MONEY

Follow The Leader When the going gets tough, find out what the tough are doing. A look at what stocks the gurus are buying in these troubled times. By Krishna Gopalan

If you were on Mumbai's Dalal Street on May 22, it is unlikely that you will ever forget the day. Trading at the country's premier exchange was suspended for an hour and the agony writ large on the faces of the investors said it all. If you had your money in the market that day, you were a very worried person.

The dust hasn't quite settled yet. The market continues to bleed, after closing below 10,000 points on June 6, 2006. It closed at 9,295.81 points on June 8, when the magazine went to press. The FIIs (foreign institutional investors) have reportedly predicted the Sensex reaching the 7,000-8,000 mark before the bears' thirst for blood is staunched. The question then is this: what now? How should you be behaving in a market that is quite so intent on mauling the investor?

Looking around for answers, it struck us that we wouldn't do too badly if we were to take a page or two out of the books of the master strategists in the game. After all, who better to tell you how to handle the market's many moods? These are legendary figures, moving in the rarefied circles of the private investor-millionaire club populated by only about half-a-dozen players. Of these, we have picked three: Rakesh Jhunjhunwala, Shivanand Shankar Mankekar and Nirmal Kotecha. Their portfolios make interesting reading, and the value of their holdings even more so. Are there any tips here for the average investor?

Rakesh Jhunjhunwala
Partner, Rare Enterprises

» A qualified Chartered Accountant, this 46-year-old finished his articleship from Bansi Mehta & Co.
» Has been in the market for over two decades and is considered one of the shrewdest minds in the business
» On the board of companies like Praj Industries, Nagarjuna Construction and Mid-Day Multimedia, which figure in his portfolio
» Investing to him is a "passion"
» Started off with Rs 5,000; today, his total net worth is rumoured to be over Rs 1,000 crore
» Multi-baggers: Pantaloon, Financial Technologies, Bharat Earth Movers
» Equity net worth*: Rs 390 crore
**Approximate value of investments in listed companies where holding is more than 1 per cent as of March 31, 2006*

At The Vanguard

The first and foremost lesson is obviously this: stay invested. These are temporary hiccups and the long-term potential of equity can hardly be over-emphasised. And second, use this fall to get into blue-blooded scrips. When the markets crashed on May 22, the head of a leading merchant bank pointed out that there were some "mouth-watering" deals on Dalal Street that day-some great stocks quoting at very attractive prices. While the mob was still in a state of a shock, there were those who were busy enhancing their portfolio at bargain prices. You don't get to hear of such people till their holding in a listed stock crosses 1 per cent, which is when the stock exchange takes note.

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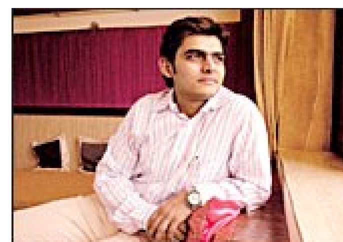
Take Mankekar. At the end of March 31 this year, Mankekar held a little over 3 per cent of Pantaloon Industries' equity capital. An extremely low-profile man, he refused to talk to bt, saying he preferred being out of the limelight. A professor at Mumbai's Jamnalal Bajaj Institute of Management Studies, Mankekar has a diverse portfolio that includes stocks like Champagne Indage, Pantaloon Industries, Pantaloon Retail and Zen Technologies.

Evidently, he knows what he is doing when he buys big time into the Pantaloon retail story. Indian retail is clearly going places, and with biggies like Reliance and Bharti getting in, the real excitement is going to unfold only over the next few quarters. Early bird Pantaloon now has a footprint that spans home furnishing and books in addition to discount ventures like Big Bazaar.

Says P. Phani Sekhar, an analyst tracking media and retail at Angel Broking: "We are comfortable with the retail sector. Yes, valuations are slightly stretched, but it is a high risk, high reward industry." He is equally comfortable with the Pantaloon stock: "The company thrives because there is a large proportion of disposable income in the country."

Rakesh Jhunjhunwala, one of the best-known names on Dalal Street, is backing the IT story. He holds a substantial 2.96 per cent in Geometric Software Solutions. The potential of it and it enabled services is beyond debate: the dollar-rupee mismatch works well, with any depreciation in the rupee only adding to the balance sheets of companies in these sectors.

On the other hand, it is infrastructure that attracts the attention of Nirmal Kotecha, who runs Skyz Investments and at 29 is one of the youngest winners on Dalal Street: "Infrastructure will attract a lot of investment." His portfolio includes companies like Alumeco Extrusion, JMC Projects and Viceroy Hotels. This is in addition to KLG Systel, where he holds a 4.16-per cent stake. Where and how does Kotecha spot the future blue-chip? "It is all about looking for value and identifying the sector that will be the big one in two years. I look for a sector where the P-E (price-earnings) multiple could be fancied over time," he explains.



Nirmal Kotecha
Promoter, Skyz Investments

» Started investing in equity when he was 15. Today, all of 29, he runs Skyz Investments, a company that primarily invests in equity
» Held an 8 per cent stake in UB, which he is reported to have sold at a solid 54 per cent profit
» Is bullish on private equity since he thinks markets are overheated today
» Infrastructure is his favourite sector and he thinks it will attract a lot of investment
» Multi-baggers: Saksoft Technologies and PBA Infrastructure
» Equity net worth*: Rs 16 crore
**Approximate value of investments in listed companies where holding is more than 1 per cent as of March 31, 2006*

Getting The Sector Right

The trick then lies in picking the right sector. That is half the battle won. The next step is to pick the right stock in the sector. For instance, infrastructure is something everyone is excited about, but what is the potential blue-chip? The company could be in anything from cement to construction to ports.

Jhunjhunwala has a 2.42-per cent holding in Nagarjuna Construction and a close to 2-per cent stake in Punj Lloyd. Jigar Shah, Director, kr Choksey Securities, says the sector will remain buoyant for a few years and adds: "Punj Lloyd looks good, but I must say P-E multiples for the sector are still a little stretched." Deepak Jasani, Head-Research (Retail), HDFC Securities, agrees that construction has seen revenues and profits growing fast, very fast.

Within infrastructure, cement looks good and is an area that Anagram Stock Broking's Director and Head (Research) V.K. Sharma is bullish about. "We think prices will not increase during the monsoon-the demand-supply mismatch is slowly being corrected." Other areas Sharma likes: engineering, oil and exploration.

Hospitality has also attracted interest, including from institutional investors like Anil Ambani. His company R-ADAG (as well as Kotecha) holds quite a large stake in Viceroy Hotels. According to Jasani, there's a lot going for the sector: "The supply situation looks tight and new rooms in a meaningful way would start getting added by March 2008." Historically,

the industry has been dependent on tourism, but this time growth has been pushed by the corporate traveller too, ensuring continuous demand.

What Should The Investor Do?

Top-end investors take into consideration factors like changing macro-economic indices, markets falling in anticipation of a crisis, or excessive institutional selling. Anagram's Sharma says his company decided from May 11 that the way forward was to book profits and cut losses.

Shivanand Shankar Mankekar
Academician

» This star investor maintains an extremely low profile and is actually far better known as a Professor at Mumbai's Jamnalal Bajaj Institute of Management Studies, from where he finished his MBA in 1975
» Has been dabbling in the market for decades and works with son Kedar, also a Professor of Finance at the Jamnalal Bajaj Institute
» Was in the news for acquiring stocks like Pantaloon and Ind Swift Laboratories
» Calls himself an "academician who is far away from the news"
» Equity net worth*: Rs 229 crore
**Approximate value of investments in listed companies where holding is more than 1 per cent as of March 31, 2006*

Your lessons: first, spot the opportunity early enough and second, think different. Take, for instance, the fact that most people will invest in it because of the ability of companies in the sector to earn dollar revenues. Sharma points out the contrarian view: "People say it is a good story because of the strengthening dollar. I ask why just it? An industry like food processing could avail of the same advantage."

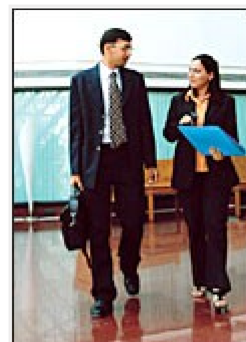
There are the questions every investor asks: what price to enter at, when to consolidate and, more important, when to sell or buy more? First: set a reasonable investment horizon and target price. When either your goal or target price is reached, sell. And within your timeframe, ignore volatility. Says Tridib Pathak, CIO, Cholamandalam Asset Management Company: "This is really the first correction we have seen in the last two-and-a-half years. One must ignore market movements in the short run and have reasonable expectations."

The other way to understand equity is to determine the opportunity cost of not being there. How would you be placed if you had put your money in fixed deposits or debt funds? As has been proven repeatedly, nothing beats equity over the long term. It's just that you need the maturity to stay calm when there's mass panic, the guts to move in when others are moving out, and the ability to keep greed under check. Qualities that no doubt the three investors featured here have in plenty.

The Corporate Story

When equity gives you sleepless nights, you might want to look at options like company fixed deposits for succour.

By Anand adhikari



Tamil Nadu newsprint & Papers Ltd generates sales of Rs 801 crore, net profits of close to Rs 80 crore and earnings per share (EPS) of Rs 11.66 per share. This South based state-owned company has issued a dividend of 30 per cent in 2005-06.

With numbers like this, it sure looks like an ideal investment vehicle. So, are we asking you to buy the stock?

Actually, no. We are simply asking you to consider an investment in the one-year

fixed deposit (FD) that this paper manufacturer has on offer at an interest rate of 8.75 per cent. And if you have a slightly longer horizon, say, two to three years, then you could end up earning 9 per cent to 10 per cent on your deposits.

Now, compare this with the interest rate on FDs from the country's biggest private sector bank, ICICI Bank-it's 6.25 per cent for one-year deposits and 6.75 per cent each for one-to-two year and two-to-three year deposits.

The not insignificant difference will make you realise why we are talking about company FDs as a viable addition to your portfolio today. And especially now, when the equity market is looking extremely fragile, the real estate market is slowly but surely moving out of reach, and commodity is looking like a bubble about to burst. Of course, these are all investments that will continue to make money for investors-but growth has slowed down and, more important, the risk has heightened. More than ever before, you will require nerves of steel to be able to withstand the ups and downs of these investment vehicles.

For those of you whose appetite for risk is heavily tempered by the need for safety, FDs and small savings continue to be reasonable choices. And in this universe, it makes sense to be on the lookout for any avenue that promises even slightly higher earnings.

Why Company FDs?

» Interest rates higher than bank deposits and other debt instruments (often by as much as 4% p.a.)
» Six months lock-in for a deposit in a manufacturing firm and 12 months for non-banking financial companies (NBFCs)
» Convenient, easy to apply, fast processing
» Corporate sector doing well, outlook looks encouraging

Who To Avoid

» Loss-making companies or those with accumulated losses
» Companies with inconsistent dividend-paying record
» Companies with history of defaulted interest payments to lenders (financial institutions, etc.) or depositors
» Companies that offer unreasonably high interest rates or freebies
» Companies with no or low rating by agencies like CRISIL, ICRA, etc.
» Companies just starting out or yet to commission the plant, or with less than three years of operations
» Companies with dubious managements
» Companies with small scales of operation, especially NBFCs or manufacturing companies with less than Rs 1,000 crore turnover

Bank Vs Company

Traditionally, bank FDs with their aura of unimpeachable safety have attracted conservative investors, but, usually, the returns don't even cover the cost of inflation. Going forward, the inflation monster is well ready to strike again, with crude prices ruling at above $70 (Rs 3,150) a barrel and petrol prices have recently been hiked by Rs 4 per litre.

That leaves cooperative banks, which offer interest rates higher than that of banks (one-year: 7 per cent; three-five years: 8-9 per cent), but the problem is that a series of busts in this segment have led to a heavy loss in credibility. Today, few smart investors dare to trust them. And till long-promised cooperative bank reforms are undertaken, investors are better off this way.

So, what does that leave the risk-averse investor with? "Company deposits," says Anil Chopra, Managing Director, Bajaj Capital. In fact, although many banks give you fairly good deals if you have more than Rs 15 lakh to invest, they still aren't as good as those offered by companies.

Why Go Corporate

A company FD is an unsecured instrument offered by companies and NBFCs (non-banking financial companies) for raising resources from the market. Such instruments earn a fixed rate of interest over a given period of time. However, because they are in the nature of unsecured instruments, in case the company folds up or defaults on payment for other reasons, the investor cannot recover his capital. This is the risk component of company FDs and why they pay higher

interest than bank FDs.

Today, company FDs are offering between 8 per cent and 9.5 per cent (see More Interesting). You also get the option of getting your earnings as monthly, quarterly, or annual interest cheques, thus establishing a regular income stream. You could also opt for a lump sum at the end of the tenure. However, the interest on company FDs is fully taxed.

In the early 1990s, company FDs were a big draw among small investors, but a series of defaults on the part of companies and the indifferent attitude of the government and consumer courts turned depositors away. "Falling interest rates have also made company deposits unattractive. The interest rate differential (between FDs and bank deposits) fell from 6 per cent some five years ago to 2 per cent today," points out Chopra. Remember, companies that are really as safe as Fort Knox will pay lower rates than the others.

In addition, many companies turned to the international market for accessing funds in order to take advantage of the interest rate arbitrage. "When companies do well, they can easily get access to funds from sources other than company deposits," says P.K. Choudhury of rating agency ICRA, which rates company FDs in the market.

But now the interest rate cycle seems to be reversing again, with the US Federal Reserve hiking short-term rates for the 16th time to 5 per cent. "There is a little bit of tightening in the domestic money market. We may see some revival of interest in company deposits," agrees Choudhury.

While these factors augur well for the company FD market, that's no reason to invest blindly. The same risks that existed before continue (see Who To Avoid). However, at a time when the economy is doing well and Indian companies are looking extremely strong, the time is definitely ripe to take advantage of these instruments.

NEWS ROUND-UP

Withdrawal Symptoms

When the sensex crashed in May, there were enough voices saying 'we told you so'. And in truth, most wise investors had started booking profits while the going was good. The fact, however, that the single overriding reason for the crash was the massive FII (foreign institutional investor) pull-out is one that should make market watchers uneasy. Reportedly, FIIs were net sellers to the tune of Rs 5,000 crore between May 12 and May 22, leading directly to the crash. Just as every dollar put in by foreign investors pushed the market to stratospheric levels, their withdrawal caused panic.

The dominance of foreign investors has been slowly building, and can be gauged by their holdings in the most traded Sensex stocks (see The Rising Tide). FIIs have almost doubled holdings from 14 per cent in 2001 (around the time of the Ketan Parekh scam) to 24 per cent in 2006. Domestic institutions seem to have willingly made way for their foreign counterparts, with their holdings shrinking to 12 per cent from a high of 17 per cent five years ago. Retail investors have not really been back to the market in strength since the Harshad Mehta scam of 1992, and their holdings have fallen from 15 per cent to 11 per cent.

The story is the same across frontline, mid-cap and small cap stocks. "Foreign investors are answerable to investors back home; they cannot go on buying," says Arpit Agarwal, CEO, Dawnay Day AV Financial Services. And although-with the fundamental story in India staying solid-there should have been strong buying support from domestic institutions, the market went into a tailspin. Isn't it time to improve domestic confidence?

-Anand Adhikari

Air Turbulence

Deccan: Hoping investors will stay on board after listing

Deccan's flights are unlikely to have ever hit the turbulence its public issue did. Did you know that after the offer document was filed with SEBI (Securities and Exchange Board of India), as many as three bankers backed out of the issue? From a team of five merchant bankers, the issue finally hit the market with two-Enam and ICICI Securities. It was an unprecedented move, and reportedly the first case ever where merchant bankers have gotten out of an issue after the prospectus was filed.

Although no one is sure just why JP Morgan, ABN-Rothschild and SBI Capital markets withdrew at the last minute, the buzz in merchant banking circles suggests that the three were uncomfortable with the original price band. The move caused panic: not exactly great news for the company, the merchant bankers or the investors.

According to Deccan Managing Director G.R. Gopinath, his company had to revise some plans following the acquisition of new aircraft last December: "The cash flow position had changed and we had to relook at our business plans." While Enam and ICICI Securities thought it made sense for Deccan to go public right away, "the other three bankers maintained September was a better time," says Gopinath. Did the three panic and not want their fingers burnt?

Whatever the reason, as a merchant banker says: "It isn't the right signal to send out to investors-be it bankers getting out, the price band being reworked or the date, extended." Now, watch out for the listing price to see who has the last laugh.

-Krishna Gopalan

Widespread Podding

An Apple-HCL tie-up should increase penetration, but prices still rule higher than elsewhere.

Apple's terrible distribution network in India got a significant fillip with the company's recent tie-up with HCL Infosystems to distribute the iPod here. Even though this tie-up has not meant any reduction in the end-price of the iPod in India (Rs 4,000 for the 512MB iPod Shuffle to Rs 23,000 for the 60GB video iPod), which is still much higher than its price in the US thanks to sundry duties that the government sees fit to charge, it does mean that legal Apple iPods will now be available in over 300 towns and cities across the country, along with a support network. This, say company officials, means warranties, after-sales service, and easy availability at all major music stores and consumer electronic outlets. However, for the time being, you will still end up going to the grey market if you want those must-have iPod accessories like the Shure in-ear buds-since these bestsellers are nowhere close to Indian shores as of now.

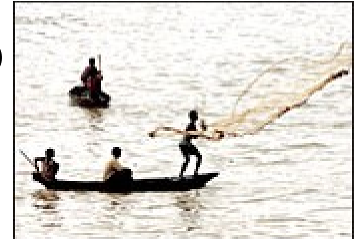
HCL has also launched www.hcllive.com, a website clearly inspired by Apple's iTunes online music store. Even though you can download music and videos from this site (Rs 5 per song), it has an extremely clunky interface that does not display properly on all browsers. Hopefully, Steve Jobs, CEO of Apple Computer, will remember the country he came to as a young man searching for the meaning of life and give us a proper iTunes store. Maybe a flagship Apple store like the one he just opened in Manhattan won't be such a bad idea either.

So yes, the iPod is officially here but you're basically still better off buying this charmer (of any configuration) and its accessories abroad.

-Kushan Mitra

SMARTBYTES

CBEC Goes Fishing



It could turn out to be bad news but we don't know yet. The Central Board of Excise & Customs (CBEC) is awaiting responses from mutual funds (MFs) on what they do with the money collected as entry and exit loads in order to decide whether such collections can be brought under the service tax ambit. "Our limited question is whether these monies collected are in connection with the service provided and, therefore, taxable or not. So we have sought the opinion of the mutual funds themselves," says a CBEC official. Another area CBEC is looking at as a possible service tax candidate is the fees charged by portfolio management services. Whether these two taxes fructify depends on the response from MFs who, in turn, are seeking legal opinion. The taxes could be imposed with retrospective effect of up to a year. Of course, service tax is the service provider's responsibility but name one area where costs have not been passed on to customers?

-Shalini S. Dagar

Shopping For The Doc

Talk of a consumer economy. starting from toothpaste and tea to holiday packages, now even health care is going to be available off-the-shelf. PeopleHealth, a Bangalore-based health management and consulting firm, has started selling preventive packages at Health and Glow (part of the RPG Group) outlets and at select Fitness One gyms. Next time you're shopping, pick up pre-paid coupons-Rs 799 gets you a teeth-cleaning programme for two or Rs 3,399 buys a comprehensive check-up for the 40-plus. The packages can be redeemed at any of the 10 locations that have been selected by PeopleHealth, which offer all the bells and whistles of a comprehensive health check without any of the trauma associated with large hospitals and clinics. Says G. Krishnamurthy, Chairman and CEO, PeopleHealth: "We want to expand to 50 outlets across Chennai, Hyderabad, Pune and Bangalore."

-Rahul Sachitanand

The Nightmare Month
Not a single sector managed to stand up to the onslaught of the bear, with most indices tanking even worse than the Sensex.

By Aman Malik

Some called it a bloodbath, others a predictable correction, but most struggled to describe the market's May mayhem, which saw it losing close to 17 per cent. The scary news: not a single sector bucked the losing trend.

Riding pillion on a global meltdown, metal was the biggest loser. Early May, the BSE Metal Index was hovering close to 11,000 but by June 1, it had slumped to 8,200, a dive of over 26.4 per cent. The trigger: a sharp fall in the price of steel, zinc, copper and other metals at the London Metal Exchange.

Following closely, FMCG, auto, small cap and PSU stocks all caved in. Analysts point out that stocks in these segments were grossly overpriced, so when the global tumble started, they corrected sharply.

The only stocks that tried to at least brave the storm were it, banking, consumer durables and technology, which ended on a slightly braver note. it and tech stocks fell by 12.3 and 13.9 per cent, on the back of robust growth in outsourcing and a slightly weaker rupee. "These sectors were anyway under-performing," says a Mumbai-based stock analyst, "so there was little scope for correction." Sectors like banking and consumer durables were only slightly worse off because they are generally driven primarily by rising consumption spurred by income levels scaling northwards.

And what can be learnt from the crash? One: Whatever goes up will come down; you should have foreseen this. Two: It's a globalised world-when New York and London catch a cold, Mumbai gets the sniffles. And three: India is still happening-so stay invested.

A *La* Card

The plain vanilla credit card has become passé. Shop for co-branded cards if you want to save money.

By Kushan Mitra

With credit card salesmen accosting you at suburban train stations at the end of a hard day, and banks simply mailing you a card whether you like it or not, it seems you just can't escape acquiring plastic nowadays. But have you ever really chosen a credit card? Chances are you ended up with one that was thrust on you more aggressively than most. That's hardly the best way to get plastic because while a wrong card could leave you a lot poorer, the right one could net you a fair amount by way of rewards or more.

The crucial thing to remember while choosing cards is your high school mathematics, specifically the formula for calculating compound interest. Interest rates could end up cracking your wallet, especially in India where rates are among the highest globally.

Scary Rates

Most gold cards here charge an interest of 2.95 per cent per month. With the 50-day interest-free period, it adds up to 35.4 per cent annual percentage rates (APR). Compare this with the 10-15 per cent APR in the US or the UK. Try and get a card from the bank where you hold an account because your monthly rate then comes down to 2.85 per cent (APR: 34.2 per cent).

Banks, however, can amend the interest rate or even increase it to 3.25 per cent per month (APR: 40 per cent). Also, some high-end Platinum or Black cards could come with much lower interest rates, as low as 1.95 per cent per month (22.5 per cent APR). However, these low interest cards are very exclusive and usually issued by banks only to their high net worth clients, often by invitation only.

Card Facts

» Joining and annual charges might not bankrupt you, but look for the free cards. Make sure you read the riders though
» Check the length of the post-purchase interest-free period. Most cards offer 45-50 days, but in the case of customers with high amounts of revolving credit, this could come down to 20 days
» Monthly interest rates range from 1.95 per cent to 3.25 per cent. This may

not seem like much but translates to an annual interest rate of 22.5-40 per cent. Choose cards with lower interest rates
» Late payment fines can range from Rs 100 to Rs 1,000 and you pay interest on the fines as well
» Miscellaneous charges on everything from ATM withdrawals, fuel surcharge, foreign currency payments and even train ticket purchases can add significantly to your bill
» Rewards can put a smile on your face-check how many reward points your card offers, ranging from 2 points per every Rs 100 charged to 5 points for some top-end cards. Also, check if your reward points can be converted to useful things like air miles or mobile talktime
» Co-branded credit cards offer significant discounts and rewards and are usually the most sensible choice. However, these discounts are only valid for outlets or tickets of that particular entity
» Check card acceptability. Visa and MasterCard are accepted at most outlets, but American Express cards have lower acceptance levels

Since you can't help but revolve credit sometimes-for instance, if you are hit with a huge hospital bill or have to purchase air tickets in a hurry-choosing the card with the lower rates does make more sense even if that is the paid card rather than the free one.

Always A Catch

At any rate, even the much-hyped lifetime free cards come with all sorts of riders. For instance, you have to charge the card within a certain period (30 days) to be eligible and have to use it at least once a year. And the card is free only for the duration of the card's lifetime not yours, so when you try renewing it, you might well find it's not free anymore.

Then, there's surcharge. Whether you access an ATM (even the issuing bank's ATM), fill fuel or buy train tickets, you could end up paying surcharges of up to 2.5 per cent, based on the card. Plus, there's the late fee surcharge: Rs 100-1,000 depending on the card. These small costs add up significantly, especially if you factor in the hefty 12 per cent service tax you'll pay on them. Even when you revolve credit, you pay service tax on the interest outstanding, making it quite a usurious sum.

INTERVIEW: V. Vaidyanathan, Retail Head, ICICI Bank
"Card Should Mirror Spending"

What's your advice to customers shopping for credit cards?

Well, it's a tough choice, with so many offers out there but I think the story of the plain-Jane cards is over. Customers should instead go for a co-branded credit card because it offers a convergence of services. Therefore, if a customer can get a free-for-life co-branded credit card, without any annual fees or joining charges, it is a no-brainer.

But isn't there a multitude of co-branded cards as well?

A customer will have to look at what sort of spender he/she is. Do you buy a lot of fuel? In that case, go for a co-branded fuel card. If you fly a lot, an

airline card would make sense, and there are cards for shopping as well. The choice of card depends on the customer's spending pattern.

How important are benefits, and should customers sometimes pay for them?

Certain cards carry a huge amount of benefits even if you pay a small sum of money for them. However, these only make sense if the customer is in a position to take advantage of the benefits. We offer a Travel Smart card, which has an annual fee of Rs 1,500, but the customer can get a 10 per cent discount on air tickets on any airline up to a maximum of Rs 10,000 a year. For a customer who flies a lot, this is the perfect card.

Twin Advantage

That's why it could be worth looking at co-branded cards these days. You might spend about Rs 500 annually on such cards but they will remove the fuel surcharge or win you discounts at shopping centres. As T.R. Ramachandran, Business Manager (Cards), Citibank, says: "It's important to choose a card that adds maximum value to your spends-in the form of cash-back or petromiles." There's more: talk time, air miles, or shopping points depending on the co-branding you choose.

However, these cards are usually linked to one particular company. So, a Citi-Jet Airways card can only redeem your miles on Jet Airways. However, if you get one of these cards free for life, it can mean significant savings, making it worth the trouble of using a particular airline/service. Free co-branded cards started only in 2005, so older cardholders may still own paid cards. Anup Saha, Business Head (Credit Cards), ICICI Bank, advises such users to call and insist that their banks make it free: "Or else, return it and get a new one, which in all likelihood will be free."

Value-picker's Corner

SYNDICATE BANK; PRICE: RS 58

Syndicate bank has evolved from a regional player to a formidable national player, with the highest RoE (return on equity) among banks. Net profits have risen 33 per cent to Rs 536.50 crore while income has risen 7 per cent to Rs 4,642 crore. Staff expense savings, strong credit flow, high margins (it is repaying high-cost deposits) and declining bad loans put the bank on a growth path envied among mid-sized PSU banks. Also, it's well placed to handle rising interest rates due to a large proportion of low-cost deposits and hedging of investment portfolio. Sejal Doshi, CEO, FinQuest Securities, reiterates a buy, with a target of Rs 90-95 for the next year.

-Mahesh Nayak

Trend-spotting

Never At A Loss
The two leaders and the two laggards among equity diversified funds.

Here's something to reassure you: historically, no equity diversified fund has ever shown a loss over a five-year period. So, if you are in equity for the long term, relax. Cut back your earnings target to, say, 14 per cent CAGR, and use this time to buy more units. If you have Rs 1 lakh to invest, buy units in four lots over the next four weeks; or invest 20 per cent now and the rest in equated monthly buys over the next year. You average your costs and whether the market tanks more or not, you stand to win.