KARVY BAZAAR BAATEIN

A Weekly Investment Newsletter From KARVY

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NSE

52 Wk H/L : 5549.80/4538.50

Mcap : Rs65,32,653 cr.

BSE

52 Wk H/L : 18475.27/15330.56

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

Editor: **S. Gopichand**

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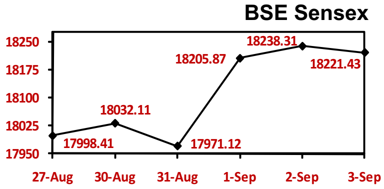

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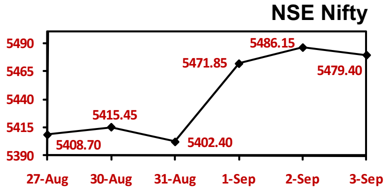
↑ 1.24%



5479.40
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A sigh of relief…

The Direct Taxes Code, 2010 (DTC), tabled by Finance Minister Pranab Mukherjee in the Lok Sabha on August 30, 2010, should bring about a sigh of relief for investors and joy to the *aam aadmi*. Based on the new proposals, from an investor's perspective, the long-term capital gains tax will remain at zero percent. That means you don't have to pay a dime if your holding period in a particular stock or equity-oriented mutual fund exceeds one year. It must be remembered that the original draft had proposed to align long-term capital gains tax in accordance to the investor's income-tax slab. The DTC will now be effective from April 1, 2012 instead of April 1, 2011, as was earlier intended.

What's more, although STT will continue, the Code has tinkered with short-term capital gains which will benefit traders. According to the new proposals, short-term capital gains will be payable only on 50% of the gains for equity shares or units of an equity-oriented mutual fund. For individuals, the rate will be their respective tax slabs, whereas for companies it will be 30%.

Moreover, the exemption limit has been raised to Rs2 lakh (from Rs1.6 lakh), which will particularly benefit the middle class, accounting for 90% of the tax payers. Even the high income earners will end up paying lower tax under the new slabs. With more money left in the hands of the common man, we believe it will lead to higher levels of savings and consumption going forward as a young and vibrant India increasingly contributes to the nation's spectacular GDP growth.

More importantly, with long-term capital gains tax at zero percent, investors should be encouraged to change their mindset and invest in equities for the long haul. That said, given the Crash of 2008 is still fresh in many investors' minds, it would be interesting to see how long it would take them to return to the markets. In fact, mutual funds have been facing net equity outflows since September 2009.

Economic data from the US has been more or less in line with estimates, albeit with a positive bias. India's Q1 GDP growth came in at 8.8%, the highest in nine quarters, which may put pressure on the RBI to raise interest rates. Meanwhile, the country once again received excess rainfall last week. According to the IMD, the cumulative rainfall (June 1 – September 1, 2010) is just 1% below the long-period average (LPA). Monsoon is expected to remain normal for the rest of the season (September).

This week, long positions can be assumed in automobile, energy, telecom and banking stocks while short positions can be assumed in capital goods, realty, metals and software stocks. Overall, the Nifty is expected to trade in a range of 5400-5600 levels for the week.

KBB weekly recommendations for the week beginning 06th Aug

Scrip	Action	CMP	Entry	Stop Loss	Target	Time Frame
Satyam	Buy	91.30	Above 92	88	100-102	5-6 Days
Unitech	Buy	81.20	81-82	78	88-90	5-6 Days
Tata Steel	Buy	540.95	535-538	532	548-550	5-6 Days
Apollo Tyres	Buy	81.75	80-81	78.20	85-86	5-6 Days
ABAN	Buy	804.60	Above 810	790	850-855	5-6 Days

Disclaimer: The above recommendations are purely based on technical analysis. Hence, the stop loss should be strictly adhered to.

KBB weekly performance monitor

Balance on inception (01- Jan- 10)	Balance last week (27-Aug-10)	Balance current week (03-Sep-10)	Abs. returns WoW (%)	Abs. returns since Jan 01, 2010(%)
5,00,000	4,88,490	4,88,490	-	(2.30)

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

Company Update

Ranbaxy Labs (₹481)

Better business visibility

We recently met up with the management of Ranbaxy Labs to get an update on the US market, traction in Europe and CIS markets, and Project Viraat for the domestic formulations market. The company appears quite confident of monetizing its US opportunities. We have come back with a positive bias but maintain our Market Performer rating on the stock.

Project Viraat, which was initiated to give a massive push to the domestic formulations business, will start yielding results from H2CY10. The ramp-up in medical representatives (MRs) from 2,500 to 4,000 coupled with a thrust in semi-urban areas should enable the company to grow by 17-20% per annum for the next 2-3 years.

US issues: The US and DOJ resolution is expected to commence in the near future. This will pave the way for commencement of revenues from the Dewas and Gloversville initially and then the Paonta Sahib facility. Ranbaxy remains confident of its ability to monetize its FTFs. The resolution of the Dewas facility will enable the company to capitalize on the Penem opportunity.

Europe: Ranbaxy has made the European business cost structure variable, enabling the company to make profits at the EBITDA level. Product introductions across geographies and tight control on costs have been the mantra for Europe.

Valuation and price target: We are enthused by the pro-active approach taken by the company for the domestic market and its ability to align a large organization with the volatility in the international markets and come out unscathed. The key to re-rating would be a positive resolution to the US FDA and DOJ issues. We marginally upgrade our CY10E EPS to Rs22.8 on account of increase in domestic formulations. We increase our CY11E EPS by 16.4% to Rs21.7. We value the core price at Rs434 based on 20x CY11E. We value FTF opportunities of Lipitor, Caduet, Nexium, Valacyte, Actos and Provigil on DCF basis and ascribe a value of Rs94. We also add the Aircept opportunity of Rs10.9 as the same is expected to unfold in November 2010. We upgrade our price target by 15.4% to Rs540 and continue to rate the stock as Market Performer.

Project Viraat was implemented on a pan-India basis that involved complete restructuring. The company had two hubs, one in Delhi and another in Mumbai. The Delhi hub has been moved to Mumbai. Ranbaxy has reduced the number of MRs per division, from 600-700 to 200-300. The company has started a hospital task force. The above initiative will give the divisions enough focus and be nimble. The initial re-structuring, which started in January 2009, was scaled up in a comprehensive manner for the entire domestic formulations business. The company raised the field force from 2,000 to 2,500 in the first half of 2009. Subsequently, it was increased from 2,500 to 4,000 in H2CY09 and H1CY10. The company plans to launch around 70-75 products per year for the next two years. The company enjoys one of the highest MR productivity, and its MRs rank among the best in terms of educational qualifications, grades, ability to learn, besides undergoing a stringent training process.

Ranbaxy's endeavor is to be among the top three in the domestic market, and, hence, needs to grow upwards of 17%. The company needs to deliver 17-20% growth over the next three years from CY11 onwards. The second half of CY10 also should be strong. Ranbaxy's focus has always been on premium pricing in the market. A classic case is Cifran where the company has a predominant market share despite being the premium brand in terms of pricing. Ranbaxy is among the Top-5 companies in terms of performance of products. In metros, the company has a market share of 7-7.5%, while in the rural and extra-urban areas, the company's ranking is between 3 and 5. With 75 % of its domestic formulations revenues coming from acute, Ranbaxy is best-placed to tap the semi-urban areas where doctors are not given any scientific input. The company plans to push the entire spectrum of products for the rural hospital segment.

US revenues: In regard to Flomax and Valtrex, Ranbaxy had changed sites, and, therefore, could exploit the opportunity. The US market resolution may involve a penalty. The operations would be under checks and balances and may have to operate under the supervision of USFDA for some time. Management is quite confident that it will be able to monetize its FTF opportunities, but is unwilling to disclose on Para IVs and FTFs.

Dai-chi tie-up: Dai-chi has had tie-ups in several markets with numerous partners. Opportunities will be exploited where it would not impede existing alliances. This is not a very large opportunity from Ranbaxy's point of view. However, as and when Dai-ichi comes up with a new NCE launch, this would be a huge opportunity as Ranbaxy will be able to exploit the same in the entire emerging market area.

Europe: Ranbaxy has shifted its cost structure to a variable model which has helped the company to make money in Europe at the EBDITA level after a long time. Despite a lot of headwinds in some of the European generics market, the company's focus would be on profitability. The focus is to stay afloat until consolidation occurs and be among the participants to exploit the opportunity once the market stabilizes. Ranbaxy will maintain tight control on costs. Growth drivers in the mid-term would be the introduction of 5-6 new products across multiple geographies.

CIS: In the CIS, 50% of Ranbaxy's business is through OTC. The rouble is a lot more stable than what it was 2-3 quarters back. The liquidity situation has improved in the CIS, and the company is gradually becoming more aggressive. Last year, its focus was to stay afloat, be profitable, and have the least amount of debt. Receivables are also not a problem now. The growth in the CIS would primarily be due to existing brands, new brands, and the OTC focus.

Rs Mn	CY2007	CY2008	CY2009	CY2010E	CY2011E
Net sales	70,722	74,214	75,970	85,338	89,805
EBITDA	10,348	5,732	7,124	14,906	15,502
Reported PAT	7,740	(9,513)	2,965	9,587	9,128
EPS(Rs)	20.8	(22.6)	7.1	22.8	21.7
EPS growth (%)	51.4	(208.9)		223.2	(4.8)
EBITDA margin(%)	14.6	7.7	9.4	17.5	17.3
PER(x)	23.1	(21.3)	68.2	21.1	22.2
EV/EBITDA (x)	23.1	38.6	31.7	14.8	14.2
P/S (x)	2.7	2.8	2.8	2.5	2.3
RoCE(%)	12.7	(18.0)	11.7	16.4	15.9
RoE(%)	22.6	(50.1)	4.8	21.0	18.0

- Karvy Equity Research

New Direct Taxes Code (DTC)

The Finance Minister Mr. Pranab Mukherjee tabled the Direct Taxes Code, 2010 (DTC) in the Lok Sabha on August 30, 2010, and referred to the Select Committee of Parliament for scrutiny. The DTC will now be effective from April 1, 2012 instead of April 1, 2011, as was earlier intended. This gives all stakeholders, including individuals, companies and the government to understand the new provisions and adjust and update their systems and operations accordingly.

The following are some of the highlights of the Direct Tax Code, relevant to our readers:

- The exemption limit has been raised to Rs2 lakh (from Rs1.6 lakh), which will particularly benefit the middle class, which account for 90% of the tax payers. Even the high income earners will end up paying lower tax under the new slabs.
- For senior citizens (above 65 years), the tax exemption has been raised to Rs2.5 lakh.
- The Securities Transaction Tax (STT) will continue.
- There will be no capital gains tax on sale of equity shares of a company or units of an equity-oriented mutual fund held for more than one year.
- Short-term capital gains tax will now be payable only on 50% of the gains for equity shares of a company or units of an equity-oriented mutual fund. For individuals, the rate will be their respective tax slabs, whereas for companies it will be 30%.
- The Exempt Exempt Exempt (EEE) method of taxation has been restored for provident funds under Provident Funds Act, 1925 or any other provident funds set up by the central government. EEE will also apply for approved superannuation funds.
- The medical reimbursement exemption limit has been raised from Rs15,000 to Rs50,000.
- Payment of life and health insurance premiums and tuition fees will qualify for deduction to the extent of Rs50,000. This is over and above the 1-lakh investment limit (under existing Section 80C provisions).
- Furthermore, in regard to policyholders, the scope of taxation has been widened. The amount received from a life insurance policy would be subject to tax as 'Income from Residuary Sources', unless (1) the insurance company has paid a distribution tax of 5%; or (2) the policy is received on maturity subject to satisfaction of certain conditions such as premium paid for any of the years did not exceed 5% of the capital sum assured.
- A distribution tax of 5% will be levied on distribution of income by an equity-oriented mutual fund. Such income will be exempt in the hands of the investors.
- Income distributed by funds other than equity-oriented mutual funds will be taxable in the hands of the investors and not subject to levy of distribution tax.

Income slab	Tax rate
Proposed	
Up to Rs2 lakh	NIL
Rs2 lakh - Rs5 lakh	10% on income exceeding Rs2 lakh
Rs5 lakh - Rs10 lakh	Rs30,000 + 20% on income exceeding Rs5 lakh
Over Rs10 lakh	Rs1,30,000 + 30% on income exceeding Rs10 lakh
Current	
Up to Rs1.6 lakh	NIL
Rs1.6 lakh - Rs5 lakh	10% on income exceeding Rs1.6 lakh
Rs5 lakh - Rs8 lakh	Rs34,000 + 20% on income exceeding Rs5 lakh
More than Rs8 lakh	Rs94,000 + 30% on income exceeding Rs 8 lakh

- The rates for tax deduction at source (TDS) on payments to residents will range from 2-30%. The TDS on payments to non-residents will range from 10-30%.
- Failure to furnish Permanent Account Number (PAN) will continue to result in higher tax deduction of 20%.
- Only non-profit organizations have been exempted from Wealth Tax.
- New categories of assets have been introduced for levying Wealth Tax, such as archaeological collections, drawings, paintings, sculptures or any other work of art. Moreover, watches having a value in excess of Rs50,000 has also been included.
- Taxpayers will file a consolidated return of its tax base, including return of income, net wealth, and dividend / income distributed in specified categories of taxpayers.
- Interest on loan against self-occupied house property will be deductible to the extent of Rs150,000.
- Income from house property will be computed only if the property is let out.
- Even if letting out of house property is in the nature of trade, commerce or business, the rental income thereof will be taxable as "Income from House Property" (with certain exceptions).
- With surcharge and cess taken off, the effective tax rate for domestic companies will reduce from 33% to 30%. The base rate of 30% has remained unchanged.
- The Minimum Alternative Tax (MAT) will continue to be levied on book profits at the rate of 20%. The MAT credit has been reinstated and allowed to be carried forward up to 15 years.
- Both MAT and DDT (dividend distribution tax) will now be applicable to SEZ (Special Economic Zones) units and SEZs.
- The existing tax benefits will continue for SEZ units if they start operations before March 31, 2014.
- In-house R&D expenditure will qualify for 200% weighted deduction.

Market pulse

Top Gainers (Weekly)

Company	03-Sep-10	27-Aug-10	% Change
Bharti Airtel	316.10	339.25	7.32
Ranbaxy	479.95	514.10	7.12
Tata Steel Ltd	510.15	540.95	6.04
Unitech Ltd	77.05	81.20	5.39
Rel Infra	983.15	1033.35	5.11

Top Losers (Weekly)

Name	03-Sep-10	27-Aug-10	% Change
BHEL	2472.05	2386.25	-3.47
Hero Honda	1785.75	1736.90	-2.74
Sun Pharma	1773.25	1725.05	-2.72
Reliance Ind.	949.60	925.70	-2.52
Siemens India	714.30	698.55	-2.20

	FII Invt (Rs.cr)		MF (Rs.cr)	
Date	Purchases	Sales	Purchases	Sales
27-Aug-10	3650.60	3495.00	498.80	433.10
30-Aug-10	1792.00	1834.50	386.00	377.80
31-Aug-10	1407.10	1143.40	446.60	798.70
01-Sep-10	3134.40	2572.90	675.40	514.40
02-Sep-10	2670.50	2184.20	593.80	574.40
03-Sep-10	2047.20	1900.00	-	-
Total	**14701.80**	**13130.00**	**2600.60**	**2698.40**

Karvy Personal Finance Desk

Role of capital markets in financial inclusion

Joseph Massey
MD & CEO
MCX Stock Exchange

Although the economy has made rapid strides in recent years along with higher savings and investment rates, inclusive growth continues to be a challenge. India not only lags behind the developed world, but also has a comparatively lesser degree of financial inclusion compared to countries like China. Financial inclusion implies ease of access, convenience and low-cost availability of financial products and services to all members of an economy. Financial inclusion is necessary for inclusive growth. Faster and more inclusive growth prompts involvement of diverse economic activities across geographical regions in the financial system. In fact, the 11th Plan not only aimed at rapid economic growth, but also greater inclusive growth. Fostering the same, the RBI also widened the definition of financial inclusion from just opening a bank account to accessing a wide range of financial services.

The role of capital markets is vital for inclusive growth in regard to wealth distribution and making capital available for corporates across the country. Capital markets in an emerging economy can create greater financial inclusion by introducing new products and services tailored to suit investors' preference for risk and return as well as borrowers' project needs and risk appetite. Innovation, credit counseling, financial education and proper segment identification constitute the possible strategies to achieve this. A well developed capital market creates a sustainable, national-level, low-cost distribution mechanism for distributing multiple financial products and services across the country.

Need for financial deepening: With long-term growth trajectory, considerable financial deepening, increasing foreign cash flows, and rise in credit, deposits and bank assets as a percentage of GDP post-1990, rapid financial inclusion appears to be a reality. To achieve financial inclusion, there should be coordination among various financial institutions with the application of technology. Lack of institutional co-ordination, competition, technology and financial literacy are the causes of lower market penetration. The capital market also faces problems of excessive concentration of trading—at the member level, company level and also on a geographical basis. Moreover, a fair amount of development is required in relation to the bond market, interest rate futures, SME segment and in broad-basing the cash market.

Financial deepening also implies a larger focus on the debt and equity markets than phys-ical assets and India lags behind on this front. In 2007-08, savings in physical assets ac-counted for 52% of household financial assets, although it has come down from 66% in 1994-95.

Business opportunity: The capital markets in India need to cast off the conventional notion that financial inclu-sion is a part of social responsibility and should realize that it can actually foster profitable business. In Russia, the Russian Post earns 46% of its revenue from financial services through its post-office network where post-offices facilitate domestic and international money transfers for the people without a bank account. The Post pays 23 million pensions (60% of total pension payments in Russia) worth US$30 billion.

The Indian households are among the highest savers in the world, but less than 1% of the population participates in the capital markets. Given a savings rate of 28% (2007-08) and the fact that more than 50% of household savings continue to be in relatively unproductive assets, there are prospects to drive these savings into the financial system and channelize them into productive investments. Through financial inclusion, capital markets can actually generate productive investments.

Financial literacy: Achieving 100% financial inclusion would entail financial literacy and matching technology to enhance accessibility, besides adequate competition, for more substantial marketing and selling. The business correspondent (BC) model can be replicated for increasing financial literacy, thereby raising direct participation of the masses in the financial system.

All financial sector entities should adopt innovative practices and work with certain non-banking bodies (agents), such as post-offices and commercial outlets, among others, that can provide distribution outlets for financial products. Financial-services providers can foster financial literacy on the lines of the Gramin Suvidha Kendras (GSKs) initiative, launched by MCX in association with Post India, to provide price information and agri-inputs to farmers. The postal network can also be used for distribution of financial products and services.

Financial integration and the role of banks: Financial inclusion also demands greater integration of bank networks, exchanges, insurance companies, fund houses and other financial bodies to facilitate and benefit from cross-selling. Given 400 million account holders and 80,500 branches across India, banks have a larger role to play, with 40% and 24% branches in rural and semi-urban regions, respectively. Nearly 55% of the country's total savings are channeled into bank fixed deposits. Banks can, therefore, play a key role in fostering financial inclusion.

Delivery models: Banks need to identify efficient delivery models among satellite branches, mobile branches, mobile telephony services and the BC (business correspondents) model. The Working Group appointed by the RBI to review the BC model has recommended banks to use busi-ness facilitators or BCs in non-banked areas. NGOs/MFIs, trusts, post-offices, coopera-tives, retired bank and government employees, and ex-servicemen could function as BCs for the purpose.

Financial inclusion drive and the Lead Bank Scheme: The 100% financial inclusion drive initiated by the RBI aspires to provide a bank account to those desirous to have one (or are potential users who should have an account). The RBI had launched the Lead Bank Scheme back in 1970 followed by the establishment of Regional Rural Banks (RRBs) in 1975. The High Level Committee to review the Lead Bank Scheme, appointed recently, submitted its report in August 2009.

The report has suggested continuation of the scheme with a decentralized approach for wider financial inclusion. It has recommended a greater role for state governments, NGOs, corporates, NABARD, SIDBI, and private-sector banks to achieve IT-enabled financial inclusion. It has also suggested providing requisite infrastructure and a weekly banking out-let in every village with a population of over 2,000, not later than March 2011. It stresses on devising financial products appropriate to the local ethos and on strengthening of RRBs to create financial inclusion.

Mutual funds: The RBI has permitted banks to enter into agreements with asset management companies (AMCs) to market and distribute mutual fund products. Banks are also permitted to offer discretionary portfolio management and investment advisory services.

The Indian mutual fund industry may constitute only 1% of the global mutual fund sector, but it has great potential. Mutual funds play an important role in mobilizing household sav-ings and bringing them to the capital markets. Nearly 7.7% of the country's total savings go into mutual funds. While banks have around 80,500 branches in the country, fund houses have only 2,500 branches. Hence, the existing banking network can be efficiently used for mutual fund penetration, currently limited to mainly the top-10 cities and only 3% of the households.

Recently, SEBI allowed online distribution of mutual fund units through stock exchanges, and retail investors are encouraged to invest in mutual funds. India has more than 200,000 such terminals, and allowing mutual fund investing in over 1,500 towns through the stock exchange terminal will provide accessibility to more investors. The network of broking companies has spread to semi-urban areas and is now increasing its focus on retail investors. Such cross-selling facilities create enough products and services for each intermediary to achieve economies of scale, apart from promoting financial inclusion.

Technology: Mobile and internet are likely to trigger faster growth in the Indian financial markets. Inter-net stock trading is popular among retailers. In India, there are 70-80 million internet users and 5.2 million broadband internet connections. However, the internet penetration rate is merely 7% for a billion population compared to 25% in China and Singapore and 75% in the US. This signifies the immense potential for internet trading.

Currently, mobiles serve the people's need for information access. In India, the penetration of mobile phones is more than that of the internet, with over 400 million subscribers. In the near future, a mobile trading revolution is likely to generate faster financial inclusion. Multifunctional ATMs can be deployed to provide financial services by banks to a larger set of masses. The Unique Identification Project will also help in providing access to a wider set and to those who are hitherto underprivileged.

Diversification and competition: Diversifying financial-services providers and increasing the competition in the capital mar-kets will foster innovation. Competition promotes efficiency and users receive better prod-ucts at competitive prices. Currently, there are 100 banks and over 25 insurance and telecom companies, competing to offer the best to a whopping 400 million customers. The competition has resulted in lower telecom tariffs in India. The mobile penetration has deepened at a growth rate of 71% and is expected to exceed 500 million by 2010. The government and SEBI are endorsing a similar competitive environment for the Indian capital market. In the last two years, two new exchanges have been approved by SEBI. New generation brokers and intermediaries are entering India now and collectively all this will cause greater penetration of the market.

Necessity in developing micro, small and medium enterprises: Greater financial inclusion is required for growth and development of MSMEs, which con-tribute heavily to our foreign trade, GDP, and towards generating large-scale employment opportunities. Special focus should be given to the much-awaited SME stock exchange, which would facilitate growth of the MSME sector by helping it to raise risk capital, thereby contributing to diversification of its sources of finance. It provides an exit route by building a bridge between SMEs and private equity and venture capital. SEBI is working on the final modalities based on which all exchanges will be able to provide the SME Exchange segment.

Conclusion

Capital markets can play a significant role in creating financial inclusion by making available multiple financial products and services to the masses. This requires conscious efforts to identify the respective target segments and enhance the penetration through financial education, product innovation, diversification, customization and simplification. India has sophisticated products and professionals with vast business potential. What is needed is proper financial integration and efforts by capital market players to assume new roles and responsibilities.

Disclaimer: The views expressed in this article are the personal views of the author. They do not necessarily reflect the views of the Karvy Group or the organisation that the author represents.

NFO: Reliance Small Cap Fund

Overview

- A fund investing in small cap companies aiming to capitalize on the high growth potential of these companies.
- The fund will be benchmarked to the BSE Small cap Index.

Issue terms

Entry load	Nil
Exit load	If redeemed/switched within 1 year – 2%; if redeemed / switched within 2 years – 1%; else Nil
Minimum appli-cation amount	Rs5,000 and in multiples of Re1 thereafter
NAV offer price	Rs10 per unit
NFO period	August 26, 2010 to September 9, 2010

Positives

- In booming markets, small-cap stocks may provide a higher growth potential than mid-cap or large-cap stocks.
- The fund is managed by Mr. Sunil Singhania who is currently managing various other well performing funds like Reliance Banking and Reliance Diversified Power, among others, thus instilling faith in the strong fund management.

Risks

- The time to discovery for these stocks is not definite and may be greater than expected.
- It is difficult to predict the success and growth of these companies at this stage.
- Knowing the corporate governance practices of these companies may also be difficult.
- As assets of a fund increase, the need to invest in multiple companies will also rise because of the liquidity available and all these companies may not be very attractive investments.
- If there are any negative indicators in the market, the stock prices of these companies tend to be more volatile and may get affected to a greater extent.

Scheme performance

Equity Diversified

Scheme Name	NAV (Rs)	1 Year	2 Year	3 Year
IDFC Premier Equity - A (G)	34.04	53.2	33.3	24.4
ING Dividend Yield (G)	23.92	50.1	31.8	22.9
Birla SL Dividend Yield (G)	86.70	43.6	39.1	22.1
Reliance RSF - Equity (G)	31.74	34.4	24.1	21.1
ICICI Pru Discovery Fund (G)	48.99	42.9	36.8	20.9
UTI Dividend Yield Fund (G)	31.78	40.1	28.8	19.5
UTI Master Value Fund (G)	53.63	50.6	29.4	19.2
Sundaram S.M.I.L.E Fund (G)	35.20	28.5	27.0	18.5
Quantum Long-Term Equity (G)	21.90	40.7	27.3	18.2
HDFC Top 200 Fund (G)	207.75	33.0	25.3	17.8
HDFC Equity Fund (G)	276.63	45.9	30.1	17.5
DSP-BR Small & Mid Cap -RP (G)	18.70	56.5	35.0	17.2
Templeton (I) Growth Fund (G)	121.43	37.1	22.2	17.1
Tata Dividend Yield Fund (G)	32.82	43.2	27.5	16.7
DSP-BR Equity Fund - RP (G)	16.97	36.3	25.1	16.7
Fortis Dividend Yield Fund (G)	18.39	39.5	30.4	16.5
DSP-BR Micro Cap Fund - RP (G)	16.89	66.8	34.6	16.4
UTI Opportunities Fund (G)	26.49	29.2	27.8	16.4
Sundaram Select Midcap -RP (G)	156.99	40.1	29.2	15.7
Reliance Equity Oppor - RP (G)	36.24	58.2	32.9	15.4
Reliance Growth Fund - RP (G)	486.64	34.4	22.8	15.4
Can Robeco Equity Divers (G)	55.44	33.5	27.4	14.9
HDFC Mid-Cap Opportunities (G)	15.43	51.0	29.8	14.8
Sahara Midcap Fund (G)	32.56	40.8	27.5	14.8
Tata Equity P/E Fund (G)	47.62	29.4	22.5	14.6

Equity MNC

Scheme Name	NAV (Rs)	1 Year	2 Year	3 Year
Birla Sun Life MNC Fund (G)	201.10	46.3	34.1	16.2
UTI MNC Fund (G)	56.46	38.8	29.1	13.9

Equity Banking

Scheme Name	NAV (Rs)	1 Year	2 Year	3 Year
Reliance Banking Fund (G)	101.84	61.4	39.2	27.1
Sahara Bkg & Fin. Services (G)	31.07	58.5	75.9	--
UTI Banking Sector (G)	43.10	56.9	36.5	20.9
Religare Banking Fund -RP (G)	20.13	55.6	30.1	--
Sundaram Fin-Serv. Opp.-RP (G)	20.43	53.8	41.9	--
ICICI Pru Bkg & Fin Serv-RP(G)	18.30	47.3	31.8	--

Equity Pharma

Scheme Name	NAV (Rs)	1 Year	2 Year	3 Year
Reliance Pharma Fund (G)	52.02	63.0	44.9	27.5
Franklin Pharma Fund (G)	58.05	60.8	38.5	26.5
UTI Pharma & Health (G)	35.42	50.5	20.9	17.6
SBI Magnum Pharma Fund (G)	39.63	32.9	11.1	4.8

Equity Tech

Scheme Name	NAV (Rs)	1 Year	2 Year	3 Year
ICICI Pru Tech. Fund (G)	16.31	39.8	18.6	1.7
Franklin Infotech Fund (G)	57.57	29.4	19.1	7.2
SBI Magnum IT Fund	20.90	28.9	7.5	-3.3
DSP-BR Technology.Com -RP (G)	33.78	27.6	15.7	5.6
Birla SL New Millennium (G)	19.65	15.7	8.4	-2.1

Equity FMCG

Scheme Name	NAV (Rs)	1 Year	2 Year	3 Year
SBI Magnum FMCG Fund	29.57	67.5	41.5	27.2
Franklin FMCG Fund (G)	66.37	52.2	33.2	21.5
ICICI Pru FMCG Fund (G)	65.34	43.1	25.5	13.5

Source: moneycontrol.com; *Note:* All returns are annualized and expressed in percentage; all NAVs as of September 02, 2010. *(Compiled by Karvy Personal Finance Desk)*

Recommendations

Sintex

CMP: 372

The stock had witnessed a strong recovery after bouncing back from its 200-day EMA to touch a 52-week high of 380 levels in June 2010. The stock has been consolidating in a range of 360-380 for the last few weeks. It surged over 3% on Friday, with volumes at a one-month high. On technical charts, the stock has also seen a positive crossover between its 8-day and 21-day EMAs, confirming further upside. The 14-day RSI bounced back from the signal line and could test its upper levels of 67, which could prompt the stock to surge beyond its recent highs. Among momentum indicators, both Stochastic and MACD are also advocating a positive trend. We expect the stock to breakout from the range in the short term. Investors can accumulate the stock in the range of 372-374 levels for targets of 386 and 390 with a stop loss below 360 levels on a closing basis.

Sobha Developers

CMP: 353.40

The stock recovered sharply in the recent sessions following a sharp decline across the sector. It breached all its short-term moving averages on the downside. However, the stock bounced back from its 100-day EMA and climbed higher to its resistance levels of 350. The 14-day RSI has triggered a fresh buy signal and is expected to touch 67 levels. A sustained move close to this level would bring about fresh buying interest, which could guide the stock to test higher levels of 390 in the short term. Investors are advised to assume long positions in the stock in the range of 355-357 levels for an upside target of 375-390 in the short term. All long positions in the stock should be protected with a stop loss below 345 levels on a closing basis.

Tata Motors

CMP: 1013.75

The stock is consolidating post the sharp rally it witnessed last month. It has bounced back multiple times from support levels of 980, an indication that this level is a crucial support in the short to medium term. The stock has immediate resistance at around 1,035 levels which needs to be sustained for further up-move in the medium term. It is expected to test 1,080-1,100 levels in the medium term. Investors are advised to accumulate the stock between 1,010 and 1,020 levels and average, if available, at 995 levels for targets of 1,035 and 1,060 levels, with a stop loss of 980 on a closing basis in the short term.

- A Kalyan C. Reddy

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Market Data

Domestic indices: Weekly performance

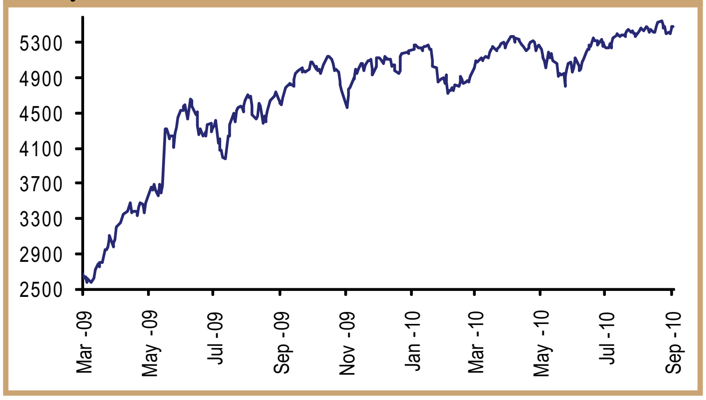
	Close (Sep 03)	Close (Aug 27)	Weekly (%)	6M (%)	12M (%)	P/E Ratio
Sensex	18221.43	17998.41	1.24	7.18	18.33	17.76
Nifty	5479.40	5408.70	1.31	7.69	19.28	18.42
BSE 500	7439.08	7310.94	1.75	10.38	24.96	18.44
BSE Auto	8970.48	8710.05	2.99	18.90	51.81	13.53
BSE Bankex	12471.47	12216.07	2.09	22.32	51.31	17.89
BSE Capital Goods	14730.29	14722.82	0.05	6.88	16.00	27.81
BSE Consumer Durables	5828.43	5772.48	0.97	42.69	77.64	20.22
BSE FMCG	3456.75	3354.73	3.04	25.28	35.79	33.52
BSE Healthcare	5630.46	5536.40	1.70	12.19	47.02	28.96
BSE IT	5460.74	5408.36	0.97	3.47	28.43	22.83
BSE Oil & Gas	9981.75	10092.17	-1.09	1.59	4.25	13.14
BSE Metal	15346.56	14910.82	2.92	-11.21	26.20	13.23
BSE Realty	3487.89	3379.98	3.19	5.16	-17.14	27.79
BSE PSU	9808.82	9694.91	1.17	4.96	19.26	14.35
BSE Power	3072.43	3060.20	0.40	-0.03	6.02	26.17
BSE Teck	3445.05	3380.26	1.92	5.57	12.07	22.39

Global indices: Weekly performance

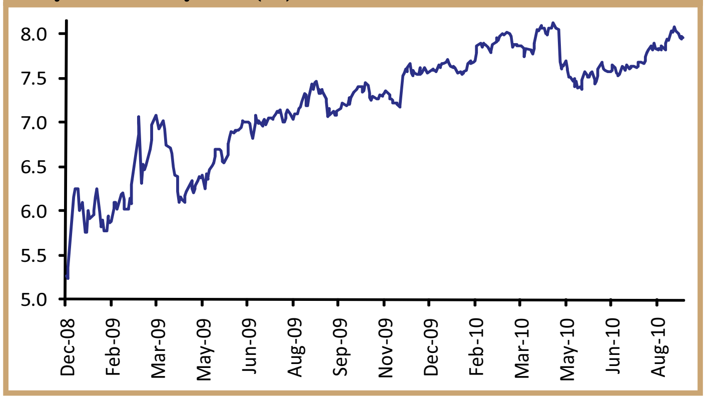
	Close (Sep 03)	Close (Aug 27)	Weekly (%)	6M (%)	12M (%)	P/E Ratio
GLOBAL INDICES						
MSCI World Index	1106.91	1089.24	1.62	-3.30	5.16	15.09
MSCI Asia Pacific Ex Japan	411.05	400.51	2.63	1.76	14.07	15.25
ASIA						
Hang Seng	20971.50	20597.35	1.82	0.45	6.12	13.40
Singapore Straits Times (STI)	3002.56	2938.74	2.17	7.90	15.56	12.05
S. Korea	1780.02	1729.56	2.92	9.71	10.32	12.80
Nikkei 225	9114.13	8991.06	1.37	-11.11	-10.77	22.38
AMERICA						
Dow Jones	10447.10	10150.65	2.92	0.47	11.78	13.58
S&P 500	1104.21	1064.59	3.72	-1.31	10.06	14.66
NASDAQ	2233.28	2153.63	3.70	-2.08	12.60	24.07
Brazil Bovespa	67327.16	65585.14	2.66	-0.46	20.86	14.72
EUROPE						
FTSE-100	5449.07	5201.56	4.76	-1.53	13.59	17.56
DAX 30	6172.18	5951.17	3.71	6.09	16.42	13.64
CAC 40	3705.07	3507.44	5.63	-3.64	4.20	12.94

The closing for the US and Europe is as of 7.30 pm IST

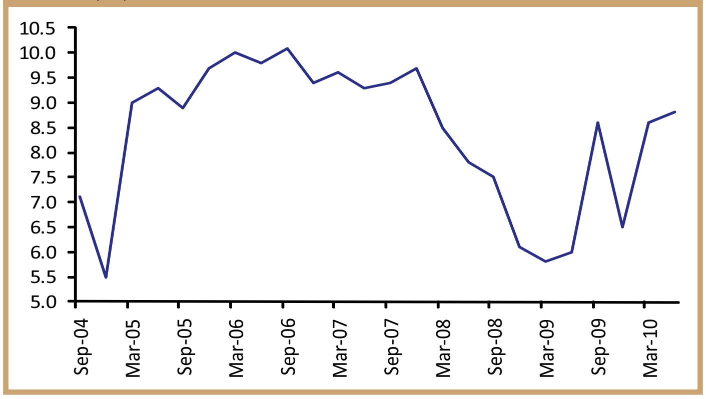
Nifty



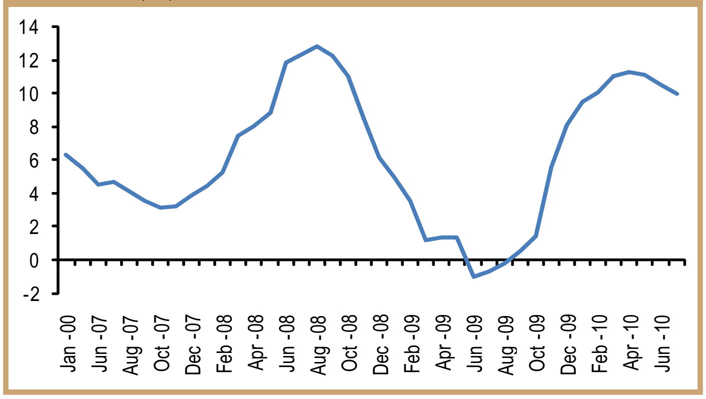
10-year bond yield (%)



GDP (%)



Inflation (%)



Source: Bloomberg

(Compiled by Karvy Personal Finance Desk)

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