N.A	7	10	5	0	0
Pru ICICI Dynamic Plan	59.9255	1723.28	-6.33	10.62	24.82	43.94	N.A	2	1	1	1	0
Franklin India Flexi	18.57	3642.39	-11.74	-0.59	7.9	N.A	N.A	15	25	21	0	0

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3.10 MUTUAL FUND SCOREBOARD - Part II

Scheme/ Index Name	N.A.V.	Corpus	Annualised			CAGR		Ranking Returns				
	(Rs)	Jan-07	3 mon	6 mon	1 year	2 years	3 years	3 mon	6 mon	1 year	2 years	3 years
Income Funds												
HDFC Income Fund (G)	16.5328	234.14	-5.07	1.06	2.66	2.41	1.98	28	26	27	28	26
HDFC High Interest Fund (G)	24.299	42.75	-4.87	0.34	2.78	2.65	1.92	26	27	26	26	28
Magnum Income Fund - (G)	19.7951	79.67	0.32	4.08	5.11	4.11	2.69	16	16	12	18	22
Templeton India IBA - (G)	24.9351	102.86	-2.96	4.71	4.55	3.49	2.39	25	10	17	23	24
Templeton	25.6492	186.85	-0.29	4.11	4.96	3.84	2.83	19	15	13	21	21

India Income Fund - (G)											
Prudential ICICI Income Plan - (G)	21.4307	284.84	-5.03	4.52	5.52	4.51	3.21	27	11	5	12	17
Grindlays Super Saver Income - Invest Plan (G)	16.7516	60.05	-1.61	3.71	4.94	3.9	2.47	22	20	14	19	23
HSBC Income Fund - Invest Plan (G)	12.2757	30.85	-1.51	2.5	4.34	4.13	3.25	21	23	19	17	16
DSP ML Bond Fund - Retail Plan (G)	24.999	57.13	4.79	5.53	5.23	4.43	3.38	3	5	9	13	13
Birla Income Plus - Retail (G)	30.2756	231.22	-1.76	3.79	5.16	4.27	2.83	23	18	11	15	21
Birla Bond Index Fund (G)	11.5772	1.86	2.65	4.07	5.22	4.32	2.9	8	17	10	14	18
Birla Sun Life Income Fund (G)	25.7423	33.66	1.51	7.9	7.77	5.75	4.16	12	2	1	5	9
BOB Income Fund (G)	12.6331	0.46	4.73	4.42	3.95	3.76	4.24	4	12	23	22	8
Kotak Bond - Regular	19.4994	52.38	1.73	5.87	6.65	5.59	4.58	11	3	3	7	4

Plan (G)											
LICMF Bond Fund - (G)	19.886	107.59	-2.5	1.75	4.46	4.56	3.62	24	24	18	10	12
ING Vysya Income Portfolio - (G)	18.1425	10.47	1.97	4.23	4.23	3.85	2.85	10	14	20	20	20
Sundaram Bond Saver - Appreciation	22.7069	64.93	0.6	4.07	4.11	3.18	2.15	14	17	22	25	25
Sundaram Income Plus - (G)	12.8093	7.12	4.54	5.21	5.42	4.11	3.89	5	7	6	18	10
CanIncome (Growth)	13.2346	1.27	5.52	5.47	4.85	7.01	5.74	2	6	15	1	1
Chola Triple Ace - (Cumulative)	23.9276	14.79	0.34	1.3	2.23	2.57	1.95	15	25	28	27	27
Deutsche Premier Bond Fund - Regular Plan (G)	12.0942	2.07	-6.63	3.47	3.88	4.22	3.36	29	21	24	16	14
JM Income Fund - (G)	28.6595	27.21	2.97	3.46	3.73	3.28	2.89	6	22	25	24	19
Principal Income Fund - (G)	17.4897	657.53	2.09	5.83	6.96	5.72	4.43	9	4	2	6	6
Reliance Income Fund - (G)	23.1239	95.4	-0.81	4.77	5.26	4.83	4.45	20	9	7	8	5

Tata Income Fund - (AO)	24.9132	43.9	1.23	4.83	4.21	6.95	5	13	8	21	2	3
Tata Income Plus - RIP (G)	12.6369	3.94	6.55	8.02	6.3	6.06	4.29	1	1	4	4	7
UTI-Bond Advantage Fund - LTP (G)	18.8206	21.38	2.79	4.34	4.82	4.55	3.32	7	13	16	11	15
UTI-Bond Fund (G)	21.5619	313.33	0.15	3.78	4.85	6.39	5.01	17	19	15	3	2
Kotak Bond - Deposit Plan (G)	18.5565	52.38	-0.02	4.08	5.24	4.68	3.77	18	16	8	9	11
Average			0.39	4.18	4.81	4.45	3.43					
Min			-6.63	0.34	2.23	2.41	1.92					
Max			6.55	8.02	7.77	7.01	5.74					
Income Funds - Institutional												
Tata Income Plus - HIP (G)	12.6704	3.94	6.53	8.01	6.3	6.06	4.29	1	1	2	2	2
HSBC Income Fund - Invest Plan (G)	12.2757	30.85	-1.51	2.5	4.34	4.13	3.25	4	5	5	5	4
ING Vysya Income Portfolio - Inst (G)	18.8945	10.47	3.03	5.3	5.33	4.96	3.93	2	3	4	4	3
Principal Income Fund - Inst Plan	12.3502	657.53	2.48	6.24	7.42	6.29	5.05	3	2	1	1	1

(G)											
Prudential ICICI Income Plan - Inst (G)	21.9878	284.84	-4.69	4.97	6.03	5.12	3.93	5	4	3	3	3
Average			1.17	5.4	5.88	5.31	4.09					
Min			-4.69	2.5	4.34	4.13	3.25					
Max			6.53	8.01	7.42	6.29	5.05					
Gilt Funds - Short Term Plans												
HDFC Gilt Fund Short Term Plan (G)	13.628	11.35	2.99	4.67	4.82	4.18	3.87	11	11	10	11	8
Magnum Gilt Fund - Short Term (G)	14.7965	12.26	7.42	6.55	5.13	4.38	3.73	1	3	7	9	9
Kotak Gilt - Savings Plan (G)	18.0948	14.66	3.17	5.05	5.64	5.19	5.16	10	9	5	4	2
HSBC Gilt Fund - Short Term Plan (G)	11.1451	2.01	6.39	5.6	4.7	4.2	3.46	2	6	11	10	10
Grindlays G Sec Fund - STP (G)	12.5637	0.91	5.62	5.1	4.59	4.01	2.82	5	8	12	12	13
DSP ML G-Sec Fund - B (G)	16.8437	4.8	1.68	4.88	5.58	5.38	4.84	12	10	6	3	4
Birla Sun Life Govt Sec - Short	15.9159	0.6	5.26	9.36	7.02	5.14	3.3	6	1	1	5	11

Term (G)											
Birla Gilt Plus - Liquid Plan (G)	18.1363	21.72	5.02	7.71	6.73	5.71	5.45	7	2	2	1	1
UTI-G-Sec Fund - STP (G)	11.674	89.8	5.85	5.76	6	5.64	5.02	4	4	4	2	3
Templeton India G-Sec Fund - Treasury Plan (G)	13.9115	94.65	4.26	5.54	4.94	5.05	4.75	8	7	8	6	5
Reliance Gilt Securities - STP (G)	11.4675	6.32	6.15	5.68	3.62	3.87	3.16	3	5	13	13	12
Principal Govt Securities - Savings (G)	14.013	0.27	3.43	3.9	6.24	4.86	4.35	9	12	3	7	7
Pru ICICI Gilt Fund (Treasury) - (G)	17.8314	63.97	-1.07	3.28	4.91	4.82	4.58	13	13	9	8	6
Average			4.32	5.62	5.38	4.8	4.19					
Min			-1.07	3.28	3.62	3.87	2.82					
Max			7.42	9.36	7.02	5.71	5.45					
Gilt Funds - Long Term Plans											
HDFC Gilt Fund Long Term Plan (G)	15.6137	36.77	-1.49	3.48	2.56	2.43	1.14	13	18	20	19	21
Templeton	24.1972	135.14	-0.99	5.16	4.79	4.11	3.03	11	9	11	11	12

G-Sec Fund - Composite - (G)											
ING Vysya Gilt Portfolio (G)	12.1983	0.04	5.13	4.72	4.37	3.53	4.6	3	11	14	17	2
JM G-Sec Fund - Regular Plan (G)	21.1605	4.68	3.05	3.72	3.71	3.79	3.15	4	16	17	16	11
LICMF G-Sec Fund - (G)	18.8839	58.03	0.63	4.25	4.82	3.99	2.81	6	14	10	13	14
Reliance Gilt Securities - LTP (G)	12.7143	51.42	-1.84	7.22	5.99	5.59	6.16	14	4	5	1	1
Sundaram Gilt Fund - (G)	13.4279	1.35	5.86	5.38	4.55	4.02	3.71	2	7	13	12	5
Templeton India G-Sec Fund - Composite (G)	24.1972	135.14	-0.99	5.16	4.79	4.11	3.03	11	9	11	11	12
Templeton India G-Sec Fund - LTP (G)	16.5718	56.69	-1.1	7.44	6.29	5.15	4.27	12	3	4	5	3
UTI-Gilt Advantage Fund - LTP (G)	15.1904	62.42	-2.38	4.41	4.84	5.04	3.56	15	12	9	6	7

Magnum Gilt Fund - Long term (G)	17.1599	67.13	-0.04	4.88	5.3	4.39	2.62	8	10	7	9	15
Kotak Gilt - Invest Plan (G)	23.4544	33.68	-9.44	1.7	4.02	3.46	2.9	20	21	16	18	13
Pru ICICI Gilt Fund (Investment) - (G)	22.305	95.05	-5.28	8.05	7.29	5.35	3.79	18	2	1	3	4
Principal Govt Securities - Invest (G)	15.9914	23.12	-9.77	1.8	4.03	4.83	3.41	21	20	15	8	8
Birla Gilt Plus - Regular Plan (G)	23.2706	59.49	-5.02	8.39	7.19	5.44	3.59	17	1	2	2	6
Birla Sun Life Govt Sec - Long Term (G)	19.7846	2.3	1.15	5.27	5.07	3.95	2.38	5	8	8	14	18
BOB Gilt Fund (G)	11.3258	4.62	7.1	6.2	6.48	4.9	2.51	1	5	3	7	16
Can Gilt (PGS)-(G)	18.3504	67.45	0.41	3.56	3.67	3.79	2.5	7	17	18	16	17
Chola Gilt Investment Plan-(G)	18.5327	2.65	-0.4	4.33	0.85	1.52	1.46	9	13	21	20	20
DSP ML G-Sec Fund - A (G)	23.005	32.77	-5.44	2.63	3.21	4.23	3.27	19	19	19	10	10

Grindlays G Sec Fund - Invst Plan (G)	13.6775	5.9	-3.98	5.77	5.96	5.21	3.33	16	6	6	4	9
UTI-G-Sec Fund (G)	19.0306	132.16	-0.52	4.15	4.69	3.8	2.18	10	15	12	15	19
Average			-1.15	4.89	4.75	4.21	3.15					
Min			-9.77	1.7	0.85	1.52	1.14					
Max			7.1	8.39	7.29	5.59	6.16					
Gilt Funds - Long Term PF Plans												
UTI-Gilt Advantage Fund - PF Plan (G)	11.296	62.42	-2.42	4.39	4.83	5	3.53	7	7	7	4	2
Templeton India G-Sec Fund - PF Plan (G)	10.6283	135.14	-0.99	5.19	4.84	4.14	N.A	6	5	6	8	0
Magnum Gilt Fund - LTP - PF (G)	10.9745	6.04	0.03	5.03	5.5	4.62	2.9	5	6	4	5	6
Principal Govt Securities - Provident (G)	10.7749	46.36	-8.25	1.07	3.45	3.92	2.45	12	13	11	11	9
Pru ICICI Gilt Fund - Treasury - PF Option	11.3762	31.35	0.92	4.02	5.05	4.5	4.17	3	10	5	6	1
LICMF G-Sec Fund -	10.8892	58.03	0.62	4.25	4.82	3.99	2.81	4	9	8	9	7

PF Plan (G)												
Kotak Gilt Invest - PF & Trust Plan (G)	23.7574	33.68	-9.04	2.12	4.45	3.88	3.32	13	11	9	12	3
JM G-Sec Fund - PF Plus (G)	10.9935	9.26	-2.84	1.58	2.95	3.74	3.14	8	12	12	13	5
JM G-Sec Fund - PF Plan (G)	22.086	2.96	3.99	4.26	3.88	3.94	3.31	2	8	10	10	4
Grindlays G Sec Fund - PF Inst (G)	11.105	21.47	-3.65	5.51	6.13	5.54	N.A	10	3	3	2	0
Grindlays G Sec Fund - PF (G)	11.0754	21.47	-3.56	5.61	6.23	5.65	N.A	9	2	2	1	0
BOB Gilt Fund - PF Plan (G)	10.6766	0.33	6.31	6.4	6.83	5.07	2.25	1	1	1	3	10
Birla Gilt Plus - PF Plan (G)	20.6039	93.51	-5.99	5.3	5.05	4.3	2.61	11	4	5	7	8
Average			-1.91	4.21	4.92	4.48	3.05					
Min			-9.04	1.07	2.95	3.74	2.25					
Max			6.31	6.4	6.83	5.65	4.17					

4 Editorial : Dull, but on track

One more step to making budget a routine affair, not losing sight of cooling prices without sacrificing growth

Happily, Budget 2007-08 proved to be a non-event. And it was not just the meltdown in the markets in Asia, Europe and US that overshadowed this annual ritual. The absence of Big Bang reforms robbed the exercise of its glamour, and rightly so. On the surface, the forthcoming elections in Uttar Pradesh seemed to be the factor behind the timidity. Redressal of the distressing plight of farmers was also seen influencing the efforts to give a greater thrust to rural infrastructure and credit distribution to rectify the apparent tilt towards urban priorities in the earlier budgets. Instead of second-guessing the motives, why not give credit to Union Finance Minister P Chidambaram for believing that the economy is doing fine and there is no need for a major surgery? Inflation was due to supply constraints rather a fallout of the above 8% growth. The diagnosis was simple and so also his prescription: slashing the peak import duty on non-agricultural items to cool domestic prices, and increasing the effective tax rates to staunch the flow of money supply into the hands of consumers and investors. Of course, there was some tweaking of excise duties and exemptions here and there. No doubt these were minor, but nevertheless seemed irrational. Some were clearly the end result of successful lobbying by interest groups, which are integral and indispensable in a democratic society, and let us not grudge the finance minister for handing out some crumbs to his pets!

There is no doubt that a very clever mind was at work on the budget. Take the raising of dividend distribution tax to 25%. Indian companies are going through a huge capital expenditure program to expand capacities either through acquisitions or setting up greenfield projects. They need resources and are not going to dip into their reserves to maintain large dividends just to keep shareholders happy in the short term. Far-sighted investors too are obliterating ‘dividend yield stocks’ from their handbook of investment. Technology companies are not sought for their ability to sustain and expand payouts, but for their prowess to ramp up the price-earning ratio. Similarly, including employee stock options in the purview of fringe benefit tax (FBT) is a long overdue step. Increasingly, shareholder revolt against companies that ‘forget’ to account for this ‘expense’ in the balance sheet is gathering momentum in the US. Besides, granting of these options is far from democratic and is at the discretion of the board. Hopefully, the measure will bring some transparency to the process, which can be achieved by clear-cut taxation guidelines, leaving no scope for ambiguity. To be fair, however, the finance minister should have removed from the FBT list some ‘perks’ given by companies across the broad. Similarly, MAT on IT companies comes at a time when the external environment is favourable to the tech business, and sharing some of the spoils with the government should not cause great discomfort either to these companies or investors.

The purpose behind the 1% extra education cess is ambitious: to extend the scope of government funding beyond primary schooling to secondary education. What is wrong is the timing. Tax revenues are up and infrastructure spending is creating more jobs and assessees. So even a slight reduction in peak income-tax rates could have nicely complemented this new impost. Similarly, bringing down the peak import duty to 10% is a double-edged sword. Inputs become less expensive, but so also end products. Countervailing duties are supposed to ensure that cheaper imports do not harm local manufacturers. The government, therefore, is not always able to meet its objective of stabilising or even lowering prices of items in short supply. The inherent contradiction is evident from the exclusion of agriculture commodities from the import-duty cut. By the government's own admission, the primary contributor to inflation is food items. Banning futures trading in some of the essential items in short supply should have been accompanied by their tariff-free imports. At a time when farmers are going through hardships due to unremunerative prices for their crop, allowing overseas producers unhindered access to the Indian markets would have been suicidal. The ban on futures trading in urad, tur, rice and wheat can be a short-term cure. Though disruptive and denting confidence of investors, such intervention by the government is necessary to tackle crisis. The more effective solution would be to foresee such emergencies and take steps to curb speculation (by insisting on delivery-based contracts, for example), and not wait till the last minute to defuse the time bomb.

5 Cover Story : Union Budget : Some crumbs

Increase in tax incidence and absence of more concessions for accelerating growth balanced by fiscal responsibility

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The Union Budget 2007-08 ended up giving cheaper biscuits at a time Corporate India was expecting a buffet of wide-ranging reforms and reduction in taxes to boost global competitiveness. Though the markets had anticipated some tightening in view of the galloping inflation and had shed 1,173.26 points, or 8%, between 8 and 27 February 2007 in pre-budget jitters, it never thought that the budget will offer so little and take too much away in terms of rise in tax incidence. Be it increase in education cess from 2% to 3% or dividend distribution tax from 12.5% to 15%, or extending the minimum alternative tax (MAT) to IT companies, the irritants outstripped whatever little concession that Union Finance Minister P Chidambaram handed out in his latest budget.

The UPA government has, nonetheless, lived up to expectations of fiscal resposiblity. As against the budgeted fiscal deficit of 3.8% of GDP, the country’s finances will end up better with 3.7% fiscal deficit in FY 2007.Revenue deficit will be lower by 10 basis points to 2% in this period. What’s more, the country will improve on its fiscal and revenue deficits in FY 2008, when the government expects further improvement in the fiscal health, with revenue deficit expected to tumble down to 1.5% of GDP and fiscal deficit to easing to 3.3%. Fiscal deficit is the excess of the government’s total expenditure (on revenue as well as capital account) over total income. The revenue deficit, in absolute terms, represents excess of revenue expenditure over revenue income.

The government, however, may be underestimating the service tax potential, while excise collection estimates appear on the higher side. The service tax collection has been racing ahead from a mere Rs 14150 crore in FY 2005, rising by 63% to Rs 23054.89 crore in FY 2006, and an estimated 66% to Rs 38169 crore in FY 2007. But the government expects the pace of growth in service tax revenue to jump just by 32% to Rs 50200 crore in FY 2008 despite the expansion of service tax.

Unlike changes in custom and excise duties, which are applicable immediately, the extension of the scope of service tax will come into effect only from the date when they are notified. This notification will be issued only after the budget is approved by the parliament. So it may take months before service tax becomes applicable to these services. The buoyancy in service tax collections could, thus, be much higher, and the government can end up with more in its kitty provided the above services are notified at the earliest and there is no leakage in service tax collections — be it on existing or proposed additional set of services.

India’s GDP (at factor cost and at 1999-2000 prices) is expected to grow at 9.2% in FY 2007. But, in this period, the country’s excise duty collection is expected to rise by only 5.4% to Rs 111225.60 crore. On the other hand, the budget projects an expansion of 11% to Rs 117266 crore in FY 2008. This appears to be slightly on the higher side. And for good reasons.

The country’s GDP growth is expected to moderate in FY 2008, from 9.2% achieved in the previous year. Many units have been set up in excise-free zones in FY 2007. The full benefit of nil excise duty will accrue to them in FY 2008 as against partially in FY 2007. The ad-valorem component of excise duty on petrol and diesel has been cut from 8% to 6%. Incidentally, excise duty can be either per tonne/per litre, which is called specific excise duty, or it can be as a percentage of sale value/ maximum retail price (MRP), and called ad valorem. Very few products (like petrol and diesel) attract a mix of advalorem and specific duties.

The growth in excise duty assumed for FY 2008, though on the higher side, could still be achieved through better tax compliance and collection of arrears of excise duties, which looms large. The excise duty arrears are estimated at Rs 7600.87 crore under dispute and Rs 11014.30 crore not under dispute end of reporting year 2005-06. The arrears should have gone up further since then.

The direct and indirect tax incidence is to go up on account as the increase in education cess, from 2% to 3%, on custom and excise duties as well as on income tax. The tax incidence will also increase due to the hike in dividend distribution tax, from 12.5% to 15%. The deferred tax charge in the quarter ending March 2007 is set to significantly rise as it will have to factor in the increased income tax on past profit that will become chargeable in future.

Peak custom duty have been slashed from 12.5% to 10%. The peak custom duty had been reduced significantly on many products in January 2007. The lowering of import duty will lower the competitiveness of domestic players as imports are likely to become cheaper. However, the domestic industry is becoming globally competitive as the import duty structure gets aligned to global economies. Hence, this will be more of a short-term pain for long-term gain.

Major industries to benefit from the provisions of the Union Budget 2007-08:

* **Biscuit:** The excise duty of 8% has been removed for packed biscuits if the maximum retail price (MRP) does not exceed Rs 50 per kg. This will benefit the biscuit businesses of ITC and Britannia Industries. However, some of the products of Britannia Industries such as Good Day biscuits are sold way above this ceiling and will not qualify for excise exemption.

Fats and oils constitute about 20% of the cost of production for Britannia Industries. The additional custom duty of 4% is no longer leviable on edible oils, both crude as well as refined. Further, custom duty on crude sunflower oil has been reduced from 65% to 50%, and that on refined sunflower oil from 75% to 60%. This should result in reduction in landed cost of sunflower oil, thereby leading to lower cost of fats and oils for biscuits.

Lamination rolls (packaging) accounted for 10% of the costs of Britannia Industries in FY 2006. The reduction in peak customs duty from 12.5% to 10% should facilitate lowering of packaging costs as the domestic packaging sector has to pass on this benefit due to global and domestic overcapacities in the flexible packaging sector.

Companies to benefit: Britannia Industries, ITC.

* **Pharma-MNC, and domestic formulators and in-licencees**: The subsidiaries and associates of global pharma majors as well as MNCs operating directly in India, apart from domestic formulators and in-licencees, shall benefit from the cut in peak customs duty, from 12.5% to 10%. This should lead to reduction in the landed cost of imports of intermediates (chemicals used to produce bulk drugs), bulk drugs and formulations.

However, the benefits to frontline domestic pharma producers of both active pharmaceutical ingredient (APIs) and formulations are likely to be limited. In-licencees like Elder Pharma, apart from MNC pharma companies, which import a sizeable portion of their requirement, stand to gain more.

Companies to benefit: Glaxosmithkline Pharma, Pfizer, Novartis India, Aventis Pharma, Merck, Abbott India, Astrazeneca Pharma, Fulford (India), Solvay Pharma, Wyeth, Elder Pharma.

* **Steel pipe:** Earlier, the excise duty exemption was available to steel pipes used for taking water from water treatment plant, including its reservoir, to the first storage point. Now, the budget has extended the scope of this excise exemption to all pipes of outer diameter exceeding 20 centimeters, when such pipes are integral part of the water-supply project. Such pipes will be eligible for exemption irrespective of their usage (taking water from treatment plant to the first storage point or from one storage point to another storage point).

Further, the government has proposed extension of benefit under sec 80 IA of the Income-Tax Act 1961, on profit derived from laying and operating a cross-country natural gas distribution network including gas pipelines and storage facilities that are an integral part of the network. This should also result in increased demand for steel pipes from the oil and gas sector.

Companies to benefit: PSL, Man Industries, Welspun Gujarat Stahl Rohren, Jindal Saw

* **Auto and pharma:** The expenditure incurred on research and development (R&D) by companies in biotechnology, pharma, electronic equipment, computers, telecommunication equipment, and chemicals qualifies for weighted 150% deduction under sec 35 (2AB) of the Income-Tax Act, 1961, up to 31 March 2007. The budget has extended this benefit for another five years. This should benefit Indian pharma companies and auto majors.

If a company incurs Rs 10 crore on R&D, the Income-Tax Act, 1961, provides for treating Rs 15 crore (150% of the actual expenditure) as expenditure incurred. This amount can be deducted out of the profit. In the process, the act promotes investment in R&D and allows ploughback of profit towards R&D.

Companies to benefit: Ranbaxy Laboratories, Dr Reddys Laboratories, Cipla, Tata Motors.

* **Natural gas transmission**: The country has to significantly scale up its infrastructure development to facilitate sustained acceleration in industrial production. To provide fiscal benefits for infrastructure development, the Income-Tax Act, 1961, under sec. 80-IA, provides for a 10-year income-tax benefit for any enterprise engaged in the development, operation and maintenance of infrastructure facilities.

Hitherto, this benefit was available for road (excluding toll road), bridge, rail system, and highway projects including housing, and water supply projects, water treatment system, irrigation project, sanitation and sewerage system or solid-waste management system. It also covered sea port, airport, inland waterway or island port.

Now, the budget has extended infrastructure status to cross-country pipeline networks. This will exempt 100% of the profit earned by companies from building, operating and maintaining natural gas pipelines. Presently, Gail is the only company qualifying for this benefit by virtue of its over 4,200-km network of pipelines. Reliance Industries (RIL) is building a 1,400-km pipeline to connect the east and west coasts of India.

Companies to benefit: Gail, RIL

* **Plywood**: Excise duty on plywood has been cut down from 16% to 8% in the budget. This is going to benefit plywood manufacturers as they mostly sell directly to the consumers.

At the same time, the peak rate of custom duty has been reduced from 12.5% to 10%, which will effectively lower the cost of raw materials, mainly chemicals such as resins.

Companies to benefit: Greenply Industries, Century Plyboards, Uniply Industries

* **Paints**: The cut in peak custom duty to 10% from 12.5% is set to benefit the paint industry the most. Custom duty on chemicals was brought down to 7.5% before the budget. Except for titanium dioxide, other major inputs for the industry such as phthalic anhydride, and pentaerythritol now attract 7.5% custom duty.

Further, by continuing with favorable policies for the construction industry, the finance minister has ensured that the housing industry stays on its growth path This will boost the prospects of the paint industry. The increased focus on agriculture, education and employment generation will benefit the paint industry as a whole. The reduction of central sales tax (CST) to 3% is also a welcome move

Companies to benefit: Asian Paints, Kansai Nerolac. Berger Paints, ICI India.

Some of the provisions of the Union Budget 2007-08 have not been favorable to the following industries:

* **Cement**: By removing the custom duty on cement from 12.5% and introduction of differential excise duty in the Union Budget 2007-08, the government has made its intentions clear: domestic cement prices are high, and need to be cut.

But the cement industry has not absorbed the increase in excise duty from Rs 400 to Rs 600 per tonne (if retail prices are more than Rs 190 per 50 kg bag). Instead, it has raised cement prices further by Rs 12 per 50 kg bag by passing on the increase in excise duty to consumers.

Now, the Cement Manufacturers' Association is planning a meet with finance minister for a rollback of the hike in excise duty. If talks fail and cement manufacturers persist with the recent increase in cement prices, the government is expected to ban cement exports. Frontline cement exporters are Ultratech Cement Company, Gujarat Ambuja Cement and Sanghi Industries. But if it is a question of demand- supply dynamics, even an export ban will hardly be of any help.

Meanwhile, sentiments towards cement scrips have been hit hard, despite the fact that FY 2007 is set to be the landmark year of profit for the cement industry. Thus, while the Sensex fell 9.3% between 22 January 2006 (the date on which custom duty on cement was removed) and 3 February 2007, ACC's market cap lost 23.3%.

So, while the cement sector is set to witness a healthy rise in profit in the quarter ending March 2007 over the quarter ending March 2006, this may not get reflected in its market cap, which can go down further, unless there is truce between the government and the industry. Already, the finance minister has come down heavily on cement manufacturers for increasing retail prices immediately after budget.

Infrastructure: Sec 80-IA of the Income-Tax Act, 1961, provides for a 10-year tax benefit to an enterprise or an undertaking engaged in development of infrastructure facilities, industrial parks and special economic zones (SEZs).

However, Union Budget 2007-08 has indicated that the purpose of the tax benefit has all along been for encouraging private sector investment in development of the infrastructure sector. Hence, construction companies shall not get benefit under sec 80 IA. The budget provision says that this benefit shall not apply to a person who executes a works contract on behalf of an undertaking or enterprise referred to in the said section. Thus, when a person makes the investment and executes the development work, i.e., carries out the civil construction work, he will be eligible for tax benefit under sec 80-IA. In contrast, a person who enters into a contract with another person, i.e., undertaking or enterprise referred to in sec 80-IA, for executing the works contract, he will not be eligible for tax benefit under sec 80-IA.

Not only is the benefit withdrawn, it has been withdrawn with retrospective effect from 1 April 2000 and will, accordingly, apply from assessment year 2000-2001 and subsequent years.

For instance, IVRCL Infrastructure's outstanding order book position is Rs 7800 crore. Of this, Rs 2600- crore, or 34%, of the orders were won taking into consideration sec 80 IA benefits. In FY 2007, the company needs to provide tax of Rs 20 crore. The tax liability due to the retrospective effect of sec 80 IA from April 2000 amounts to Rs 57 crore. Going forward, there will be an additional tax liability of Rs 16.67 crore every year. The overall tax liability will increasing from 22% (present) to the normal tax regime.

Huge income-tax liability will accrue to most construction companies due to this change / withdrawal of tax benefit with retrospective effect. But some companies have been prudent from day one. Like Valecha Engineering, which has not availed any benefits under sec 80-I ever since inception.

Real estate: Sec 80IB of the Income-Tax Act, 1961, provides deduction equal to 100% of the profit arising out of projects to an undertaking developing and building housing project:

* Approved by a local authority before 31 March 2007 and whose development and construction work has commenced on/after 1 October 1998 and completed within four years from the end of financial year in which the approval was obtained.

* The maximum buildup area of such residential project is not less than 1,000 sq ft. in and around 25 kms of Mumbai or Delhi, and 1,500 sq ft. at any other place.

* The build-up are of shops/commercial establishment included in the housing project does not exceed 25% of total build-up area or 2,000 sq ft, whichever is less.

This benefit was available only up to 31 March 2007. The real-estate sector was expecting its extension for a few more years. But the Union Budget 2007-08 has allowed the benefit to lapse for real-estate companies.

By not extending the current time limit expiring on 31 March 2007, projects under proposal and in the pipeline for approval are to lose the tax holiday benefits under sec 80IB(10). Hence, the income-tax incidence of property developers who benefited by sheltering under sec 80IB(10) is expected to move up significantly in future. The impact is minimal for players like Parsvnath Developers and Ansal Properties as the tax provision has been made at normal rate. For players like Sobha Developers, the tax incidence is likely to shoot up.

Also, service tax has been extended to commercial rentals. Property owners are likely to see strong resistance from ITES companies, who are their major customers, to the passthrough of this tax. Similarly, the hike in excise duty on cement bags priced over 190 per bag is bound to hit the margin/profit of property developers as construction cost is bound to go up.

Investment interest in property is waning, thanks to the slower pace of growth in real-estate prices expected from current levels, increasing cost of servicing such loans, and reduction in rental benefits due to service tax burden. The provisions of the budget will accelerate the slowdown in the sector.

Are we heading for a soft landing?

The Indian economy remains resilient, registering about 8.9% growth in GDP in the nine months ended December 2006 — up from 8.6% in the corresponding previous-year period.

The Central Statistical Organisation (CSO) has predicted a 9.2% growth in GDP in FY 2007 in its advance estimates released on 7 February 2007. If this has to be achieved, the country has to witness about 10% growth in GDP in the quarter ending March 2007. This is not impossible, as we grew at similar pace in the quarter ended March 2006.

Inflation, as measured by the change in Whole Sale Price Index (WPI), remained high at 6.05% in the week ended 17 February 2007. But thanks to monetary measures of the Reserve Bank of India (RBI) and fiscal measures of the Central government, inflation has been tumbling from 6.73% in the week ended 3 February 2007 to 6.63% in the week ended 10 February 2007, and further easing to 6.05% in the week ended 17 February 2007. The sharp deceleration in the latest data was largely due to the effect of cut in prices of petrol by Rs 2 per litre and that of diesel by Rs 1 per litre on 15 February 2007.

The recent hike in cement prices by Rs 12 per 50 kg bag, consequent to the differential excise duty proposed in the budget and the modest increase in steel prices, needs to be noted. The government has sounded a word of caution to the industry to hold the price line. These diktats, to the extent considered by the industry; the impact of cut in custom duties effected; and the flow of rabi crop into the markets shortly are expected to soften inflation.

The New Exploration Licensing Policy (NELP) is facilitating huge investment in the Indian oil and gas exploration. Already, five rounds are over, and the government has signed production-sharing agreements with winners of the 52 oil and gas blocks auctioned under NELP VI. The winners have committed about US$ 5 billion investment (about Rs 22000 crore at Rs 44 per US$) for NELP VI.

Meanwhile, the government has indicated that India's gas production is set to double from about 95 million cubic metre per day to over 190 million cubic metre per day by March 2009. Further, the coal bed methane (CBM) is likely to bring in another 10 million cubic metre per day. We expect significant improvement in the country's global competitiveness once this gas is put into productive use by a host of user industries like fertilisers, sponge iron, and power, and for auto fuel.

While the long-term growth is intact, thanks to consumption-led demand, huge investment in infrastructure and capacity additions by industry, growing global competitiveness and outsourcing by global majors from India. Nevertheless, India appears heading for a slight deceleration in growth, from a possible 9.2% of GDP in FY 2007 to the higher end of 8% in FY 2008. This end result could change depending on the monsoons, which will become clear in June-July 2007. Given the possible weakening of the global economy, particularly the US economy, the global environment is none-too-impressive.

Domestically, the series of monetary and fiscal measures (including cut in custom duty) can have a cascading negative impact on domestic consumption. Already, there are reports that banks are discouraging retail credit for consumption. Coupled with softening of export growth, the country is indeed heading for a relatively lower pace of growth in FY 2008.

So, while the economy continues to grow, the need to make it more inclusive may lead to slight deceleration in the pace. But then it will be for long-term stability and sustainability. Equity valuations need to get adjusted for such a deceleration in the pace of growth, over and above the need to remove the premium related to current growth.

Centre's kitty

Select tax collection estimates at a glance

	2007-08	**2006-07**	**Var(%)**
Gross Tax revenue	548122	467848	17
Net Tax Revenue*	403872	345971	17
Corporation Tax	168401	146497	15
Income Tax	98774	82510	19
Fringe Benefit Tax	6800	5500	24
Excise Duty	130220	117266	11
Service Tax	50200	38169	32

* Net of devolution to states; figures in Rs crore.

Budget bonanza for investors

Suddenly, Corporate India is loosening its purse with many companies rushing to give interim dividend to their shareholders at a time when interest rates are going up, leading to a spike in interest costs.

The rush to pay interim dividend is not just to prop up market sentiments, which have turned bearish. It is to avoid paying higher dividend distribution tax. The Union Budget 2007-08 has proposed increasing the dividend distribution tax from 12.5% to 15%. But this will take effect only after the budget is passed in the parliament and for Assessment Year 2007-08 on income for year ending March 2007.

If the interim dividend is paid on or before 31 March 2007, the dividend distribution tax will only be 12.5%. This dividend, as usual, will be tax-free in the hands of investors. But Corporate India has to pay 15% of the dividend declared if it is paid on or after 1 April 2007.

Hence, the rush to pay dividend before 31 March 2007.

Similarly, Corporate India is facilitating employees to exercise their ESOPs before 31 March 2007 so that the latter could save on the fringe benefit tax (FBT). The budget has expanded FBT to include ESOPs effective from 1 April 2007.

Steel sector responds to SOS

Contrary to the collision course adopted by the cement sector, the steel sector has decided to play along with government. In line with hardening global prices, domestic steel producers increased prices of various categories of steel from 1 March 2007. But the government quickly intervened and requested for a rollback of domestic steel prices, which the industry obliged immediately.

As a result of this intervention, prices of hot-rolled (HR) coils have been revised downwards by Rs 500 to Rs 27000 per tonne, while prices of bars by a steeper Rs 700 per tonne. Similarly, the entire increase effected from 1 March 2007 in galvanized steel prices have been revoked.

6 Sector : Poly Vinyl Chloride : On an uptrend

Strong domestic demand enabled players to increase prices despite weakening feedstock prices. Plant shutdown for maintenance will fuel the price rise

Related Tables

Moving up

Moving up

Poly vinyl chloride (PVC) is one of the most versatile plastics in use. Its share of global plastic consumption is around 20%. Due to its water-, corrosion-, weather-, and heat-resistant properties, it enjoys excellent demand in the pipe and wire/cable segment, and finds application in various products like tubes, pipes and fittings, telecommunication cables, wires, films, packaging sheets, toys, bottles, and footwear.

India has six PVC manufacturers with a total installed capacity of 1.01 million tonnes. Reliance Industries (RIL) is the largest producer with a 3,25,000-tonne capacity in Hazira in Gujarat, followed by Finolex Industries, which has two plants in Ratnagiri in Maharashtra producing a total of 2,60,000 tonnes of PVC. The old plant of Finolex produces 1,30,000 tonnes through the ethylene dichloride (EDC) and ethylene route, while the new 1,30,000-tonne plant is based on vinyl chloro monomer (VCM).

Indian Petrochemicals Company (IPCL) has a combined installed capacity of 2,05,000 tonnes (one plant in Gandhar and the other Vadodara in Gujarat). DCW has a 90,000-tonne plant in Tamil Nadu. DCM Shriram Consolidated is India's only producer of PVC using the calcium carbide route and has a 70,000-tonne capacity in its plant at Bharuch in Gujarat. Chemplast Sanmar is India's only producer that manufactures EDC through molasses / alcohol at its 64,000–tonne plant in Tamil Nadu.

Chemplast Sanmar is presently setting up another 1,70,000-tonne plant in Cuddalore in Tamil Nadu at an investment of Rs 450 crore. The company is also putting up storage and marine terminal facilities for imports of ethylene to support the existing plant.

In the domestic market, the demand for PVC has risen significantly since FY 2006. Demand for suspension-grade PVC resin reached 1.17 million tonnes in FY 2006 — a growth of 29% over FY 2005. Emulsion and other grades of PVC are estimated to have an annual demand of 75,000 tonnes in India, with an average growth rate of around 5%.

The country imported nearly 0.23 million tonnes of PVC resin, while domestic production was around 0.94 million tonnes in FY 2006. In the near future, India is expected to remain a net importer of PVC resin.

International PVC prices continued their upward journey in March 2007 on strong demand outlook in the Indian markets and tight supplies. PVC prices started moving up since December 2006 after a crash in November 2006. Prices moved up to $880 per tonne — 1.4% higher from February 2007 and 9.6% higher from March 2006.

In the domestic markets, too, PVC prices touched Rs 44500 per tonne in February 2007, from Rs 43500 in February 2006 — a rise of 13%.

The gain in PVC prices over the last few months was more due to rising prices of ethylene feedstock rather than healthy demand. Besides, availability of VCM had come down substantially in the Asian markets, leading to a spurt in prices. VCM prices gained, particularly in the South-East Asian markets, to $750 per tonne in March 2007 and are expected to move up further in the near future. The rise in VCM prices will put pressure on the margin of Finolex Industries and DCW.

Demand improves

The industry has, however, witnessed improvement in demand since February 2007, though supplies have remained tight on various counts. As a result, PVC prices moved up despite ethylene prices softening. Prices of ethylene, which is the key raw material for PVC, weakened to $1060 per tonne in March 2007, from $1270 per tonne in January 2007. EDC prices also weakened accordingly. However, VCM prices have moved up substantially in the same period.

The excess of product prices over the weighted average cost of inputs is called processing and marketing margin (PM margin). The PM margin is calculated on the basis of spot prices of PVC. The margin of PVC producers, following the EDC and ethylene route, was $324 per tonne in early March 2007 — 9% lower over March 2006, but 14% up from February 2007. Margin of PVC producers using VCM also moved up 7% to $190 per tonne in March 2007, from $178 in February 2007. The margin was 8% lower over March 2006.

Presently, domestic users of PVC are short on inventories, as supplies from domestic producers are unable to keep pace with demand. A number of PVC producers are, therefore, resorting to imports to continue supplying to customers. Industry sources believe there could be another price revision mid-March 2007 in view of the strong demand and tight availability.

Supplies are short due to the unplanned shutdown of the newly set-up 1,30,000-tonne plant of Finolex Industries in January 2007, which has now restarted. Finolex Industries is expected to shut down its other 1,30,000-tonne plant in April 2007 for planned maintenance. Similarly, RIL is also likely to down its 3,25,000-tonne capacity in May 2007.

March, April and May generally witness a number of maintenance shutdowns of PVC plants globally. In the Asian markets, PVC supplies are expected to remain low in March 2007 as at least 4,50,000 tonnes of PVC capacity will remain off-stream on account of maintenance shutdowns. The Chinese demand for PVC, that had remained lackluster despite expectation or a pick-up after the lunar holidays in the second half of February 2007, is now showing signs of improvement.

In India, PVC pipe producers are the major end users of PVC resins. PVC pipe prices have been on a steady rise since the previous few months, mainly on account of strong growth in the construction and infrastructure industries. The demand for PVC pipes continued to be strong in March 2007, enabling manufacturers to raise prices by Re. 0.50 to Rs 73.50 per kg — 28% higher from March 2006.

Taxation

The Union Budget 2007-08 did not have any impact on PVC manufacturers in India. The import duty on PVC remains at 5%, while that on feedstocks EDC and VCM continues at 2%, and on ethylene at 5%. The budget reduced peak custom duty to 10%, from 12.5%, while bringing down that on most of the organic and inorganic chemicals to 7.5%.

Other general proposals such as imposition of additional 1% of education cess and increase in the dividend distribution tax to 15%, from the earlier 12.5%, will have a negative impact on the industry, which will be partially compensated by reduction in the Central sales tax (CST) to 3%, from the earlier 4%.

In India, Tamil Nadu moved to the value-added tax (VAT) regime instead of sales tax, from 1 January 2007. DCW and Chemplast Sanmar are the Indian producers of PVC, which have their PVC plants in Tamil Nadu. They are expected to benefit. DCW has a 90,000-tonne PVC capacity, and Chemplast 64,000 tonnes.

Outlook

The outlook of PVC improved substantially in March 2007 as can be witnessed from the rise in margin. PVC prices have increased due to higher demand despite a fall in raw material prices, which is a significant change in trend compared with earlier months, when PVC prices were moving up due to rising raw material prices.

The main driver for PVC demand continues to come from the pipes and fittings sector, which consumers nearly 70% of suspension PVC. Implementation of several irrigation, water supply and sewerage schemes by various governments, and the boom in the housing, construction and infrastructure sectors will continue to drive the demand for PVC and PVC pipes in the coming years.

"The PVC demand in India and Pakistan is skewed towards pipe due to the encouragement given by them to agriculture, rural housing, commercial and residential housing. In other markets, the demand is driven by furniture, particularly windows and door profiles, replacing the usage of wood. The demand pattern in India and Pakistan is also changing accordingly, which will add significantly to overall PVC demand in future," said P.S. Jayaraman, Managing Director, Chemplast Sanmar. "Currently, the PVC industry is doing extremely well in India and is expected to grow at 8% per annum in the coming years, considering the annual GDP growth of 8.5% - 8.7%"

In the domestic markets, the availability of PVC is expected to remain tight in the coming months. This will prop up sentiments and margin. Similarly, positive sentiments in the Indian markets may reflect in the global markets as well. All in all, the outlook has turned positive for the PVC industry.

Moving up

Domestic PVC prices in Rs per tonne

Period	**Price (Rs)**	**Period**	**Price (Rs)**	**Var. (%)**
Mar-07	44500	Mar-06	39500	13
Feb-07	43500	Feb-06	40000	9
Jan-07	42500	Jan-06	39000	9
Dec-06	41500	Dec-05	38000	9
Nov-06	40500	Nov-05	46000	-12
Oct-06	45500	Oct-05	46000	-1
Sep-06	48500	Sep-05	44000	10
Aug-06	45000	Aug-05	41000	10
Jul-06	43000	Jul-05	41000	5

Jun-06	43000	Jun-05	38000	13
May-06	41500	May-05	44000	-6
Apr-06	40500	Apr-05	46500	-13
Mar-06	39500	Mar-05	46500	-15

Prices for March 2007 are provisional.

Moving up

Domestic demand for PVC in thousand tonne

Year	**Demand**	**Growth (%)**
2005-06	1166	29
2004-05	907	1
2003-04	900	16
2002-03	775	-6
2001-02	820	22
2000-01	675	6
1999-00	634	-10
1998-99	701	21
1997-98	578	15
1996-97	504	8
1995-96	467	13

Prices for March 2007 are provisional.

7 IPO Centre : Gremach Infrastructure Equipments & Projects

Expanding its equipment base

Related Tables

Issue Highlights

Gremach Infrastructure Equipments & Projects (Gremach) was taken over by current promoters Ratan Lal Tamakuwala (former promoter of Gujarat NRE Coke) and Rishi Raj Agarwal in 1995.

Mainly providing on rent construction /earthmoving machinery to companies constructing/building roads, airports, power projects, institutional and industrial complexes, multiplexes and residential buildings and other related infrastructure activities, Gremach is now coming out with an IPO.

In FY 2006, Gremach derived 84% of its total rental income from rehiring equipment. The balance 16% was from owned equipment. The profit before tax (PBT) margin from rehiring equipment and owned equipment was 7% and 14%, respectively. Going forward, the company is targeting to derive 40% of its revenue from owned equipment. Thus, the margin is likely to improve.

On account of family disputes, there are large number of litigation against the promoters/promoter group and group companies. Gremach has given a corporate guarantee of Rs 88.25 crore (against its pre-IPO networth of Rs 32 crore) to group company Austral Coke and Projects. Some of the promoter companies and group companies are in the same business. The company has applied for various special economic zones (SEZs) and will have to raise funds if any SEZ is approved.

Annualised EPS based on nine months ended December 2006 works out to Rs 5.3 at the upper band and Rs 4.9 at the lower band. At the price band of Rs 75 - Rs 90, the PE range is 15.3 and 16.9, respectively. After the current sharp correction in the markets, a larger listed peer company, Sanghvi Movers (into rental of more capital-intensive equipment and, therefore, capable of fetching better discounting), is trading at 12.8 times recurring nine-month annualised earning.

Issue Highlights

No. of shares	6555556-7866667
Price band (Rs)	75-90
Post-issue promoter stake at upper band (%)	52-56
Issue open/close	8-3-2007/14-3-2007
Listing	BSE only

8 Market watch : Movers and shakers

Prices as on 02 March 2007 with variation over the fortnight

Company	Share Price	Var.(%)
Atlanta	713.15	-34.9

Sebi asked the promoter group and associated entities/persons to not deal in the Mumbai-based construction firm for allegedly rigging its share price. The market watchdog has also directed Atlanta not to issue any equity shares or any other instruments convertible into equity shares in any manner, nor give effect to any alteration in its share capital structure till further directions. Depositories have been asked to neither dematerialise the convertible warrants and shares issued upon conversion, nor give effect to the stock-split till further directions.

Bajaj Auto	2550.2	-15.25

The Bajaj group auto major's vehicle sales fell 2% to 2,02,212 units in February 2007, from 205,776 units in February 2006. Sales of motorcycles fell 2% to 1,71,780 units in February 2007, from 1,75,256 units, and sales of all two-wheelers fell 3% to 1,74,220 units, from 1,79,880 units in February 2006. Sales of three-wheelers rose 8% to 27,992 units in February 2007, from 25,896 units in February 2006. Exports rose 46% to 38,228 units in February 2007, from 26,237 units in February 2006.

Jaiprakash Associates	553.8	-13.44

The Noida-based turnkey construction services provider's board approved raising the FII investment limit in the company up to 45%. The FII holding presently (till December 2006) is 19%.

Bombay Rayon Fashions	182.75	-13.36

The Mumbai-based textile company acquired UK's DPJ Clothing for £ 1.54 million. With this acquisition, DPJ Clothing has become its foreign subsidiary. The acquisition, through the purchase of 420 ordinary shares (70% of total capital) in DPJ Clothing, was approved by the board of directors of Bombay Rayon Fashions. DPJ Clothing is in the business of wholesale marketing and distribution of clothing products, and has been incorporated under English Companies Act, 1985, with the place of business and registered office at Birmingham.

HLL	179	-13.01

The MNC associate FMCG major's net profit rose 10.20% to Rs 483.43 crore in Q4 December 2006, from Rs 438.50 crore in the quarter ended December 2005. Net sales increased 6.10% to Rs 3156.10 crore (Rs 2974.33 crore). HLL's net profit surged 31.80% to Rs 1855.37 crore in the year ended December 2006, whereas it was Rs 1408.10 crore in the year ended December 2005. Net sales increased 9.40% to Rs 12103.39 crore (Rs 11060.55 crore). On a consolidated basis, the group posted a net profit (after minority interest) of Rs 1890.53 crore in the year ended December 2006, whereas it was Rs 1355.92 crore in the year ended December 2005. Total income rose to Rs 12803.90 crore (Rs 11879.21 crore). The results for the quarter are not comparable to the extent of amalgamation of Vashisti Detergents with the company, and the demerger and subsequent disposal of Doom Dooma and TEI plantation.

Sesa Goa	1661.45	-12.45

The government imposed a duty of Rs 300 per tonne on export of iron ore in the Union Budget 2007-08 with immediate effect. This will raise the tax burden on the MNC associate iron-ore exporter. Sesa Goa's annual exports amount to around five million tonnes from the Marmagao, Chennai and Paradip ports. It supplies iron ore to China, Japan and Europe, and is also the sole supplier of iron ore to Pakistan Steel Mill, the only steel manufacturing unit in that country.

Steel Strips Wheels	204.55	-11.79

The Punjab-based auto ancillary company's wheel-rim production grew a 22.10% to 40.45 lakhs and sales 21.80% to 40.48 lakh from 1 April 2006 to 28 February 2007 over the same period of the previous year.

Tata Tea	597.6	-11.64

The Tata group tea producer decided to offload 80% stake in its North India Plantation Operations to a group of investors and employees. Amalgamated Plantations, the company to which the Tatas will transfer its North India Plantation Operations (NIPO) business, will take over the plantation operations from 1 April 2007. Tata Tea has 20 plantations in Assam and five in Dooars (West Bengal), spread over 24,000 hectares, for an enterprise value of Rs 360 crore. While Tata Tea will hold 20% equity in the resulting company, International Finance Corporation, a subsidiary of the World Bank, and IL&FS will have 20% each. In addition to the three principal shareholders, Global Managed Services, a Mumbai-based consultancy that will work with the company to develop non-tea-based revenue streams, will also control a minority stake, along with plantation employees. As per an official of Tata Tea, the new company will pursue crop diversification and foray into agri-products. Later, the company might also take up hatchery

Tata Motors	774.5	-10.93

The Tata group auto major's vehicle sales jumped 19% in February 2007 to 53,707 units from 45,113 units a year earlier. Sales of commercial vehicles increased 22% to 27,859 units, from 22,885 units, while sales of cars and utility vehicles were up 19% to 21,322 units. Exports for February 2007 rose 6% to 4,526 units, from 4,257 units a year earlier.

Hindustan Zinc	604.05	-9.33

The Sterlite group zinc producer raised zinc prices by 4.2% to Rs 170,600 per tonne, and lead prices by 1.5% to Rs 94,500 per tonne, with immediate effect.

Rayban Sun Optics India	84.3	-8.71

The MNC associate personal-care product manufacturer received a proposal from Italy's Luxottica to set up wholly-owned subsidiaries in India. Rayban Sun Optics India's net profit dipped 8.30% to Rs 3.33 crore in Q4 December 2006 compared with Rs 3.63 crore in Q4 December 2005. Net sales advanced 18.30% to Rs 17.21 crore (Rs 14.55 crore). However, net profit moved up 17.60% to Rs 11.94 crore in fiscal year ended December 2006 compared with Rs 10.15 crore in 2005. Net sales rose 29.30% to Rs 62.98 crore (Rs 48.71 crore).

HOV Services	264.95	-7.13

The Pune-based backoffice and debt collection services firm signed a merger pact with US-based Lason to make it a wholly-owned subsidiary. With this merger, HOV Services will serve over 50% of the Fortune 100 companies including more than 4,000 customers in North America. The two companies, together, have an annual revenue rate of more than $200 million. As per the merger agreement, HOV's wholly-owned subsidiary in the US will acquire 100% of the outstanding equity of Lason in a transaction valued at $148 million. HOV raised $188 million of new capital from leading global institutions, $63 million in equity and a debt facility of $125 million. Upon closing, the company will have over $85 million in equity.

Maruti Udyog	833.95	-6.51

The New Delhi-based auto major sold 62,999 vehicles in February 2007 — up 53% from 41,095 units in February 2006. Maruti Udyog sold 59,095 units in the domestic market in February 2007 — up 61%, from 36,608 units in February 2006. However, MUL's exports fell 13% to 3,904 units in February 2007, from 4,487 units in February 2006.

ABB India	3541.55	-6.28

The MNC associate engineering major's net profit surged 42.6% to Rs 134.95 crore in the Q4 December 2006, from Rs 94.61 crore in Q4 December 2005. Income from operations soared 44.6% to Rs 1426.31 crore (Rs 985.72 crore). ABB India had a record order intake in the year ended December 2006, —up 50% to Rs 5,623.60 crore compared with Rs 3764.50 crore in 2005. The growth in order intake helped ABB India to increase its order backlog to Rs 3372.30 crore — nearly 60% more than the order backlog of Rs 2103.20 crore at the beginning of the year. It also announced a 5-for-1 stock-split.

Hindustan Motor	38.15	-4.62

The CK Birla group auto company is expected to earn Rs 295 crore from an integrated IT township and auto park it is developing on its surplus land in West Bengal.

Kothari Products	555.55	-4.27

Excise duty on tobacco-free pan masalas has been reduced from 66% to 45% in the Union Budget 2007-08, which is seen to be benefiting the Kothari group flagship company, which is a top player in pan-masala and gutkha.

Lokesh Machines	129.65	-3.85

The Hyderabad-based machine tools manufacturer received a Rs 20-crore order from Germany's Wenig Wemas. The order from Wenig is initially for supplying 100 machines, with dispatches to begin in April. The offtake could increase to 300 machines a year in the next three years.

Biocon	424.4	-3.25

The Bangalore-based biotech company announced that US-based licensing partner had received permission for Phase II clinical trials of nasal insulin in India. Biocon said that licensing partner Bentley Pharmaceuticals, a specialty pharmaceutical company, received permission from the Drug Controller General of India (DCGI) to proceed with a Phase II clinical evaluation of Nasulin in Type II diabetic patients. Nasulin is Bentley's intranasal insulin product utilising its proprietary delivery technology CPE-215. As per the licensing agreement, the Indian biotech company is responsible for developing and marketing Nasulin in India and select territories. Biocon plans to invest Rs 1000 crore in setting up a bio-pharma plant in Andhra Pradesh.

Jindal Saw	476.2	-2.54

The OP Jindal group steel pipe and strips maker secured a $355-million order for arc-welded steel pipes from the US. Jindal Saw has $ 1.5 billion worth of orders for supplying pipes from various domestic and international clients.

Moser Baer India	421.7	-2.3

The MNC associate computer accessories manufacturer's wholly-owned subsidiary, Moser Baer Photo Voltaic, announced a tie-up with Germany's Deutsche Solar, a leading global silicon wafer manufacturer in Germany, for supplying silicon wafers. Deutsche Solar is part of the German Solar World AG Group.

Blue Dart Express	481	-1.83

The Mumbai-based logistics provider's net profit declined 20.8% to Rs 12.20 crore in Q4 December 2006 compared with Rs 15.40 crore in Q4 December 2005. Net sales increased 22.6% to Rs 182.20 crore (Rs 148.50 crore). However, the company's net profit jumped 29.80% to Rs 50.20 crore in fiscal year ended December 2006 compared with Rs 38.94 crore in 2005. Net sales rose 60.90% to Rs 668 crore (rs 415.10 crore).

Bajaj Electricals	426.45	-0.62

The Bajaj group electronic components manufacturer said it is in advanced stage of negotiations to acquire an electrical firm based in western India. The acquisition will be finalised in the next one-and-a-half months. Bajaj Electricals is eyeing companies with weak financials but strong manufacturing and product lines. The deal size could be up to Rs 100 crore. The acquisition will be funded primarily through internal accruals.

Sanghvi Movers	722.9	0.13

The Pune-based turnkey engineering services provider bagged Rs 50-crore orders for hiring 10 new cranes and 10 support cranes from Reliance Industries, Suzlon and Enercon. The contract period ranges from 12 months to 26 months.

Gujarat Gas Company	1301.1	0.57

The MNC associate gas distribution firm's net profit rose 67.10% to Rs 18.23 crore in Q4 December 2006 compared with Rs 10.91 crore in Q4 December 2005. Net sales increased 46.60% to Rs 234.50 crore (Rs 159.97 crore). Further, the board of Gujarat Gas Company also approved splitting each of the company's shares from face value of Rs 10 into five shares of Rs 2 each.

Clariant Chemicals	311	1.78

The MNC associate speciality chemicals manufacturer's net profit spurted 460.60% to Rs 7.40 crore in Q3 December 2006 compared with Rs 1.32 crore in Q3 December 2005. Net sales soared 138.20% to Rs 228.20 crore (Rs 95.81 crore).

CMC	1186.75	3.53

The Tata group software company is seen benefiting from the Union Budget 2007-08's emphasis on e-governance. The allocation for e-governance has been increased from Rs 395 crore in 2006-07 to Rs 719 crore in 2007-08.

Bosch Chassis Systems India	912.35	3.92

The MNC associate auto ancillary company's net profit fell 48.20% to Rs 5.97 crore in Q4 December 2006 compared with Rs 11.53 crore in Q4 December 2005. Net sales rose 10.90% to Rs 124.65 crore (Rs 112.36 crore). The company's board also recommended a 1:1 bonus issue.

NDTV	323.6	4.97

The Foreign Investment Promotion Board (FIPB) okayed an investment of Rs 585 crore by its overseas venture in the New Delhi-based media company's wholly-owned subsidiaries, NDTV Imagine and NDTV Lifestyle. Blackstone, one of the world's largest private equity funds, is in negotiations for a stake in NDTV Networks, a new company, as part of an investment consortium. NDTV Networks plans to raise $130-$160 million by offloading 25%-30% to the consortium, valuing the company at $433-$640 million. The money raised will be used for new channels and businesses.

Alfa Laval India	862.45	7.32

Alfa Laval AB, the Sweden-based engineering parent of Alfa Laval India, made an open offer for acquiring a 25.89% stake in the Indian subsidiary for Rs 875 per share. The planned purchase at Rs 875 per share will lift the parent's stake in Alfa Laval India from 64% to 90%. The bid process is expected to be concluded in June 2007. Alfa Laval India's net profit inched up 4.20% to Rs 11.06 crore in Q4 December 2006 compared with Rs 11.55 crore for Q4 December 2005. Net sales slipped 3.40% to Rs 162.29 crore (Rs 167.97 crore).

Wockhardt	373.15	8.13

The Mumbai-based Indian bulk drug major's consolidated net profit advanced 19.5% to Rs 87.10 crore in Q4 December 2006, from Rs 72.90 crore in Q4 December 2005. Total income surged to Rs 534.20 crore (Rs 368.90 crore).

Avaya GlobalConnect	293.65	9.36

The MNC associate telecom services provider said a growth fund of Reliance mutual fund bought a further 3.51% stake in the company, taking the fund's total holding to 6.13%.

Thomas Cook India	531.65	9.61

The MNC associate travel agency's board approved a 10-for-1 stock-split proposal. With this, the number of shares of Thomas Cook India will increase to 34.58 crore. However, the paid-up capital of the company stands unchanged at Rs 16.07 crore.

SKF India	319.95	11.81

The MNC associate bearings manufacturer's net profit surged 209.56% to Rs 31.73 crore in Q4 December 2006 compared with a net profit of Rs 10.25 crore in Q4 December 2005. Net sales rose 52.30% to Rs 379.26 crore (Rs 249.10 crore). SKF India's net profit increased 59.13% to Rs 101.96 crore in the financial year ended December 2006 compared with Rs 64.07 crore in 2005. Total income was up to Rs 1350.83 crore, from Rs 816.01 crore in the previous fiscal. SKF India's board also has plans to set up a new plant in Uttarkhand (Uttaranchal) to manufacture bearings.

9 Market Snapshot

9.1 Market Snapshot - Part I

The fortnight in the market (15 Feb - 02 Mar 2007)

	02-Mar-07	15-Feb-07	Var(%)
BSE Sensex	12886.13	14355.55	-10.24
Nifty	3726.75	4146.2	-10.12
BSE 200	1535.82	1702.86	-9.81
BSE 500	4906.68	5428.32	-9.61
BSE Mid-Cap	5466.24	5953.01	-8.18
BSE Small-Cap	6645.81	7290.26	-8.84
BSE IT	4954.05	5565.7	-10.99
BSE Consumer	3571.49	3939.33	-9.34
BSE Capital	8723.25	9639.9	-9.51
BSE FMCG	1755.94	1892.73	-7.23
BSE PSU	5686.41	6188.56	-8.11
BSE Healthcare	3490.18	3803.39	-8.24
BANKEX	6447.33	7182.71	-10.24
BSE Metal	8423.1	8876.23	-5.1
BSE Oil	6192.91	6705.34	-7.64
BSE Auto	5015.88	5635.89	-11
BSE-Teck	3491.37	3923.29	-11.01
FII-Equity	2252.2	3374.1	-33.25
FII-Debt	-553.8	1010.8	-154.79
MF-Equity	814.45	-1356.32	-160.05
MF-Debt	2551.47	577.66	341.69
Figures in Rs cr.			
World Indices			
Nasdaq	2368	2497.1	-5.17
Dow Jones	12114.1	12765.01	-5.1

S&P 500	1387.17	1456.81	-4.78
FTSE 100	6116.2	6433.3	-4.93
Nikkei 225	17217.93	17897.23	-3.8
Hang Seng	19442.01	20538.42	-5.34
Seoul Composite	1414.47	1443.63	-2.02
Strait Times	3078.74	3252.49	-5.34

TOP 10 BSE VOLUMES GAINERS

	Group	Avg. Volumes
IFCI	B1	24038053
Indian Bank	A	17913395
Power Fin. Corp.	A	12178376
Firstsource Solu	B1	8921313
Zee News	B1	5949443
Redington India	B1	5511306
Bellary Steels	T	4785436
Reliance Natural	B1	4323382
Infra.Devlp.Fin	A	3930505
Cinemax India	B1	3429413
TOP 10 NSE VOLUMES GAINERS		
IFCI	B1	88241708
Indian Bank	A	31762601
Power Fin. Corp.	A	24633858
Firstsource Solu	B1	14759172
S A I L	A	12642914
Infra.Devlp.Fin	A	9928366

I D B I	A	8753438
Guj. Ambuja Cem	A	8055350
Zee News	B1	7749453
ITC	A	7278149

New 52-week High

	New High	**Prv.High**
A B B	4000	3945
Infosys Tech.	2439	2401
Financial Tech.	2247.4	2225
Sesa Goa	2025	2000
Aban Offshore Lt	2008	1860.95
3M India	1985	1935
Bharat Electron	1794.4	1748
Phoenix Mills	1609	1600
Reliance Inds.	1445	1409
Max India	1240	1235
Nucleus Software	1198.75	1047
Everest Kanto	907	845
Bharti Airtel	850	797
NIIT	803.8	651.75
Global Broadcast	724.4	534
Bombay Swadeshi	722.2	587.9
HCL Technologies	715	706.65
Wipro	690	660
Tulip IT	685	660

Lupin	678.4	650
Ipca Labs.	675	670
K E C Internatio	599	544
Sundaram Brake	598	569
NIIT Tech.	534.9	460
Jindal Saw	514.8	513
Biocon	512.9	510
JSW Steel	508	475
ICI (India)	495	474.9
Yokogawa India	478	439
Jain Irrigation	463	438.4
AI Champdany	457	306
Prime Focus	456.7	428
Network 18	446.5	442.8
Praj Inds.	415	399
Jagran Prakashan	380	374.7
Rolta India	364.8	351
NDTV	354.1	334.1
Zodiac Cloth. Co	341.95	304.5
Wheel & Axle	312.55	124.65
Geodesic Inform.	290.9	280
Crew B.O.S. Prod	290	272.5
Aptech	262.85	224.4
Karuturi Net.	248.75	227
Axon Infotech	247	198
S E Asia Marine	239	215.8
REI Agro	216	212
Geefcee Finance	205	204.95

Cinemax India	204.45	178.9
Honda Siel Power	199.3	197.5

Figures in Rs

New 52-week low

	New low	**Prv. low**
Aventis Pharma	1214	1241
Ramco Inds.	780	838
Sobha Developers	725	754
Bannari Amman	660	680
Great Offshore	550	605
Solvay Pharma	440.2	447.1
Merck	410.2	426
Akruti Nirman	375.1	415
Novartis India	330.1	335
VST Inds.	330	340
Nirma	321	335.5
Tanla Solutions	304.4	347.75
Nippo Batteries	301.35	318
Anuh Pharma	300.05	317.8
Shree Renuka Sug	272	292
Parsvnath Develo	265	276
Gayatri Projects	263	265.1
Ess Dee Aluminiu	224.65	235.25
K C P	220.5	240
Ador Welding	217	222.1

Vardhman Textile	210	220
Vesuvius India	197	208
I M P A L	190	205.1
Kemp & Co.	188	191.6
Shree Ashtavina	177.4	185.1
Matrix Labs.	175	184
PVR	173	190
Hind. Lever	173	179.9
Lanco Infratech	172.3	186.15
Sical Logistics	162.15	170.1
Hyd.Industries	160	205
Indian CardCloth	153.6	165.5
Cinemax India	135.1	145
Hindalco Inds.	134.55	138.15
Shivam Autotech	122.5	141
Aztecsoft	120	120.5
Astra Microwave	119.45	144.1
Guj. Alkalies	116	125.25
Sudarshan Chem.	115.25	120.95
XL Telecom	113.85	134.1
Cholamandalam DB	113.15	120
Cairn India	111	121.9
Shah Alloys	106.85	118.05
Uttam Sugar Mill	102	103.2
Indo Asian	99	99.25
Titanor Comp.	98.9	111.35
Excel Crop Care	95	97.65
Technocraft Indu	94	96.15

Tata Metaliks	90	95.35

Figures in Rs

9.2 Market Snapshot - Part II

Group	02-Mar-07	15-Feb-07	Var (%)
Advance & Declines			
Bse			
Advances	275	685	-59.85
Declines	2264	1849	22.44
Unchanged	10	15	-33.33
NSE			
Advances	88	249	-64.66
Declines	919	750	22.53

Unchanged	0	8	-
A			
Advances	19	52	-63.46
Declines	185	150	23.33
Unchanged	0	2	-
B1			
Advances	53	162	-67.28
Declines	633	523	21.03
Unchanged	0	1	-
B2			
Advances	102	201	-49.25
Declines	748	646	15.79
Unchanged	4	7	-42.86
S			
Advances	38	112	-66.07
Declines	430	357	20.45
Unchanged	3	2	50
T			
Advances	36	102	-64.71
Declines	157	90	74.44
Unchanged	0	1	-
BSE's PE Ratio			
BSE 30	19.8	21.93	-9.71
BSE 100	17.21	18.98	-9.33
BSE 200	17.04	18.75	-9.12
BSE's Price to Book Value			
BSE 30	4.94	5.47	-9.69
BSE 100	4.32	4.77	-9.43

BSE 200	4.19	4.61	-9.11
BSE's Dividend Yield (%)			
BSE 30	1.28	1.16	10.34
BSE 100	1.26	1.14	10.53
BSE 200	1.28	1.16	10.34
Volumes			
A	59139546	57968633	2.02
B1	1.19E+08	1.68E+08	-29.31
B2	27494132	27595573	-0.37
S	12961838	20609201	-37.11
T	14782710	39602821	-62.67
TS	777555	2055199	-62.17
Market Cap			
A	2679672	2927810	-8.48
B1	564876.2	613843.9	-7.98
B2	77674.71	85587.19	-9.24
S	92278.82	102559.3	-10.02
T	10925.58	12875.04	-15.14
TS	1925.02	2130.77	-9.66

Market Cap Gainers & Losers

A

TOP GAINERS	02-Mar-07	Var (%)
Jindal Stainless	1772.42	12.31
SKF India	1687.1	11.81
Wockhardt	4083.75	8.32
Alfa-Laval	1566.21	7.32
Guj. Mineral Dev	1404.45	4.67

Apollo Hospitals	2579.16	3.62
CMC	1797.93	3.54
Abbott India	844.07	2.71
Britannia Inds.	3086.33	2.29
EIH	3760.53	1.38
TOP LOSERS	**02-Mar-07**	**Var (%)**
Polaris Software	1690.36	-22.84
Oriental Bank	4378.19	-21.53
Grasim Inds.	19240.23	-20.92
Guj. Ambuja Cem.	16624.13	-19.71
IndusInd Bank	1244.02	-19.45
Birla Corp.	1816.28	-19.06
Punj Lloyd	4120.7	-18.85
I D B I	5767.3	-18.68
Infr.Devlp.Fin	9566.58	-18.27
India Cements	3723.15	-17.55
B1		
TOP GAINERS	**02-Mar-07**	**Var (%)**
Mukta Arts	161.79	25.16
NIIT	1465.27	23.71
Suashish Diamond	475.71	21.89
Shamken Multifab	5.23	19.68
Tips Industries	46.42	16.14
SSI	1041.84	13.71
Shamken Spinners	8.39	13.53
Bajaj Hindustan	2534.6	11.65
Aptech	887.46	11.64
Plethico Pharmac	1193.81	11.11

TOP LOSERS	**02-Mar-07**	**Var (%)**
GMR Inds.	469.49	-37.94
Atlanta	1162.43	-34.94
Autoline Industr	278.37	-34.92
Modipon	71.58	-34.58
Shree Ashtavina	179.14	-33.07
Crew B.O.S. Prod	233.52	-33.01
Cambridge Techno	112.56	-32.14
Pochiraju Inds.	58.35	-31.3
Pyramid Saimira	761.16	-31.04
Saurastra Cem.	197.06	-27.21
B2		
TOP GAINERS	**02-Mar-07**	**Var (%)**
Precision Cont	53.23	156.53
Guj. Terce Labs.	4.47	87.03
Intec Securities	4	61.94
Shyam Star Gems	14.23	51.06
Financial Eyes	16.98	49.74
Kailash Ficom	13.73	46.38
Electrotherm	405.17	44.93
CitiPort Fin.Ser	2.95	39.81
Channel Guide	2.47	38.76
Kosian Inds.	4.76	36
TOP LOSERS	**02-Mar-07**	**Var (%)**
Tripex Overseas	69.43	-52.68
Era E-Zone	55.31	-46.1
Mefcom Agro Inds	24.17	-39.98
P. H. Capital	1.36	-34.3

Kamanwala Housig	68.99	-33.7
Shree Ram Mills	644.27	-33.67
Ritesh Inds.	37.17	-31.58
Ritesh Intl.	7.31	-31.04
Maximaa Systems	2.44	-30.09
Network	35.7	-30.03
S		
TOP GAINERS	**02-Mar-07**	**Var (%)**
Ankur Drugs	227.91	44.17
Polar Pharma (I)	22.39	40.91
Filatex India	19.19	38.46
Arvind Chemical	30.46	38.39
R T Exports	17.03	29.7
Auto.Corp.of Goa	288.9	24.54
Silver Smith (I)	6.82	12.91
Accentia Tech	30.03	12.47
Vidhi Dyestuffs	15.35	12.04
Mewar Polytex	4.83	9.03
TOP LOSERS	**02-Mar-07**	**Var (%)**
Mohit Inds.	44.41	-36.79
Karuna Cables	55.8	-35.74
Mazda	44.28	-32.55
Lok Housing	196.92	-32.17
Interworld Digi	14.36	-28.91
Conart Engineers	9.32	-28.09
Jupiter Bio.	131.93	-27.15
Fenoplast	11.64	-26.98
Era Construction	581.28	-26.52

Zigma Software	14.38	-25.91

Figures in Rs cr

9.3 Market Snapshot - Part III

Market Capitalisation

TOP GAINERS	**02-Mar-07**	**Var (%)**
Finance - Term-Lending Institutions	14529.65	626.95
Computers - Education	4040.59	10.78
Travel Agencies	899.99	6.58
Pumps	5485.2	3.29
Bearings	4437.8	1.17
Healthcare	3311.41	0.48
TOP LOSERS	**02-Mar-07**	**Var (%)**
Leather / Leather Products	2036.62	-20.15
Diversified - Mega	30463.37	-18.32
Refractories / Intermediates	714.05	-16.35
Cement - North India	55175.2	-15.53
Recreation / Amusement Parks	45.99	-15.48
Automobiles - Scooters And 3 - Wheelers	26485.12	-15.14

Transport - Airlines	7482.73	-14.75
Cement - South India	11652.43	-13.83
Construction	98651.79	-13.66
Textiles - Spinning - Synthetic / Blended	1908.26	-13.24
Computers - Software - Converts	2022.81	-12.7
Glass & Glass Products	3989.19	-12.65
Engineering - Turnkey Services	49309.38	-12.52
Cables - Power	1456.65	-12.48
Automobiles - Tractors	25421.2	-12.47
Diversified - Medium / Small	14489.38	-12.24
Air-conditioners	2832.6	-11.66
Dyes And Pigments	840.35	-11.64
Textiles - Composite	1460.13	-11.55
Personal Care - Multinational	49578.3	-11.5
Breweries & Distilleries	16111.22	-11.36
Textiles - Processing	6896.12	-11.31
Engines	9566.54	-11.15
Fasteners	1596.9	-11.15

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 02-Mar-07	High /low frm date of listing	Var. (%) frm offer price	Var(%) frm list price
Indian Bank	09/02/2007	32	91	105	98	105	77	01/03/2007	97	105/77	7	-8
SMS Pharma	08/02/2007	3	380	350	358	390	285	28/02/2007	345	395/285	-9	-1

Transwarranty Fi	02/02/2007	2	52	60	47	63	46	26/02/2007	47	63/37	-9	-21
C & C Constructi	09/02/2007	20	291	350	240	350	229	26/02/2007	218	350/213	-25	-38
Power Fin. Corp.	06/02/2007	77	85	104	112	117	104	23/02/2007	109	121/104	28	5
Firstsource Solu	02/02/2007	49	64	75	80	89	75	22/02/2007	79	89/75	23	5
Redington India	25/01/2007	43	113	140	163	174	125	15/02/2007	147	191/125	30	5
House of Pearl	23/01/2007	4	550	500	469	580	445	15/02/2007	367	580/359	-33	-27
Cinemax India	24/01/2007	42	155	175	152	179	145	14/02/2007	146	204/135	-6	-17
Technocraft Indu	23/01/2007	11	105	125	101	130	97	12/02/2007	104	130/94	-1	-17
Pochiraju Inds.	18/01/2007	5	30	45	49	64	35	09/02/2007	33	64/31	9	-28
Global Broadcast	18/01/2007	50	250	417	510	524	381	08/02/2007	545	724/381	118	31
Akruti Nirman	19/01/2007	81	540	701	564	729	552	07/02/2007	383	729/375	-29	-45
Cambridge Techno	09/01/2007	6	38	49	100	108	48	07/02/2007	71	120/48	87	46
Autoline Industr	12/01/2007	19	225	261	258	282	252	31/01/2007	269	463/247	19	3
Lumax Auto Techn	21/12/2006	3	75	76	111	142	76	16/01/2007	75	142/75	0	0
Shree Ashtavina	20/12/2006	6	160	190	227	248	185	10/01/2007	179	384/177	12	-6
Cairn India	15/12/2006	1	160	140	138	155	129	09/01/2007	119	155/111	-26	-15
Tanla Solutions	14/12/2006	35	265	380	380	380	365	05/01/2007	304	454/304	15	-20
Pyramid	18/12/2006	17	100	135	158	164	125	05/01/2007	269	488/125	169	99

Saimira												
Nissan Copper	08/12/2006	5	39	40	129	136	40	29/12/2006	30	155/30	-23	-25
Gulshan Sugars	28/11/2006	1	40	37	37	37	37	28/12/2006	25	37/21	-38	-33
XL Telecom	07/12/2006	8	150	177	136	177	134	28/12/2006	117	216/114	-22	-34
Ess Dee Aluminiu	08/12/2006	32	225	260	238	262	235	28/12/2006	252	344/225	12	-3
Kovilpatti Laksh	01/12/2006	1	55	56	53	56	50	26/12/2006	44	62/41	-21	-21
Ruchira Papers	29/11/2006	3	23	24	21	24	21	20/12/2006	18	24/16	-24	-28
Sobha Developers	29/11/2006	114	640	1111	969	1179	918	20/12/2006	742	1179/725	16	-33
L T Overseas	30/11/2006	7	56	60	55	63	51	18/12/2006	44	63/36	-22	-27
Blue Bird (I)	22/11/2006	5	105	109	95	109	92	11/12/2006	71	109/65	-32	-34
Parsvnath Develo	10/11/2006	56	300	540	526	579	482	30/11/2006	269	579/265	-10	-503

Price in Rs. Var (%) From Offer Price & List Price is over Price 02/03/2007.

10 Market Report

10.1 Bears in command

Global meltdown and a lacklustre budget result in a sell-off

Related Tables

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

Bears appear to have got an upper hand on the bourses. A disappointing Union Budget 2007-08, setback in global markets and unwinding of speculative positions in the derivatives segment caused a major setback on the bourses in latter part of February 2007-early March 2007.

From a lifetime closing high of 14652.09 on 8 February 2007, the Sensex has lost 12%. It is down 6.5% in calendar 2007 so far.

The turmoil on the global markets began with a steep slide in China. With Japanese currency yen bouncing back against the US dollar, a near 9% fall in Chinese stocks on 27 February, followed by a 3.2% fall in Dow Jones Industrial Average on the same day, prompted some investors to cut carry-trades, where they borrow cheaply in Japan and invest in countries with higher yields. Hedge funds have been borrowing funds in yen due to low interest rates in Japan and redeploying them in other assets, a source of liquidity that has fuelled speculation in the stock market and other asset classes.

The bulls were looking for some sops like cut in corporate surcharge for a post-budget rebound. But there was no such announcement. In fact, the dividend distribution tax was raised in the Union Budget 2007-08.

Even before the weakness in global markets, local stock exchanges had witnessed a pre-budget correction on fears of increase in short-term capital gains tax and rising domestic interest rates. Though the short-term capital gains tax was not raised in the budget, global softness ensured that domestic bourses remained under pressure post-budget.

Some of the key takeaways in the fortnight ended 2 March 2007 were:

* Bank of Japan hiked interest rates at 25 basis points (bps) to 0.5%.

* Securities & Exchange Board of India (Sebi) revised upwards FII inflow for 2007 by Rs 3430.75 crore ($773.91 million), on capturing fresh data under the new reporting system.

* Congress defeated in assembly polls in Punjab and Uttarakhand.

* Freight transportation rates for diesel-petrol cut 5%, and for all minerals, including iron ore and limestone, reduced by 6% in the Railway Budget 2007-08.

* Economic Survey 2006-07 voiced concern at rising prices and advised calibrated measures to contain inflation, while sustaining high growth.

* Dividend distribution tax increased to 15%, from 12.5%, in Union Budget 2007-08.

* Education cess on all taxes raised by 100 bps in the budget.

Index movements

Benchmarks: The 30-share BSE Sensex plunged 1,469.42 points, or 10.2%, to 12,886.13 in the fortnight ended 2 March 2007. The S&P CNX Nifty lost 419.45 points, or 10.1%, to 3,726.75 in the fortnight.

Niche indices: Correction spilled over to small-cap and mid-cap shares. The BSE Small-Cap index lost 644.45 points, or 8.83%, to 6,645.81 in the fortnight. BSE Mid Cap index lost 486.77 points, or 8.17%, to 5,466.24.

The fortnight that was

20 February: Worries of a possible increase in interest rate by the Bank of Japan (BoJ) pulled the Sensex down 150 points ahead of the BoJ policy meeting of 21 February 2007. The apprehensions came true with BoJ hiking rates by 25 bps to 0.5%.

21 February: The Sensex shed 65 points due to unwinding of positions in the derivatives segment ahead of the expiry of the February 2007 derivatives contracts. The Sensex frequently moved in and out of the red.

22 February: A sell-off on the eve of the expiry of February 2007 derivatives contracts saw the Sensex shed 167 points. But for a relatively firm trend in index heavyweight Reliance Industries (RIL), the erosion in the Sensex could have been much steeper.

23 February: Unwinding of speculative positions in the derivatives segment led the Sensex to lose a massive 389 points. It was the biggest single-day point fall in the Sensex since 12 December 2006.

26 February: The market pulled off an almost incredible rebound after a steep intra-day fall mainly due to short-covering in the derivatives segment after the Railway Minister cut freight rates on some items as a part of the freight rationalisation initiative. It gained 17 points for the day.

27 February: Congress' defeat in the state polls in Punjab and Uttarakhand and weakness in Asian markets embittered sentiment in the Indian market, and the Sensex shaved off 171 points.

28 February: Weakness in global markets brought down the Sensex 541 points on the day of the budget. IT, cement and construction shares fell like nine pins following an increase in taxes on these sectors in the budget.

1 March: Bargain-hunting triggered a recovery with the Sensex surging 221 points. IT shares led the rally under the reckoning that their earnings will be impacted only to a small extent following an increase in tax in the budget.

2 March: A late sell-off took the Sensex below the psychological 13,000 level. The benchmark index settled at 12,886.13, its lowest closing level since late-October 2006, shedding 273.42 points (2.08%). Heavyweight RIL dived and IT scrips, cement producers, banks and telecom shares edged lower.

Institutional investment

FIIs: FIIs pressed substantial sales in the latter part of February 2007 and early March 2007 in contrast to an intermittent surge in inflow in February. FIIs sold shares worth a net Rs 3080.80 crore in four trading sessions from 26 February 2007 to 1 March 2007. This was in contrast to a robust inflow of Rs 2909.90 crore in five trading sessions from 2 February to 8 February 2007. The inflow had surged early February after an upgrade in India's sovereign rating by global rating agency S&P on 30 January 2007.

Meanwhile, following capturing of fresh data due to new reporting systems, FII inflow for calendar 2007 was raised by Rs 3430.75 crore on 27 February 2007. As a result, the FII inflow aggregated a healthy Rs 7239.60 crore in February 2007.

Mutual funds: Mutual funds resorted to bargain hunting during the market correction. Their net inflow totaled Rs 1023 crore in nine trading sessions from 19 February 2007 to 1 March 2007.

Stock-specific action

RIL: Index heavyweight RIL held relatively firm but caved in later, leading to a sharp fall on 2 March. The company's board, on 24 February 2007, approved a large preferential issue to promoters. RIL also unveiled a plan for an integrated cracker and petrochemicals complex, with a total capacity of two million tonnes per annum in the Special Economic Zone (SEZ) at Jamnagar in Gujarat.

Meanwhile, RIL said on 2 March that its board would meet on 10 March 2007 to consider the payment of interim dividend for FY 2007 (year ending 31 March 2007). The company has also set 22 March 2007 as record date for paying the interim dividend. The company's announcement came after the finance minister raised dividend distribution tax to 15% from 12.5% in Union Budget 2007-08. Paying dividend before the end of this financial year means RIL will have to pay the existing 12.5% tax on dividend distribution.

Banks: Bank shares edged lower on concerns that rising interest rates will slowdown the current strong credit growth. Some of the state-run banks have raised their prime lending rates (PLRs) by 50 bps after an increase in the cash reserve ratio (CRR) announced by the Reserve Bank of India (RBI) on 13 February 2007.

Cement: Cement shares tumbled, ahead of the budget, amid concerns that the government may ban exports and the existing excise structure/excise duties may be tinkered with. The fall continued after the budget, following the government's announcement of a differential excise duty on the commodity, based on retail prices.

Ranbaxy Laboratories: Ranbaxy Laboratories was hammered on worries over possible equity dilution on its intended acquisition of Merck's generic drugs business. The stock declined even as the company scotched media reports about Ranbaxy planning an issue of shares in the US market. It also denied reports of promoters diluting their stake to fund the acquisition.

Steel: Steel shares edged higher tracking firm global steel prices and on expectation of a hike in domestic prices. The expectation came true when steel firms increased prices after the budget.

Construction: Some of the construction companies witnessed a sharp fall on budget day after a clarification in the budget that the 80-IA tax benefit used by construction companies is not available for work done on a contract basis with retrospective effect from 1 April 2000.

IT: IT scrips, too, dipped sharply on budget day in a knee-jerk reaction after the budget extended the minimum alternate tax (MAT) to the IT sector on income claimed for deduction under sections 10A and 10B. The budget also brought the employees' stock option plan (ESOP) under the tax net.

The effective tax rates for IT companies as a result will go up and impact earning. However, those companies paying tax outside India will get some respite on account of double taxation avoidance treaty. Such firms can set off the tax paid outside India against MAT.

However, IT pivotals bounced back the next day on the reckoning that their earning will be impacted only to a small extent following these changes in the budget. But their recovery proved short-lived when a broad weakness gripped the bourses the next day, i.e., on 2 March.

Listings

PFC: Power Finance Corporation debuted at Rs 104 on BSE on 23 February 2007. The stock settled at Rs 111.55 on that day. The IPO had received a robust investor response. It was subscribed 77.24 times amidst heavy bidding by FIIs, and was priced at the upper end of the Rs 73 - Rs 85 price band.

The current price of Rs 108.95 (closing price on BSE on 2 March 2007) discounts its April-September 2006 annualised EPS of Rs 7 by a PE multiple of 15.5 versus a PE multiple of 12.1 at the IPO price of Rs 85.

Firstsource Solutions: BPO firm Firstsource Solutions listed at Rs 75.10 on BSE on 22 February. The scrip ended the day at Rs 79.60. The IPO of Firstsource Solutions issue was subscribed 50 times, with aggressive bidding from FIIs. The issue was priced at the upper end of the Rs 54 - Rs 64 price band.

The current price of Rs 79 (closing price on BSE on 2 March 2007) discounts its April-December 2006 annualised EPS of Rs 2, by a PE multiple of 39.50 versus a PE multiple of 32 at the IPO price of Rs 64.

Indian Bank: State-run Indian Bank started trading at Rs 105 on BSE on 1 March 2007 compared to the IPO price of Rs 91. The stock closed at Rs 98.30 at the end of the day. Indian Bank had priced its IPO at Rs 91, the upper end of the Rs 77 - Rs 91 price band. The issue had received strong investor response, and had been subscribed over 30 times.

The current price of Rs 97.10 (closing price on BSE on 2 March 2007) discounts its FY 2006 EPS of Rs 11.40, by a PE multiple of 8.51 versus a PE multiple of 7.98 at the IPO price of Rs 91.

Market outlook

The market has corrected sharply in the past few days. Weakness in global markets, concerns that rising interest rates will affect equity valuations, and worries that a strong IPO pipeline may suck out liquidity from the secondary markets triggered a sharp correction.

In the short term, domestic bourses will continue to track global bourses. Cutting of yen carrytrades and a run of weak US economic data have spooked global bourses.

Corporate earnings growth has been a key driver of the rally on the domestic bourses over the past four years. While the growth in earning will continue, the rate of growth is expected to slow down in FY 2008 (year ending March 2007), according to analysts. Rising interest rates have also taken a toll on equity valuations as the risk-free return has gone up. Another concern is that the strong IPO pipeline may suck out liquidity from the secondary market.

The long-term India story remains intact. The drivers are favourable demography (large share of young population), robust domestic consumption and acceleration in infrastructure creation.

A section of the market believes that the current fall offers good buying oppourtunity. In its post-budget report, Deutsch Bank echoed similar sentiments. UBS, too, shares this view: "Post the recent correction, relative valuations don't appear as expensive as they used to. India is now the fourth most expensive market in Asia compared with the most expensive status that it used to have about a month back."

At the current levels, the Sensex is trading 15.8 times one-year forward EPS — an 8% premium over long-term average of 14.6.

Sensex snapshot

		Var(%)*
Current (2 March-07)	12,886.13	—
Lifetime closing high (8 Feb-07)	14,652.09	-12
End of calendar 2006	13,786.91	-6.5
One-year ago (2 March-06)	10,626.78	21.2

* As on 2 March 2007

How the indices have fared

	02-Mar-07	Variation over (%)			
		Fortnight	Month	Quarter	Year
BSE 30	12886.13	-10.2	-10.5	-6.9	21.3
NIFTY (S&P CNX)	3726.75	-10.1	-10.9	-6.8	18.3
BSE 500	4906.68	-9.6	-11.1	-7.3	16
BSE IT Sector	4954.05	-11	-8.1	-3.7	31.2
BSE FMCG Sector	1755.94	-7.2	-8.6	-14.4	-12.7
BSE Capital Goods	8723.25	-9.5	-11.2	-4.2	13
BSE Healthcare	3490.18	-8.2	-9.5	-7.4	-2.9
BSE PSU	5686.41	-8.1	-10.4	-9	-0.9
BANKEX	6447.33	-10.2	-12.9	-11.6	21.9
CNX IT	5200.6	-10.4	-8	-1.6	28.3
BSE Auto	5015.88	-11	-10.4	-8.3	-3.9
BSE Metal	8423.1	-5.1	-10.9	-5.5	12
BSE Oil&Gas	6192.91	-7.6	-6.9	1	38.7
BSE Mid-Cap	5466.24	-8.2	-10.7	-5.4	11.8
BSE Small-Cap	6645.81	-8.8	-12.1	-1.1	6.7

Institutional investment

Date	FIIs Rs crore	Mutual Funds Rs crore
19-Feb-07	617.1	130.77
20-Feb-07	220.2	2.95
21-Feb-07	473.9	17.81
22-Feb-07	-40.2	0.75
23-Feb-07	-225.2	37.21
26-Feb-07	4287.2	270.59
27-Feb-07	-582.1	348.58
28-Feb-07	-415.7	243.48
01-Mar-07	-1644.3	-29.12
02-Mar-07	-438.7	-208.57

Movement of the Sensex stocks

	02/03/2007	15/02/2007	VAR(%)
Tata Steel	443.15	442.1	0.2
NTPC	141.55	142.2	-0.5
ITC	166.55	173.85	-4.2
Tata Consultancy	1208.45	1290.3	-6.3
Reliance Industries	1317.35	1406.9	-6.4
Maruti Udyog	833.95	892.1	-6.5
Hero Honda Motors	691.75	743.6	-7
Hindalco Industries	137.85	151.5	-9
HDFC Bank	947.7	1041.85	-9
HDFC	1529.9	1694.5	-9.7
Dr Reddy’s Lab	660.6	734.9	-10.1

State Bank of India	1008.45	1123.15	-10.2
Bharti Airtel	707.35	791.75	-10.7
ICICI Bank	845.85	948.45	-10.8
Tata Motors	774.5	869.6	-10.9
Reliance Commn	415.3	466.5	-11
Infosys Technologies	2103.15	2374.35	-11.4
ONGC	800	905.4	-11.6
Cipla	224.95	254.7	-11.7
Ranbaxy Laboratories	347.4	393.5	-11.7
Satyam Computer	427.25	485.45	-12
BHEL	2099.6	2386.45	-12
Reliance Energy	475.3	542.15	-12.3
Hindustan Lever	179	205.75	-13
Larsen & Toubro	1464.6	1692.1	-13.4
Wipro	573.2	676	-15.2
Bajaj Auto	2550.2	3009.2	-15.3
ACC	855.55	1017.55	-15.9
Gujarat Ambuja	109.6	136.5	-19.7
Grasim Industries	2098.4	2653.65	-20.9

Figures in Rs

Top Gainers

NAME	Price 02/03/2007 (Rs)	VAR.(%) over 02/03/06 Price
A		
Adani Enterprises	206.85	258.49
CMC	1186.75	134.74
JSW Steel	470.95	109.13
Exide Industries	47.05	94.99
Sterlite Optical Technologies	180	88.58
B1		
Unitech	349.15	1120.38
Goldstone Technologies	70.45	298.02
Rama Newsprint & Paper	35.5	258.59
Praj Industries	357.9	252.44
NIIT	750.65	199.3
B2		
Fact Enterprise	162.05	847.66
Swan Mills	73.7	467.8
Proto Infosys	5.24	440.21
Kamanwala Housing Const.	154.35	438.74
Nettlinx Ltd	28.1	423.28

Top Losers

NAME	Price 02/03/2007 (Rs)	VAR.(%) over 02/03/06 Price
A		
VisualSoft Technologies	77.7	-61.37
TVS Motor Company	60.6	-50.63
Arvind Mills	49.8	-49.65
Ramco Systems	148.6	-44.76
Engineers India	487.3	-39.84
B1		
Amforge Industries	12.52	-94.18
Sutlej Industries	68	-76.56
Upper Ganges Sugar & Industries	81.8	-75.59
Marksans Pharma	78.1	-67.55
Shree Renuka Sugars	331	-66.95
B2		
Kanchan International	15.57	-71.11
Empee Sugars & Chemicals	8.33	-70.82
Oudh Sugar Mills	66.2	-67.91
Dhampur Sugar (Kashipur)	13.37	-65.23
Ask Me Info Hubs	1.04	-64.75

*10.2 Bulk deals on BSE in the fortnight ended 01 March 2007**

Bulk deals on BSE in the fortnight ended 01 March 2007*

Big-ticket trades

Bulk deals on BSE in the fortnight ended 01 March 2007*

Scrip Name	Client Name	Deal * Type	Quantity	Price (Rs)**
01/03/2007				
FEDERAL BANK	ICICI MUTUAL FUND AC DYNA	B	950000	220
FEDERAL BANK	HSBC GLOBAL INVESTMENT FU	S	961500	220
G V FILMS LT	UBS SECURITIES ASIA LTD.	B	1392321	6.09
G V FILMS LT	BNP PARIBAS ARBITRAGE ACC	S	1361791	6.09
INDIAN BANK	GOVERNMENT OF SINGAPORE I	B	4732116	91.55
SUJANA METAL	J.P.MORGAN SECURITIES LTD	B	270000	107.4
28/02/2007				
ALCHEMIST LT	CITIGROUP GLOBAL MARKETS	S	1015663	17.25
ANKU DR PH	CLSA MAURITIUS LIMITED	S	70000	208.53
ANSAL HSG CN	MERRILL LYNCH CAPITAL MAR	B	76145	222.55
BALRAMPUR C*	MORGAN STANLEY AND CO INT	B	1607000	59.24
GITANJALI GE	MERRILL LYNCH CAPITAL MAR	B	380000	214.34
K S OILS LTD	BSMA LIMITED	B	280000	255.8
K S OILS LTD	GOLDMAN SACHS INVESTMENTS	S	200000	255.8
NORTHGATE TE	LEHMAN BROTHERS ASIA LTD	B	225000	979.2

NORTHGATE TE	RELIANCE CAPITAL TRUSTEE	S	160000	980
PIONER EMBRO	MORGAN STANLEY AND CO INT	B	70000	200
STEEL STRI W	MERRILL LYNCH CAPITAL MAR	B	550000	220.04
SUB PROJECTS	MORGAN STANLEY AND CO INT	B	1009157	228.98
SUB PROJECTS	RELIANCE AMC PMS	S	214317	230
TANTIA CONS	THE INDIAMAN FUND MAURITI	B	100000	117.67
TV TODAY	HDFC TRUSTEE CO LTD AC HD	B	450000	136.21
VIVIMED LABS	MERRILL LYNCH CAPITAL MAR	B	510000	173
27/02/2007				
DHAMPUR SUGAR M	INVESCO ASSET MANAGEMENT	B	274472	76.7
DHAMPUR SUGAR M	CTCL AS TRUSTEE FOR INVES	B	243455	76.7
DHAMPUR SUGAR M	ABUDHABI INVESTMENT AUTHO	S	732000	76.7
ESAB INDIA	HDFC MUTUAL FUND CHILDREN	B	82000	373
PIONER EMBRO	LEHMAN BROTHERS ASIA LTD	B	60000	206.8
26/02/2007				
ADHUNIK MET	CARLSON FUND EQUITY ASIAN	S	757000	39
FAG BEARING	BIRLA SUN LIFE ASSET MANA	B	102733	679.75
POLYPLEX COR	ICICI PRUDENTIAL MUTUAL F	B	130000	90.03
RAYBAN SUN O	BIRLA SUNLIFE MUTUAL FUND	B	300460	91.83
ROLTA IND	MERRILL LYNCH CAPITAL MAR	B	450000	321.66
TRANSWARRANTY	CREDIT SUISSE SINGAPORE	S	200000	50.69
23/02/2007				
ALCHEMIST LT	HSBC FINANCIAL SERVICES M	S	1500000	19
KARUT NET L	MORGAN STANLEY AND CO INT	B	70000	235.2
KARUT NET L	MORGAN STANLEY AND CO INT	B	147701	235.2
KARUT NET L	HSBC FINANCIAL SERVICES M	S	25000	235.49
NITCO TILES	STANDARD CHARTERED MUTUAL	S	180000	225.02
SUJANA METAL	CITIGROUP GLOBAL MKT MAUR	B	541194	109.84

SUJANA METAL	HSBC FINANCIAL SERVICES M	S	500000	110
22/02/2007				
DEN SO INDIA	CLSA MRCHNT BNKERS LTD AC	B	200000	86
DEN SO INDIA	TEMPLETN MUTUAL FND AC FR	S	200000	86
JUPITER BIOS	UBS SECURITIES ASIA LTD.	S	200000	178.01
KARUT NET L	MORGAN STANLEY AND CO INT	B	110000	241.22
POCHIRAJU IN	HSBC FINANCIAL SERVICES M	S	326315	42
RUCHI SOYA	QUANTUM M LIMITED	B	370598	352
RUCHI SOYA	UTI MUTUAL FUND SCHEME MA	S	370598	352
21/02/2007				
INDRA GAS	CITIGROUP GLOBAL MARKETS	S	1859900	112.04
SUJANA METAL	CITIGROUP GLOBAL MKT MAUR	B	661304	110.14
SUJANA METAL	HSBC FINANCIAL SERVICES M	S	500000	110.05
20/02/2007				
ALLIANZ SECU	ICICI INTERNATIONAL LTD	S	500000	62.6
AUTOMO COR G	PRUICICI SERVICE FUND	B	50000	485.06
AUTOMO COR G	BIRLA SUNLFIE TRUSTEE CO	S	50000	485.03
BALRAMPUR C*	CITICORP INTERNATIONAL FI	S	2200000	60
ELPRO INTERN	LOTUS GLOBAL INVESTMENTS	B	30000	265
GODREJ INDUS	JF ASSET MANAGEMENT LIMIT	B	1863000	178.15
JUPITER BIOS	UBS SECURITIES ASIA LTD.	S	200000	190.01
19/02/2007				
DISHMAN PHAR	GOLDMAN SACHS INVESTMENTS	S	450000	233.66
PEARL FASHON	RELIANCE CAPITAL TRUSTEE	B	126692	457.49
PEARL FASHON	CITIGROUP GLOBAL MARKETS	S	245880	460
POCHIRAJU IN	UBS SECURITIES ASIA LTD.	S	200000	50.18
SARLA PER F	PRUDENTIAL ICICI	S	311774	117.6
SOMA TEX IND	MAVI INVESTMENT FUND LTD	S	1450000	28.02

SOMA TEX IND	KII LIMITED GDR ACCOUNT	S	550000	28

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

11 Tax Matters : Is there a limit on cash income?

Is there a limit on cash income received? Is a record necessary?

My wife earns tuition fees of around Rs 7000 per month. She receives the fees in cash, which I deposit in her account. The fees are shown in her annual return. Do I need to maintain any records to prove the source of income? Is there any limit on the amount of cash income I deposit in her account?

— Ravi Chandran, e-mail

It is always advisable to keep proper record/supporting evidence for every transaction undertaken. Maintenance of records is of utmost importance to impress the authenticity of any transaction. When the transactions relate to cash then its genuineness is doubted. So, keep a proper track of cash inflows and outflow.

To prove the source of income, i.e., tuition fees you can maintain the following registers:

* A register showing complete particulars of all the students enrolled for coaching with you during the year. Such particulars may contain the student's name, complete address and contact number, amount of fees receivable, and signature of the student and/or parent. This register will serve as a database of students for you/your wife.

* A register showing classwise/standardwise bifurcation of students, amount of fees receivable from the students per month; amount of fees actually received per month. This will give you the total amount of tuition fees receivable by you along with class-wise total strength of students taught by you/your wife during the year.

* On the basis of the register maintained by your wife and passbook of your bank, prepare a reconciliation statement showing monthwise fees received and deposited in the bank account.

* Book of receipts issued to students on receipt of fees from them.

* A register of expenses incurred on conducting tuitions such as study material, printing of receipt books, stationary, and photo copy.

The above list is inclusive and not exhaustive. The format of books/registers can be modified or altered depending upon the facts of each case.

There is no limit on the amount of cash income to be deposited in bank accounts. But if asked by the income-tax officer during income-tax assessment, you have to produce the documents/records in support of such income that has been deposited in the bank account.

I am agriculturalist and part of my agricultural land is going to be acquired by the government for road construction. My land area does not belong to the jurisdiction of a municipality or a cantonment board with a population of 10,000. I also think that my area is not notified by the government. But I am not sure because I do not know what 'notified by the government' means. Please let me know if I can get tax exemption on the compensation received.

— Bharath Gowda e-mail

Any profit or gain arising from the transfer of a capital asset is chargeable to tax under the head, 'Capital gain'. To attract capital gain tax, there should be capital asset transferred by the assessee. Agricultural land in India is not treated as capital asset provided it is not situated:

* In any area which is within the jurisdiction of a municipality (whether known as a municipality, municipal corporation, notified area committee, town area committee, town committee, or by any other name) or a cantonment board and which has a population of not less than 10,000 according to the last preceding census of which the relevant figures have been published before the first day of the previous year; or

* In any area within such distance, not being more than eight kilometers, from the local limits of any municipality or cantonment board, as the Central government may — having regard to the extent of, and scope for, urbanisation of that area and other relevant considerations — specify by notification in the official gazette.

Based on the facts given by you, if your agricultural land does not belong to jurisdiction of a municipality/cantonment board with a population of 10,000 and above and it is not situated in an area notified by the government, then it will not be treated as a capital asset.

As your agricultural land is not a capital asset, there is no question of any capital gain tax on its transfer or compulsory acquisition.

For areas 'notified by the government' please refer notification no. 9447, dated 6 January 1994.

I have purchased a flat in the current financial year 2006-07, for which I have paid registration fees (stamp duty) of Rs 61000. Can I claim the entire amount as deduction under sec 80C. If not, what is the limit for such deduction?

— Hemant M Pardeshi, e-mail

Under sec 80C of the Income-Tax Act, 1961, deduction is available from gross total income up to Rs 1 lakh for specified investments. One such specified investment is any payment towards the cost of purchase/construction of a residential property (including repayment of loan taken from the government, bank, cooperative bank, LIC, National Housing Bank, and assessee's employer where such employer is public company/public sector company/university/co-operative society). Stamp duty and registration fee expenses incurred on the cost of purchase/construction of a new residential house property also qualifies as deduction for the purpose of sec 80C. Sec 80C (2) (xviii) (d) specifically provides for such deduction. You can very well claim the entire amount of Rs 61000 paid towards registration fees (stamp duty). The said section is reproduced below for your ready reference:

(xviii) for the purposes of purchase or construction of a residential house property the income from which is chargeable to tax under the head, 'Income from house property' (or which would, if it had not been used for the assessee's own residence, have been chargeable to tax under that head), where such payments are made towards or by way of: (d) stamp duty, registration fee and other expenses for the purpose of transfer of such house property to the assessee but shall not include any payment towards or by way of:

(A) The admission fee, cost of share and initial deposit which a shareholder of a company or a member of a co-operative society has to pay for becoming such shareholder or member; or

(B) The cost of any addition or alteration to, or renovation or repair of, the house property which is carried out after the issue of the completion certificate in respect of the house property by the authority competent to issue such certificate or after the house property or any part thereof has either been occupied by the assessee or any other person on his behalf or been let out; or

(C) Any expenditure in respect of which deduction is allowable under the provisions of sections 24.

I am a government employee. I purchased a flat in 2004 after availing home loan from a private bank. Since then I have been getting tax exemption on the principal + interest repaid (Rs 4100 per month) on my loan. But, this year, I have to pay some income tax. Now, I'd like to know about accrued interest which can be exempted under sec 24(b). What is accrued interest and how can I avail of this benefit?

— Siva Ram Prakash e-mail

Sec 24(b) of the Income-Tax Act, 1961, provides for deduction from income from house property of the amount of interest payable on capital borrowed for the purpose of acquisition, construction, repair, renewal or reconstruction of the property. Interest is allowed as deduction on accrual basis (Circular No 363, dated 24 June 1983). So even if you do not pay any EMI, you will still be able to get deduction for the interest component involved in such EMI, which has become due for payment.

To claim benefit of interest deduction, following conditions have to be satisfied:

* The capital has been borrowed for acquisition or construction or repair or renewal or reconstruction of the property.

* Interest has become due or it has accrued.

* There has to be a direct correlation or nexus between capital borrowed and acquisition or construction or repair or renewal or reconstruction of the property. In simple words, capital borrowed has to be used for the said purposes only.

* Deduction is allowed only for regular interest accrued. Any penal interest payable due to any default over and above EMI amount is not liable for deduction.

If you have borrowed capital before acquisition or construction of property, then such total pre-acquisition or pre-construction period interest is allowed as deduction under sec 24(b) in five successive financial years starting from the year in which the acquisition/construction was completed. Pre-acquisition or pre-construction period consists of period from the date of borrowing till the end of the previous year prior to the previous year in which the house is acquired/completed.

If the property acquired or constructed by you is let-out on rent, then there is no restriction on the amount of interest, which can be claimed as deduction under sec 24(b).

However, if such acquired or constructed property is used by you for your residence (i.e., self-occupied property) then you can claim interest deduction only up to Rs 1.5 lakh. To get this amount of deduction you have to satisfy three conditions:

* Capital is borrowed for such acquisition or construction on or after 1 April 1999.

* Such acquisition or construction of property gets completed within three years from the end of financial year in which the capital was borrowed.

* You have to obtain a certificate from the person to whom such interest is payable specifying the amount of interest payable.

If the first two conditions are not satisfied then interest deduction will be limited to Rs 30000.

You will also not be able to get maximum deduction of Rs 1.5 lakh if the capital is borrowed by you for repair and renewal. In such case, deduction for interest is limited to Rs 30000 only.

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

12 Stock Watch

12.1 Reliance Communications : Wired to growth

Value-unlocking and aggressive expansion plans and new initiatives in a favourable industry scenario

Related Tables

Consolidated Financials

Reliance Communications is India's largest integrated communications service provider in the private sector. It has pan-Indian operations (wireless, wireline and long-distance voice, data, and internet communication services) as well as an extensive international presence (long-distance voice, data and internet services, and submarine cable network infrastructure).

The wireless network of RCom covers over 6,000 towns across India, covering over 54% of the population. This is the largest wireless network in India in terms of coverage and capacity. The company plans to launch IPTV and DTH services in the December 2007 quarter.

RCom registered impressive results in the December 2006 quarter. With an over 30-million wireless-subscriber base, the total revenue increased 7% to Rs 3755.30 crore in the December 2006 quarter over the September 2006 quarter. Operating profit margin (OPM) stood higher by a solid 650 basis points (bps) to 40.7%. OPM improved due to higher margin from each of its business segment with the highest gain coming from the broadband division. Profit after tax (PAT) expanded 73% to Rs 924.42 crore sequentially.

RCom added a net four million wireless subscribers: an 88.1% growth in the December 2006 quarter over the December 2005 quarter, and a 15.7% rise over the September 2006 quarter. The company's overall wireless subscriber base, at 30 million, represents a 20.1% market share.

Revenue of the wireless business, which contributed 73% of the total revenue, was Rs 2752 crore — up 39% from the December 2005 quarter. Profit before interest and tax (PBIT) increased 65% to Rs 554.19 crore.

PBIT of the global business increased 197% to Rs 249.09 crore in the December 2006 quarter, and the PBIT margin reached 18.7% against 6% in the December 2005 quarter.

The broadband division achieved a revenue growth of 149% to Rs 316 crore, and PBIT stood at Rs 109.05 crore against a loss of Rs 3.07 crore in the December 2005 quarter.

RComm's capex strategy is now unambiguously focused on GSM. Only a small minority of wireless capex (capital expenditure) will be for CDMA, and that too only when it is most cost-effective. The company will be investing US$ 2.5 billion, or about Rs 11000 crore, in the coming financial year ending March 2008 to support the expansion of it's India-focused businesses. RCom recently issued 0% coupon foreign currency convertible bonds (FCCBs) amounting to US$ 1 billion. The conversion price is Rs 661.23 per share.

RCom has proposed two value-unlocking proposals. The board has approved a scheme to transfer its wireless towers and related infrastructure to a subsidiary. Sharing of new cell sites could result in capex saving of 30% and opex (operational expenditure) saving of 30-36%, while the sharing of existing cell sites could result in capex saving of 10% and opex saving of 15%-18%.

RCom's board has also approved a proposal to globally list its subsidiary Flag Telecom, whose performance has registered a turnaround over the past year and been aligned with the Indian franchise. Seeing the enormous growth potential in bridging the digital divide, Flag Telecom recently announced a nearly Rs 7000-crore (US$1.5 billion) Next Generation network project. On completion, this will make the company the largest fully internet protocol (IP)-enabled global undersea cable system operator, touching 80% of the world population.

In FY 2007, we expect RComm to register adjusted EPS of Rs 14.8, which is likely to go up to Rs 20.2 in FY 2008. The share price trades at Rs 399, giving a PE of 19.7 times FY 2008 projected EPS.

The Indian telecom sector is projected to continue to grow at a fast rate, going forward. The RCom scrip will outperform the market indices in spite of the recent disappointment on losing the Hutch acquisition battle.

Consolidated Financials

	0603(12)	**0703 (12P)**	**0803 (12P)**
Sales	10766.35	14286.67	17344.02
OPM (%)	23.5	39.3	42
OP	2535.22	5612.58	7284.49
Other inc.	0	0	0
PBDIT	2535.22	5612.58	7284.49
Interest	321.47	49.52	35
PBDT	2213.75	5563.06	7249.49
Dep.	1698.68	2479.98	2988.38
PBT	515.07	3083.08	4261.11
EO	37.43	35.98	0
PBT After EO	477.64	3047.1	4261.11
Tax	33.73	59.62	127.83
PAT	443.91	2987.48	4133.28
EPS	2.3	14.8	20.2

*Annualised on current equity of Rs 1022.31 crore. Face Value of Rs 5. (P): Projections. EPS is calculated after excluding EO and relevant tax. EO: Extraordinary items. Figures in Rs crore. Source: Capitaline Corporate Databases.

12.2 Watch list

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

Company	**Ind. no.**	**Price (Rs) 05.03.07**	**TTM YEAr**	**TTM EPS (Rs)**	**P/E**
3i Infotech	28	222	200612	8.6	25.8
A B B	39	3343	200612	80.3	41.6
ACC	18	813	200612	58.3	14
Ador Welding	41	209	200612	25.5	8.2
Ashok Leyland	5	37	200612	3.1	12.1
Asian Paints	63	661	200612	25.8	25.6
Atlas Copco (I)	25	696	200609	29	24
Aventis Pharma	73	1184	200609	74.8	15.8
B H E L	39	2010	200612	87	23.1
Bajaj Auto	8	2455	200612	119.2	20.6
Ballarpur Inds.	64	104	200612	13.5	7.7

Balmer Law. Inv.	50	94	200612	4.2	22.6
BASF India	22	192	200612	19	10.1
Beck India	22	332	200612	21.3	15.6
Bharat Bijlee	39	1175	200612	71.4	16.5
Bharat EarthMove	44	1015	200612	52.8	19.2
Bharat Electro.	43	1460	200612	79.9	18.3
Bharat Forge	17	301	200612	10.5	28.7
Biocon	70	429	200612	14.3	29.9
Blue Star	2	196	200612	7	28.1
BOC India	22	138	200612	9.5	14.6
Castrol India	22	212	200612	12.5	17
CCL Products	89	354	200612	31.6	11.2
Century Textiles	107	472	200612	21.8	21.7
Clariant Chemica	22	296	200612	23.6	12.6
CMC	26	1156	200612	34.6	33.4
Colgate Palm.	66	314	200612	13.3	23.6
CRISIL	106	2492	200612	55.3	45.1
Cromp. Greaves	39	184	200612	4.7	39.1
Cummins India	46	240	200612	11.6	20.8
Deepak Fert.	49	77	200612	9.5	8.1
Deepak Nitrite	22	128	200612	15.6	8.2
DIC India	77	162	200609	13.3	12.2
Dr Reddy’s Labs	70	619	200612	53.4	11.6
Eimco Elecon	44	250	200612	15	16.7
Engineers India	45	453	200612	24.8	18.3
Esab India	41	319	200612	27.7	11.5
Fag Bearings	13	643	200612	44.3	14.5
Foseco India	22	335	200612	25.5	13.1

GlaxoSmith C H L	54	540	200612	30.2	17.9
Glaxosmithkline	73	1126	200612	42.7	26.4
Godrej Consumer	65	138	200612	5.4	25.7
Goodyear India	105	149	200609	16.7	8.9
Grasim Inds.	107	2102	200612	139.1	15.1
Guj. Gas Company	106	1269	200612	69.3	18.3
Gujarat Apollo I	44	181	200612	21.5	8.4
H D F C	51	1495	200612	55.9	26.8
H T Media	47	182	200612	4.6	40
HDFC Bank	12	930	200612	33.6	27.7
Hind.Construct.	31	91	200612	3.5	25.8
Honda Siel Power	39	167	200612	16.6	10.1
Honeywell Auto	43	1520	200612	65.6	23.2
Hyd.Industries	20	168	200612	27.3	6.1
I-Flex Solutions	27	1861	200612	42.9	43.4
Indian Hotels	57	126	200612	4.3	29.6
Indian Hume Pipe	20	398	200612	30.1	13.2
Indraprastha Gas	106	104	200612	9.1	11.4
Infosys Tech.	27	2007	200612	59.5	33.8
Ingersoll-Rand	25	307	200612	15.3	20.1
Intl. Combustion	44	271	200612	32.6	8.3
K C P	19	204	200612	31.5	6.5
Kalpataru Power	102	1018	200612	47.7	21.4
Karur Vysya Bank	12	247	200612	28.1	8.8
Kirl. Oil Engine	46	234	200612	15.7	14.9
KPIT Cummins Inf	28	115	200612	4.9	23.5
Lanxess ABS	69	139	200612	15.2	9.1
Larsen & Toubro	45	1384	200612	39	35.5

M & M	7	709	200612	37.9	18.7
M I C O	10	3245	200609	135.2	24
Monsanto India	68	1401	200612	66.7	21
Nestle India	54	896	200609	34.1	26.3
Nicholas Piramal	70	208	200612	9.2	22.7
Orchid Chem.	71	233	200612	13.9	16.8
Paper Products	62	340	200612	23.9	14.2
Petron Engg.	45	140	200612	9	15.5
Porritts&Spencer	97	213	200612	22.1	9.7
Ranbaxy Labs.	70	321	200612	10.9	29.5
Rayban Sun Optic	66	82	200612	4.9	16.7
Raymond	97	333	200612	18.8	17.7
Reliance Communi	90	399	200612	6.3	63.3
Reliance Inds.	80	1259	200612	75.2	16.7
S E Asia Marine	82	180	200612	17.3	10.4
Shanthi Gears	44	60	200612	4.2	14.4
Shree Cement	18	1184	200612	57.1	20.7
Siemens	43	1015	200612	24.1	42.1
SKF India	13	299	200612	19.3	15.5
St Bk of Bikaner	11	3494	200612	476.2	7.3
St Bk of India	11	962	200612	74.1	13
Steelcast	17	229	200612	30.3	7.6
Sundram Fasten.	48	64	200612	4	16.1
Tata Chemicals	49	208	200612	19.3	10.8
Tata Elxsi	28	261	200612	15.3	17.1
Tata Motors	5	736	200612	46.5	15.8
TCS	27	1162	200612	35.9	32.4
Thermax	44	356	200612	15.9	22.4

Torrent Cables	15	152	200612	22.9	6.6
TRF	44	479	200612	26	18.4
Unichem Labs.	70	252	200612	23.2	10.9
UTI Bank	12	448	200612	21.3	21
Valecha Eng.	31	215	200612	19.4	11.1
Vesuvius India	81	201	200612	13.2	15.2
Voltas	107	84	200612	2.8	30.2
VST Till. Tract.	7	117	200612	20	5.9
Wockhardt	70	361	200612	24.2	14.9

TTM: Trailing 12 months

13 Capitaline Corner : SKF India : Flowing smoothly

Sustained expansions and buoyant economy will ensure smooth growth for this MNC associate

Related Tables

SKF India: Financials

SKF India, a 53% subsidiary of SKF, Sweden, is the market leader in the bearing industry and is the main bearing supplier to all consumer segments: automotive, electrical, industrial and aftermarket. In addition to the comprehensive range of bearings manufactured at its Pune and Bangalore plants or imported to India from any of the group's overseas plants, SKF also offers a wide range of bearing-related products and systems such as condition monitoring systems for trouble-free operations, linear motion products, machine tool spindle maintenance, and reliability systems to provide complete one-stop solutions to clients.

Launched recently in the domestic market as a natural extension to its business model, SKF India's power transmission products offer integrated solution for all transmission needs. As the Rs 1000-crore power transmission products industry is fragmented, it will be the only company offering the entire product range, keeping with its mission to be a total knowledge-engineering company.

SKF India registered an impressive sales growth of 52% to Rs 379.26 crore in the quarter ended December 2006. Operating profit margin (OPM) inclined sharply by 520 basis points (bps) to 13.5%. Thus, operating profit (OP) soared 149% to Rs 51.37 crore. Profit after tax (PAT) before prior period adjustments (PPA) skyrocketed 121% to Rs 31.73 crore

Sales grew by a solid 72% to Rs 1342.49 crore in December 2006. OPM was up by 40 bps to 12.4%. Thus, OP surged 78% to Rs 166.45 crore. Profit before tax (PBT) before extraordinary items (EO) stood at Rs 150.45 crore — up 40%. EO income was Rs 2.69 crore on account of reversal of provision for impairment. The ensuing profit before tax (PBT) after EO was Rs 153.14 crore — a rise of 43%. After providing for tax (up 31% to Rs 51.18 crore), PAT before PPA jumped 50% to Rs 101.96 crore

"We have seen our highest sales in the fourth quarter, led by strong customer demand across all businesses. Our position across all customer segments is strong with many new opportunities emerging. Our technology platforms continue to drive growth beyond bearings. We see this trend continuing in 2007," said Rakesh Makhija, Managing Director, SKF India

The growth in GDP of the Indian economy and the buoyancy in the automobile and steel sectors are throwing up growth opportunities for ball bearing producers, which they can tap by expanding production and optimally utilising capacities. Almost 38% of the domestic demand for ball bearing is met by imports.
There is, therefore, further scope for market expansion.

There is also export potential. SKF Global wants to make SKF India a manufacturing hub for its several type of small ball, roller bearings and customised products that demand manual craft. Exports made up about 8% of SKF India's Rs 781 crore net sales in 2005.

In July 2006, SKF India completed a Rs 100-crore expansion at the Bangalore plant, increasing the installed capacity of its ball-bearing division by 35% to 100 million units, and that of taper-roller-bearing division by 40% to 8.5 million units. The company aims to double its turnover over the next three-four years. It will invest about Rs 100 crore in every 18-month cycle to expand its existing capacities and set up new units. An investment of Rs 200 crore-Rs 500 crore is to be earmarked to achieve the goal of doubling the present turnover by 2010.

In the fiscal ending December 2007, we expect SKF India to report an EPS of Rs 24. At the current market price of Rs 299, EPS is discounted only 12.4 times.

SKF India: Financials

	0312 (12)	**0412(12)**	**0512(12)**	**0612(12)**	**0712 (P)**
Net Sales	467.95	581.31	781.39	1342.49	1678.11
OPM %	12.8	15.5	12	12.4	12.5
OP	59.74	89.82	93.7	166.45	209.76
Other income	24.8	23.01	34.62	8.34	8.5
PBIDT	84.54	112.83	128.32	174.79	218.26
Interest	7.36	0.54	-4.74	-4.48	-5.5
PBDT	77.18	112.29	133.06	179.27	223.76
Depreciation	26.55	25.96	25.93	28.82	33.14
PBT before EO	50.63	86.33	107.13	150.45	190.62
EO	0	0	0	2.69	0
PBT after EO	50.63	86.33	107.13	153.14	190.62
Tax	18.43	31.72	38.98	51.18	63.86
PAT	32.2	54.61	68.15	101.96	126.76
EPS (Rs)*	6.1	10.5	12.9	19	24

* Annualised on current equity of Rs 52.73 crore. Face Value: Rs10 each. (P): Projections. EO: Extraordinary items. EPS is calculated after excluding EO and relevant tax. Figures in Rs crore. Source: Capitaline Corporate Database.