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Dear Friends,

We comfortably sailed through the big eventful month of February; usually the trend of the budget month has been a cautious one and that was clearly visible this time too, but unlike the previous budget that spooked the markets on divestment ground, this time the budget was more on an expected lines and truly a balanced one. It was a reform centric budget with a farsightedness in view. The finance minister nearly froze the non-plan expenditure with merely 4% growth at Rs 7.35 lakh crore while pushing the plan expenditure by 18.5% to Rs 3.15 lakh crore. The main macro number, the fiscal deficit/gross domestic product (FD/GDP) ratio remained a tad lower than the Budget estimate of 6.8% for the year but the good thing is that, it is slated to come down to 5.5% by March 2010 as promised by the finance minister. Fiscal roadmap has also been charted out with 4.8% deficit target for FY12 and 4.1% deficit target for FY13.

This budget brought more cheers for the middle class people rather than different industries. With the rising inflation and the global recession in mind, the common man was certainly looking up to Budget 2010 and hoping for reasonable tax reliefs and the finance minister duly acknowledged the need. The existing income slabs subject to tax have been modified to give more net disposable income. For the different industries there were series of announcement but partial stimulus roll back too. MAT was hiked from 15% to 18% and Excise duty was hiked by 2% majorly affecting the cement, metal and auto sectors. While, realizing the need for farm sector the agricultural debt waiver and debt relief scheme has been extended by six months apart from many other announcements to raise the rural and agrarian conditions.

The markets gave a thumbs-up to the reform centric budget; different sectors accepted the partial stimulus rollback as the economic condition was gradually recovering and continuing the stimulus would have hurt the economy in long run. The rally in the market has boosted the morale of the investor community that the economic recovery is on track and there are many opportunities to harness on.

Jiten C. Chedda  
 (Director)  
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India's union Finance Minister Pranab Mukherjee presented in Parliament on Feb 26 the Union Budget for FY11. While the Budget was set in the backdrop of a rapidly improving domestic economy, soaring fiscal deficit and surging inflation, the FM did an exceptionally good job in balancing the concerns of various quarters.

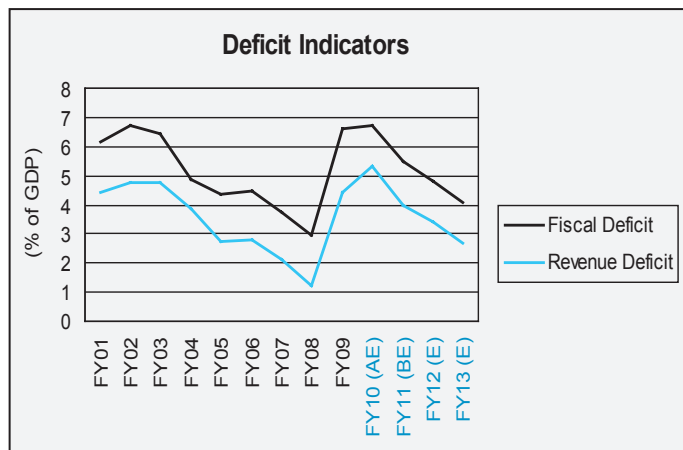
While the finance ministry embarked upon the path of fiscal consolidation and started the exit from expansionary fiscal policies by raising the excise duty by 2% across the board, it also consciously tried to boost the private spending to ensure that domestic demand led recovery in Indian economy continues to remain strong into the next fiscal.

Not only the fiscal deficit has been brought down sharply, but considerable effort has also been put to ensure that while non-plan expenditure is kept nearly constant with just around 4% growth, the plan expenditure remains buoyant with 18% expansion. The FY11 budget focuses on the sound principle of public finance in a much greater way than any of its predecessors did in recent years. In what follows we have discussed some of key themes of the FY11 Budget.

**Fiscal Consolidation and Stimulus Exit**

**Fiscal deficit**

The biggest theme of the Budget was fiscal consolidation. India's fiscal deficit had increased to unsustainable levels in last two years and it was largely expected that the Budget would see the deficit going down. The outcome was better than expected and Mukherjee bettered the recommendations of the Thirteenth Finance Commission (TFC) by cutting down the gap between revenue and expenditure of 5.5%.

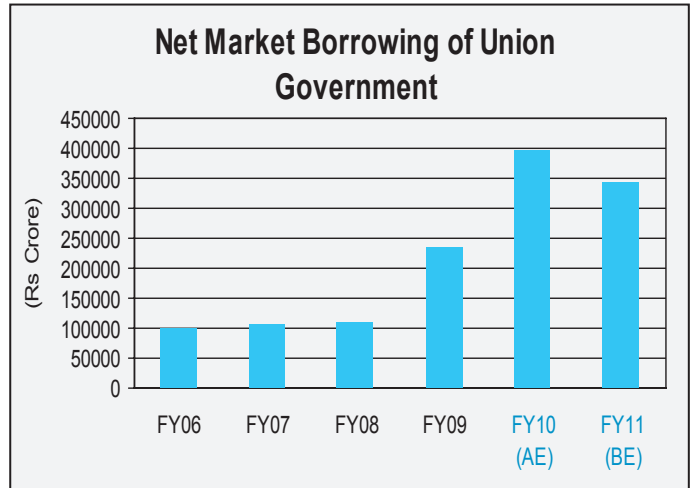


In the medium-term fiscal policy statement presented along with the budget it was stated that the deficit will be further brought down to 4.8% of GDP in 2011-12 and 4.1% in 2012-13. The corresponding figures recommended by the TFC were 4.8% and 4.2%.

**Market borrowings**

The reduction in deficit also allowed lower-than-expected market borrowing number. On a gross basis, the government

would raise Rs 4.57 lakh crore for FY11, slightly above the Rs 4.51 lakh crore in the current year ending March. Markets however were expecting an even higher figure in the range of 4.6-4.9 lakh crore on account of higher redemption. Further, the net borrowings, (after accounting for the scheduled bond redemptions) have been budgeted at 3.45 lakh crore, significantly lower compared with about RS 3.97 lakh crore for current fiscal.



**No off-budget items**

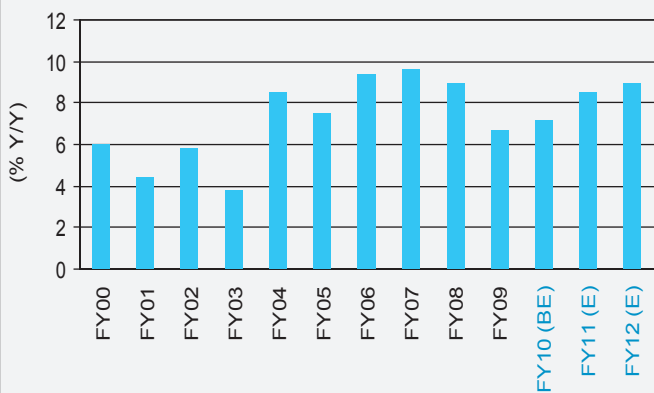
The most important step however in the fiscal domain was the scrapping of off-budget items. The development is certainly a very positive for the Indian economy and will go long way towards bringing more transparency in the subsidy regime in the country. While the off-budget items distort the true deficit picture, these also postpone the present financial burden on future generation. In the fiscal 2008-09, off-budget subsidies added about 1.8% to the deficit. While the revised estimate for FY08 for deficit stands at 6%, consolidated deficit is estimated at 7.8%.

This also highlights the massive improvement in the fiscal health of the Union government that the finance ministry is eying. The fiscal deficit target of 5.5% set in the current budget is inclusive of all the subsidies including the fuel and fertiliser. There are some doubts on how will the government manage the deficit in case there is a surge in commodity prices as was seen in first half of 2008. Nonetheless, if the government does manage to bring the overall union deficit to 5.5%, it will represent a decline of massive 2.4% in two fiscals when compared with a consolidated union deficit of 7.9% in FY09.

**Economic Growth: Boost for Domestic Demand**

As stated earlier, while the finance minister initiated the process of fiscal consolidation effort were also made to ensure that growth continues to remain strong. While for the current fiscal, growth is pegged at 7.2%, in line with the Central Statistical Organisation's (CSO) estimate, GDP for the next fiscal is budgeted to grow at 8.5% in real terms.

## India's GDP Growth



In order to ensure that the nascent Indian recovery after being hit by the global downturn continues into the next fiscal, the finance minister has taken various steps to boost domestic demand. The altering of tax brackets is one of the moves in this direction. In a major relief to the urban middle class, the government revised upwards the tax brackets. While Mukherjee left the tax exemption limit unchanged, the tax bracket for 10% rate has been widened to Rs 160,001 and Rs 500,000 and that of the 20% rate has been increased to Rs 500,001 and Rs.800,000. This will lead to increase in disposable income of the middle class and therefore will boost the demand.

In the rural economy too, the allocation for flagship schemes like the National Rural Employment Guarantee Act and Bharat Nirman were increased to Rs 40,100 crore and Rs 48,000 crore respectively. The higher interest subvention at the rate of 2% for timely repayment of loans will again leave more income with the rural households. Increase in target of farm lending to Rs 3,75,000 crore for FY11 from Rs 3,25,000 crore in the current fiscal and extension by six months the period for repayment of the loan amounts by the farmers are yet another steps in this direction.

Another key aspect of the budget is that while it tried to decelerate the pace of non-plan expenditure, the growth of plan expenditure was maintained. Plan Expenditure in the current fiscal has been increased by about 18.5% to Rs 3.15 lakh crore while the non-plan expenditure witnessed a growth of 4.1% only to touch Rs 7.35 lakh crore. The higher increase in the plan expenditure will be positive to create more capacities in the economy, particularly in infrastructure and rural sectors, which have been the focus of the government in recent years.

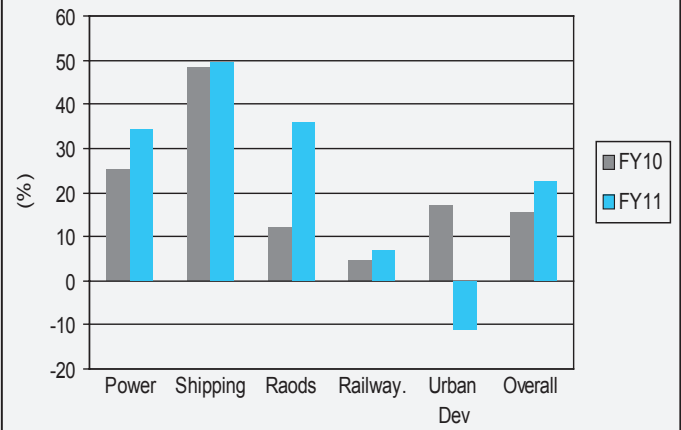
### Infrastructure

India's infrastructure growth has for long lagged behind the broader economic growth, thus creating challenges for medium term growth prospects. In this wake, infrastructure got ample attention of the budget makers. The finance

minister increased the allocation for infrastructure development to Rs 1,73,552 crore, accounting for over 46% of the total plan allocations.

Allocation to major infra heads, including power, road transport, shipping, urban infrastructure and railways, has been raised by 22.6% in the FY11 Budget compared with revised estimates for the last fiscal. Road and power sector have been gaining the maximum attention in recent years and following the trend the allocation for road transport has been increased by over 13%, from Rs 17,520 crore in 2009-10 to Rs 19,894 crore in 2010-11.

## Growth in Allocation to Infra Heads



Further, the Budget also attempted to address the long standing problem of lack of long-term finance for the infrastructure projects. Since the infra projects typically need funds for long period, owing to large gestation gaps, banks often find it difficult to fund such projects as most of the liabilities of commercial banks are of short term nature. In this wake, banks and infra companies have been asking for long term financing options.

The government accepted this demand and came up with long-term year infrastructure bonds. Investment in these bonds will fetch additional tax exemption for Rs 20,000 of income, in line with the exemption available for up to Rs 1 lakh of saving currently. This will increase the channelization of resources into the infrastructure segment, as was emphasised in the Economic Survey released a day ahead of the budget, and therefore boost the growth of core sector in medium term.

### Taxation

Some of the most important proposals raised in the Budget belonged to the taxation space. While there was a restoration of excise duty by 2%, it was an expected move. However, the Budget maintained status quo on Service Tax at 10%, which was a positive surprise. However, with the aim of widening the service tax net considering that over 50% of the economy is services led, some new services have been brought under this tax.

Further, the Budget had an unexpected but pleasant surprise in form of widening of tax brackets, which can be seen as a ground preparing activity for implementing the new Direct Tax Code (DTC). The DTC, that the government intends to implement next year, envisages a 10% tax bracket for income up to Rs 10 lakh and the widening of brackets is just a move in that direction.

The Budget also saw a reiteration of the commitment on the indirect taxation reform and implementation of the Goods and Services Tax (GST). While the country will miss the deadline of April 1, 2010, the finance minister made amply clear in the budget that intensive efforts were on in this direction and the target will be achieved by start of FY12.

### Disinvestment

Another aspect of the Budget that impressed the analysts was much clearer announcement of government's intentions on disinvestment of public sector enterprises compared with last year's budget. The Budget put the advance estimate for the current fiscal's disinvestment receipts at nearly Rs 26,000 crore and budgeted the figure for next year at Rs 40,000 crore. While the higher disinvestment target is a reflection of better political strength of the UPA in its second term, the fund generated from it will help the government meet its responsibilities towards the social sectors along with keeping a tab on the fiscal deficit position of the country.

### Conclusion

The FY11 Budget is a fine blend of pragmatism and vision

### Budget at a Glance

S.No.		FY09	FY10 (BE)	FY10 (RE)	FY11 (BE)
1	Tax Revenue	443319	474218	465103	534094
2	Non-tax Revenue	96940	140279	112191	148118
3	<b>Total Revenue Receipts (1+2)</b>	540259	614497	577294	682212
4	Recoveries of Loans	6139	4225	4254	5129
5	Other Receipts	566	1120	25958	40000
6	Borrowings and other liabilities	336992	400996	414041	381408
7	<b>Total Capital Receipts (4+5+6)</b>	343697	406341	444253	426537
8	<b>Total Receipts (3+7)</b>	883956	1020838	1021547	1108749
	Non-Plan Expenditure (NPE)				
	A. Revenue Expenditure				
9	Interest Payments	192204	225511	219500	248664
10	Defence Services	73305	86879	88440	87344
11	Subsidies	129708	111276	131025	116224
12	Others	163807	195168	202979	191367
13	Total Revenue NPE	559024	618834	641944	643599
	B. Capital Expenditure	40918	54824	47824	60000
14	<b>Total Non-Plan Expenditure</b>	608721	695689	706371	735657
	Plan Expenditure				
15	A. Revenue Expenditure	234774	278398	264411	315125
16	B. Capital Expenditure	40461	46751	50765	57967
17	Total - Plan Expenditure	275235	325149	315176	373092
18	Total Budget Support	198160	239840	229164	280600
19	<b>Total Expenditure</b>	883956	1020838	1021547	1108749

and is wrapped in strong conviction regarding the India growth story. By making a clear statement that no economy can continue consuming more than its means in the long run and putting brakes on the fiscal deficit, the Budget shows the kind of pragmatism that was needed to consolidate the Indian recovery seen in current year into a sustained growth of 9-10% in coming years.

The vision comes from the steps taken in the taxation front. The finance ministry effected a major revision in personal income tax structure while also gave some relief to the India Inc in surcharge on corporate tax. These will boost consumption and investment in near term and also facilitate the transition to the DTC which promises to revolutionise, along with the GST, India's age-old rigid and outdated tax structure.

By scrapping the off-budget items and committing to give any and all subsidies in cash, the finance ministry showed a strong conviction and effected a critical reform in fiscal practices. Off-budget items are in fact nothing but a back-door to keep running higher deficit while eye washing the commitments made under the medium term fiscal outlook statement.

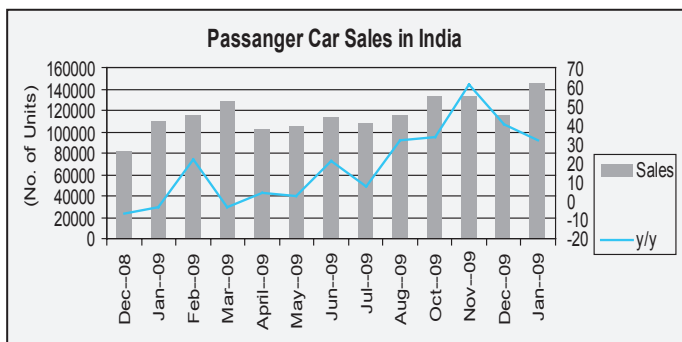
Overall, the Budget was a very fine act of balancing various concerns including the fiscal consolidation, growth and long term prospects. It elegantly articulates the story of India's recovery from the downturn and embarks upon the journey back towards the higher growth trajectory of 9-10%.

The Union Budget presented by the Finance Minister Pranab Mukherjee on Feb 26 was a well articulated balance of short term concerns of the India Inc. and long term objective of strengthening the prospects of the Indian economy. While most of the macro fundamentals of the fourth largest economy in the world (PPP basis) remained fairly strong through the global downturn that began following the events of September 2008, the surging fiscal deficit and soaring subsidies were threatening to put out of gear India's union finances.

On the other hand, growth in the economy had started to improve rapidly in the non-farm sector though some concerns owing to still shaky global outlook remained. In this wake, the finance minister began the exit from stimulus policies by partially restoring the excise duty and raised the minimum alternate tax (MAT) to consolidate fiscal scenario, but at the same time tweaked with the personal income tax rates and corporate cess and gave a boost to infra sector to ensure the recovery is consolidated further. We have summed up, in what follows, the potential impact of various proposals raised in the Union Budget on some of the key sectors.

**Automobile**

India's auto industry has given a sizzling performance in last few months. After facing substantial slowdown in the second half of last fiscal as Indian economy got hit by the global economic downturn, auto industry has shown a 'V' shaped recovery in the current fiscal. Riding on the fiscal stimulus given by the government in terms of cut in excise duty, improvement in economic outlook, and improving consumer sentiment, auto sales have soared, especially in last couple of months with a number of players recording their highest ever sales. Exports too have increased sharply as the demand for small cars increased worldwide, especially in European countries following the economic slowdown.



In fact, the December quarter of 2009 was one of the best the industry ever had and the momentum continued strongly in the current calendar year as well. Most of the companies have touched their record sales or production numbers in last three months. According to the data compiled by the Society of Automobile Manufacturers (SIAM), total auto sales in the month of January in domestic market touched 11.14 lakh units, registering a jump of whopping 44.94%.

The passenger car segment posted the highest ever monthly number in January 2010 selling 145,905 units and registered a growth of 32% on annual basis. Two-wheeler sales also surged by 44% to about 1.1 million units in January 2010 while the sales of large commercial vehicles, a key barometer of the country's economic health, more than tripled to 21,587 units.

**Budget Impact**

Going into the Budget with kind of surge in sales seen in January, the industry was apprehensive that the finance minister may decide to rollback the stimulus completely for the automakers. However, the overall outcome for the industry was pretty much positive. The government only implemented an across the board partial stimulus withdrawal and therefore the excise duty for the automobile industry too was hiked only by 2%.

In another positive move, the budget proposed to increase the weighted average tax deduction on all in-house research and development (R&D) expenditure and has been increased to 200% from 150%. This will reduce total tax outgo at a time when most automakers are looking to boost their research capabilities and introduce new and innovative models to beat competition.

Proposal	Impact	Comments
Hike in excise duty by 2%	Marginally Negative	Most companies will be able to pass on the rise in cost.
Focus on rural development	Positive	Will boost sales for 2-wheeler, farm related automobiles.
Increase in the weighted deduction on R&D	Positive	All companies will benefit from reduction in tax outgo.

**Outlook**

Auto industry currently is very much a seller's market and we do not expect that companies will have any substantial difficulty in passing on the excise hike to consumers without a major impact on sales numbers. There may be a temporary moderation in sales when seen on month-on-month basis as to some extent the sales in the first two months of 2010 could have been boosted by anticipation of rise in excise in Budget. However, the broader trend seen in auto sales is being more driven by the sharp improvement in Indian economy and overall improvement in outlook and as such we expect the broader trend to continue in medium run.

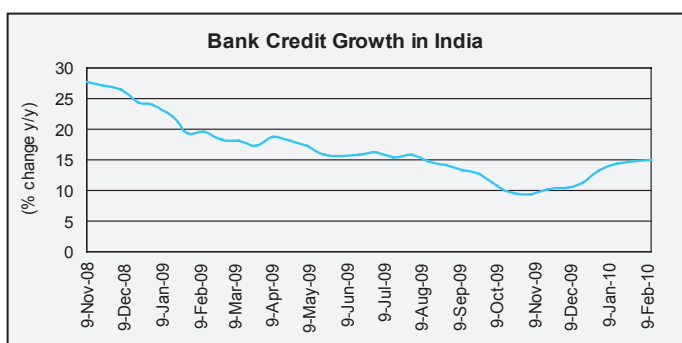
On the other hand, a lot of sales in recent months have come from the rural India and government's continuance to focus on rural infrastructure and schemes like NREGA will further boost the demand for the industry, particularly for the two wheeler and tractor makers. Scrapping of excise duty to trailers and semitrailers used in agriculture

and exemption in service tax in transportation of cereals & pulses by road will also help companies selling farm related vehicles. The industry will also benefit from the increase in the weighted deduction on expenditure incurred on in-house R&D to 200% from 150%. As such, we feel that Budget will have an overall positive impact on the auto industry going forward.

### Banking and Financial Services

India's Banking industry has had a good run in 2009, although the support did not come from the core banking business. When banks across the world were suffering from the aftermaths of global financial crisis generated by the fall of Lehman Brothers in the US in September 2008, Indian banks remained strong as ever. By and large the industry was insulated from the toxic assets that caused the global crisis and remained strong in terms of financial health as well.

However, sharp moderation in core banking business was inevitable considering the slowdown in Indian economy. Credit growth continued to decline for most of the last calendar year as businesses postponed capex while retail loans declined as NPAs started to increase. High deposit growth coupled with low credit off-take led to a build-up of surplus liquidity in the banking system. Credit off-take remained low and was also substituted to some extent by other sources like foreign commercial borrowings etc. Although some improvement was recorded in since December 2009, overall credit off-take still remains lower on annual basis. Non-food credit growth of the banks stood at 14.4% as on January 15, 2010 compared with the 21.9% growth seen in the corresponding period of last year.



Overall performance of banking industry was boosted by non-core business. All the banks registered strong growth in non-interest incomes and treasury gains also improved performance. The industry however went into the budget hoping for a reasonable government paper supply that would not crowd out private demand for credit.

### Budget Impact

There were a number of positive steps in the Budget for the banking and financial industry. The banking sector will directly benefit from the budgetary allocation of Rs.16,500

crore to the public sector banks. The money will be used to boost the financials of weak PSU banks to help them attain a minimum of 8% Tier-I capital by March 31, 2011. The move clearly depicts government's continued commitment to support the PSU banks and its focus on keeping the Indian banking industry in the soundest of financial health.

Mukherjee also talked about new banking players to be allowed. He said that that the RBI was considering giving some additional banking licenses to private sector players. Non Banking Financial Companies (NBFCs) could also be considered, if they meet the RBI's eligibility criteria. Opening up of sector to new players while will increase the competition, it will also improve efficiency and open the doors to consolidation in the medium term.

Further, in a visionary move, the finance minister also announced plans to set up a 'Financial Stability and Development Council' which will monitor the financial system of the country, in particularly the large financial sector players, with an aim to keep a tab on the financial stability of the economy in medium run.

Proposal	Impact	Comments
Budgetary allocation of Rs.16,500 crore for PSU banks	Positive	Will help boost financials of targeted players
Hike in interest subvention and extension of repayment period for farmers	Positive	Will help improve quality of assets in the farm loan segment
Financial Stability and Development Council	Positive	Will help improve monitoring of financial industry and provide long term stability
Possibility of new banking licenses	Positive	Will improve competition and efficiency and provide consolidation space in medium term

The interest subvention for the timely paid farm sector loans has also been raised to 2%. While the subsidy will be paid by the government, the increased subvention will raise the incentive for farmers towards timely repayment and will therefore help in improving asset quality of the farm portfolio. Also, the extension of loan repayment period for farmers by six months will help banks restructure weak assets in this category and keep their books clean. While the relief will be temporary, expected bumper rabi (winter) crop will boost farmers' repayment capacity and therefore the interim relief is welcome.

### Outlook

Overall, the budget sounds very well for the financial

sector. The induction of new players was overdue and the fact that Indian banking was hardly impacted by the global financial crisis has generated enough confidence that the industry is ready to move on to the next level. The infusion of capital in weak public sector banks is also a positive that will improve the overall strength of the industry.

The decision to create a super regulatory body for the financial sector was being felt ever since the financial crisis surfaced in the developed world and was blamed on failure of regulatory practices there. Also, the government is working on bank consolidation behind the door and such a regulatory body will provide cushion against apprehensions that big conglomerates emerging from the process of consolidation may hurt the economy in times of crisis.

The most crucial number being watched by the industry however was market borrowings. The finance minister budgeted the net borrowing requirement for FY11 at Rs 3.45 lakh crore, significantly lower compared with about Rs 3.97 lakh crore for the current fiscal. While on a gross basis the government would raise Rs 4.57 lakh crore for FY11, slightly above the Rs 4.51 lakh crore in the current fiscal, markets were expecting an even higher figure in the range of 4.6-4.9 lakh crore on account of higher redemptions. The final figure therefore is a positive surprise and the pressures on rates will be relatively lower.

### Information Technology

India's software industry is now coming back on the road to recovery. The global financial crisis that started with the fall of Lehman Brothers in the US in September 2008 and following economic downturn has hit the Indian IT industry hard. The foremost causality has been the rapid growth path of India's IT exports as the industry faced the brunt of slowdown in their key markets (the US and UK) and key vertical – banking and financial services industry (BFSI). Clients cut down significantly on their IT budgets as demand across the board went down and IT majors were forced to dole out concessions on billing rates.

While the industry has recovered strongly from the lows of December 2008, the crisis did dent the industry and the foremost causality has been the rapid growth path of India's IT exports. After registering a meagre growth of 5% in FY10, the NASSCOM now expects the growth to improve, but only to a milder pace of 13% in FY11 compared to the high double digit growth it had witnessed in the pre-crisis period.

### Budget Impact

The most important demand of the industry in this wake was that the government extends the tax benefits awarded to it under the Software Technology Parks of India (STPI) scheme to beyond the calendar year 2011. This did not happen though and the Budget left the sunset clause unchanged. The impact will be negative beyond the FY11 when profitability will be impacted. However, the industry

has matured a lot over the years and emerging global scenario should help IT players improve their margins before the sun sets on STPI. We believe Small companies will be most hit by the development while mid-cap players too will feel some heat. Large companies on the other hand are in a much stronger position to pass through the transition and will face much lower impact.

Another significant negative for the IT industry was the increase in MAT rate from 15% to 18%. The alternate tax has seen a steep hike over last two years and will erode the benefits of tax exemptions that various IT companies enjoy at the moment.

There were nonetheless some positives in the budget as well for IT industry. The government has clarified the controversy on the anomaly related to the 10 AA clause of Income Tax Act under the SEZs. The Budget proposed to apply retrospectively, the 10AA clarifications which will now allow companies to enjoy full tax benefits for operations in SEZ from 2006 onwards, and not just from assessment year 2010-11 onwards as was said in the last budget.

Another positive was government's focus on improvement in the tax administration through use of IT. The Budget proposed setting up of an advisory group to look into use of technological and systemic solutions in tax administration. This, along with the UID will present some new domestic opportunities for the industry. In another positive, the Budget also proposed to ease the process of refund of accumulated credit to exporters of services by making necessary changes in the definition of export of services and procedures.

Proposal	Impact	Comments
No proposal on extension of STPI	Marginally negative	Tax outgo will increase from FY11 onwards
Hike in MAT	Negative	Small players will feel greater impact than big names
Clarification on 10AA in SEZs	Positive	companies will get full tax benefits for operations in SEZ from 2006 onwards
Higher allocation to UID and Focus on use of IT in tax administration	Marginally Positive	Will bring new domestic business for IT players

### Outlook

Overall impact of the budget is likely to be negative on the information technology sector. However, the STPI scheme was ultimately to face an exit clause at some stage and extension of one more year would not have impacted long run prospects much. The BFSI sector has seen some

stability in 2009 and demand visibility for the industry from its biggest customer has therefore increased. Other vertices like telecom are already performing well. As such, while the immediate impact of the budget proposals will be negative, we expect the industry to continue growing in the medium run strongly and realign its strategy to counter high MAT as well as be prepared to see the STPI clause ending next year.

### Infrastructure

For decades the Indian economy has been criticised for the substantial gaps that exist in infrastructure, be it transportation, power or communication. However, with the economy changing gears in after the deregulation and reaching a high growth trajectory in the last decade, the deficiency of infrastructure has started to become a tangible constraints for growth of many sectors.

The need for infrastructure development becomes clear from a simple observation that in an economy where infrastructure is already insufficient, growth rate of 8-9% even in medium run cannot be sustained with infrastructure growing at 5%. As such, if the Indian economy has to grow at the trajectory it followed in the five years preceding the onset of financial crisis, investment in infrastructure is a must.

This led to the UPA government according top priority to infra development after it came into power for second consecutive term in May 2009. With the finance ministry committing in the last Budget to increase the investment in infrastructure from 5% of GDP 9% by 2014, infrastructure became the new theme in Indian economy.

### Budget Impact

The FY11 Budget took the commitment forward and Infrastructure was seen as a major theme in the finance minister's speech. In order to maintain the thrust for upgrading infrastructure in both rural and urban areas Budget for 2010-11 provided Rs.1,73,552 crore of allocation, accounting for over 46% of the total plan allocations.

To implement the target of building 20 km/day of roads, the Budget proposed to raise the allocation of road transport by over 13% from Rs.17,520 crore to Rs.19,894 crore. Further, meeting a key demand of the infra companies, the Budget proposed to allow resale of duty-free imported machinery for road building on payment of import duty at depreciated value. It was also clarified that the importer was free to relocate such machinery to other eligible road construction projects.

Proposal	Impact	Comments
Increase in allocation for road sector and relaxation of duty free machinery import	Positive	Will generate more business for developers and also ease the red tape in dealing with imported equipment
Tax-free infra bonds	Strongly Positive	Will solve a major concern for infra developers by allowing banks to fund long term projects
Competitive bidding for captive blocks and setting up of the Coal Regulatory Authority	Positive	Will help bring transparency and market based play in coal sector

The budget also proposed to introduce a competitive bidding process for allocating coal blocks for captive mining to ensure greater transparency and increased participation in production from these blocks. The government will also take steps to set up a "Coal Regulatory Authority" to create a level playing field in the coal sector. This would facilitate resolution of issues like economic pricing of coal and benchmarking of standards of performance.

The biggest move for infra development however was on the financing front. Since the finance requirements for the infra projects are long term, banks are often unable to meet them. To solve this, banks have been urging the government for tax-free infra bonds and the government has accepted the same. The Budget proposed long term infrastructure bonds, investment in which will bring additional Rs.20,000 tax exemption. This will further boost the channelization of resources into the infrastructure segment and boost the growth of core sector in medium term.

### Outlook

The Budget had a number of positives for the infra development. However, the direct budgetary support to the infra heads including roads and power continues to remain much below the needs of these sectors. To compensate for lesser space on the budgetary support front, the finance ministry has finally accepted the long pending demand and allowed for issue of tax friendly infrastructure bonds. This will channelize more funds into the infra sector and help the economy bridge the gap in core sector capacity going forward.

## Arvind Ltd. - Buy

Arvind, earlier known as Arvind Mills was founded way back in 1931 by three brothers Kasturbhai, Narottambhai and Chimanbhai Lalbhai to produce high-end superfine fabrics. Arvind holds the position of third largest producer of denim in the world with an export network encompassing 70 countries worldwide

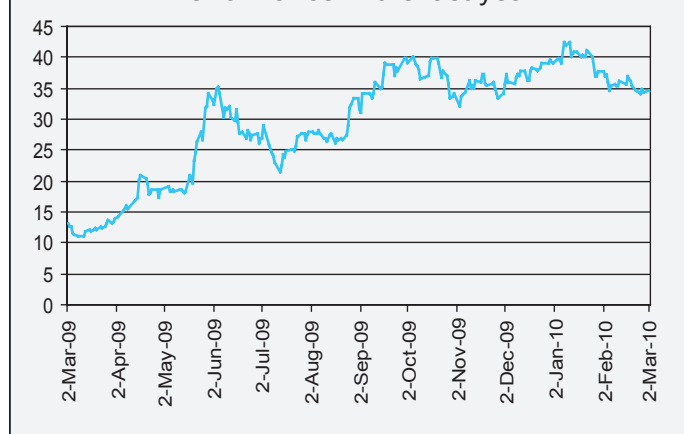
It is one of India's leading super-fine fabric manufacturers and the company has largest portfolio of International brands such as Lee, Wrangler, Nautica, Jansport, Kipling, Tommy, Arrow, US Polo, Pierre Cardin, Palm Beach, Cherokee, hart Schaffner Marx. Its own domestic brands of Flying Machine, Newport, Excalibur and Ruf & Tuf, is setting its vision of becoming the largest apparel brands company in India.

Stock Data (as on 02/03/09)	
Current Mkt Price (Rs.)	34.70
52 week High (Rs.)	43.70
52 week low (Rs.)	10.60
Mkt Cap (Rs. Cr.)	806.90
Return in last one Month (%)	-7.96

Share Holding Pattern(as on Dec,09)	%
Total Promoter	37.46%
Institutions	14.07
Non Institutions	48.17
Depository Receipt	0.30

Key Ratios	
P/E	54.88
Price/Book(x)	0.69
Dividend Yield (%)	0.00
ROCE(%)	5.14
ROE(%)	-3.88

Performance in the last year



## Management

The management of the company is led by R P Singh- Chairman and Managing Director; while other directors include Saran Kumar and Rishi Bhan.

## Business Overview

Arvind's adoption of new-age fabrics has seen the Company emerge as one of the largest denim manufacturers in the world. The company caters to a diverse array of customers with its different offerings.

**Denim-** An annual capacity of 110 million meters; the position of 3rd largest producer of denim in the world; and an export network of 70 countries worldwide. Prominent products in this category include ring denim, indigo voiles, organic denim, bi-stretch denim and fair trade certified denim. This is apart from regular light, medium and heavy weight denims. They come in various shades of indigo, sulphur, yarn-dyeds, in 100% cotton and various blends.

**Shirtings-** It is one of the most well-known products of Arvind Group, selling at a premium in the international market. It has an astonishing annual capacity of 34 million meters. Prominent products within this category include fabrics with non-iron properties, mechanical finishes, printed fabrics apart from the cotton and cotton blends in Linen, Lycra, Polyester, Modal, Silk etc. with varieties in yarn dyeds and solids.

Further, Arvind has a unique plant for manufacturing very light weight indigo dyed fabrics in yarn dyed and solids for top weights. Arvind Shirting has a liquid ammonia based fabric processing plant and a state-of-the-art print house ' a first for India and one of the few in Asia. The clientele for the product include names like Polo, Ralph Lauren, ESPRIT, GAP, FCUK, Zara, Pull & Bear, Louis Philippe, Van Heusen, Allen Solly, Color Plus, Parx and Park Avenue.

**Khaki-** The division provides the finest fabrics in the variants of 100% Cotton, Cotton Rich Polyester Blend, Cotton Lycra, Cotton Tencel, Cotton Linen, etc.

**Knits -** Arvind's knits department has an annual knitting capacity of 10,000 tons. Apart from the basic knitting capabilities (jersey, pique, rib, and interlock), Arvind has mastered specialty knitting techniques such as yarn-dyed autostripers, jacquards, and stretch fabric. The knits vertical has a fabric dyeing capacity of 6500 tons per annum and yarn dyeing capacity of 3500 tons per annum.

**Voils-** Arvind is the uncontested market-leader in the manufacture of voiles, with a production capacity of 33 million meters per annum. Arvind's voiles are primarily used as blouse material and are sold in the domestic market through an impressive network of 150 dealers, reaching over 5000 retail outlets throughout India.

## Latest result analysis

- The company came into profit for the quarter ended December 31, 2009 by reporting a net profit of Rs 12.25 crore compared to a loss of Rs 33.17 crore in corresponding previous quarter.
- The net sale of the company was down by 4.23% to Rs 566.37 crore compared to Rs 591.40 crore in the same quarter last year.

(Rs. Cr.)

Particulars	Sept. Qtr-09	Sept. Qtr-08	Growth %	FY09	FY08	Growth%
Net Sales	566.37	591.40	-4.23	2344.99	2271.27	3.25
Total Income	567.58	595.49	-4.69	2396.90	2287.72	4.77
Other Income	1.21	4.09	-70.42	51.91	16.45	215.56
PBT	12.25	-32.65	-	-46.96	29.61	-
PAT	12.25	-33.17	-	-48.82	27.36	-
EPS (Dil)	0.48	-1.30	-	-1.91	0.98	-

Standalone

- The total income of the company decreased by 4.92% to Rs 567.58 crore compared to Rs 595.49 crore.
- Other income of the company witnessed heavy decline of 70.42% to Rs 1.21 crore compared to Rs 4.09 crore in the December 2008 quarter.
- The operating profit margin of the company increased 130 basis points y-o-y to 14.04% in the third quarter of FY10.
- Other Operating Income for the quarter is net of gain on Derivatives of Rs 14.56 crore.
- The company demerged its Brands & Retail business into separate 100% owned subsidiary companies with effect from 1st April 2009 so the results are not comparable.

## Industry Scenario

Indian textile industry is one of the oldest industries of the country having its roots from the pre-independence era; it has expanded from domestic small-scale industry to the status of supremacy it currently holds. The Indian textile industry is the second largest in the world -- second only to China. The industry accounts for 38% of the country's total exports and is, therefore, a very important industry. The textile industry contributes about 4% to the GDP, 14% to industrial production, and 16% to India's export earnings apart from this it also provides direct employment to more than 35 million people.

The apparel industry is largest foreign exchange earning sector, contributing 12% of the country's total exports so it will always be attracting concentration from the government either it be policy making, or protecting its rights overseas.

This sector is likely to grow faster than the broader market because of a increase in worldwide demand for Indian textiles and garments and the reduction in the government restrictions on the import of the used capital goods and easy availability of cost and work efficient textile manufacturing equipments. As a result of various initiatives taken by the government, there has been new investment of Rs.50,000 crore in the textile industry in the last five years the cotton production of the country too has increased by 57% over the last five years.

The Indian textile industry has faced a difficult year in 2009. After being hit severely by the global economic downturn in the last quarter of 2008, the industry is currently in recovery mode. Exports, which went down sharply in wake of the global crisis and resulting decline in demand from key trading partners, have begun to stabilise. The industry has also got a strong support from domestic demand which has remained largely robust to the downturn except for a brief period in second half of last fiscal.

Textile exports that have been declining through most of the last year have got some respite in last couple of months. While the overall level of exports in FY2010 so far remains in red, we expect the monthly figures to improve going forward. The industry has been actively trying to diversify both, the direction as well as the basket of exports. Riding on the sops provided by the government under the Market Linked Focus Product Scheme the industry has been looking to export into new, relatively under tapped markets like Japan and also looking to export new products. This should help textile producers to increase export numbers going forward.

## Investment Rationale

The company has been witnessing overall business growth due to robust demand for all product categories. Its fabric business, in the recent past has outperformed the expectations. The company expects to see decent growth in volume as well as improvement in operating margins in near future on favorable exchange rate scenario.

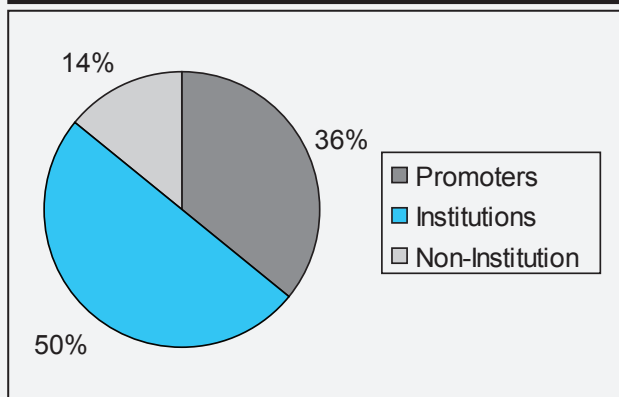
The company has chalked an aggressive strategy directed at the still nascent rural markets by means of direct selling to the consumers, where it expects to get the first mover advantage in reaching the interiors with a differentiated product offering. Through its rural outreach it aims to help enrich the lives of those who have not yet experienced the highest quality of products, a part of its innovative product portfolio.

Wal-Mart has placed a very big order for organic denim with the textile major around three months back. The call of the global consumer to let fashion go organic has driven the denim heavyweight Arvind to manufacture organic denims. Currently, it has a capacity to manufacture around 110 million meters of denim per annum, of which close to half-a-million meters is organic denim. The company now plans to scale up capacity to meet the ever-growing demand from global retailers. This development will not only help the company to complete the order effectively but will also help it to prepare for the future orders of similar kind.

The company is showing growth not only at the domestic level but on the global front too and has reported 16% growth in export volume and 54% growth in domestic volume with its aggressive market share acquisition plan in domestic market.

At CMP of Rs 34.70, the stock is trading at an EV/EBITDA of 8.99 and a P/E multiple of 54.10. The company's net sales is likely to grow at a CAGR of 4% to the year 2011. We would recommend a BUY in the stock with a price target of Rs 48, keeping in view the continuous better performance in all product category and expected growth in volume as well as improvement in operating margins in near future.

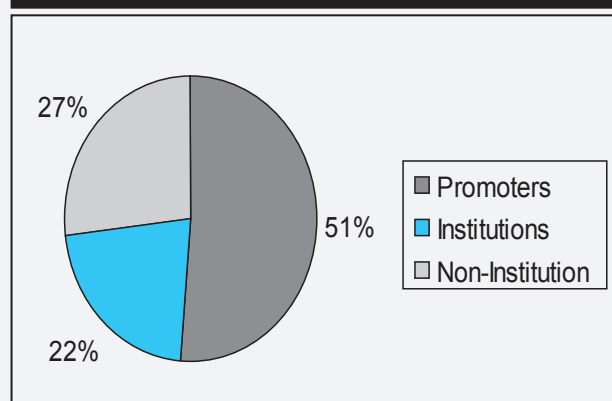
### Amtek Auto: Buy



- ◆ Amtek Auto is the flagship company of the Amtek Group. The company manufactures components such as connecting rod assemblies, flywheel ring gears and assembly, steering knuckles, suspension and steering arms, commercial vehicle (CV) joints, crankshaft assemblies and torque links. It is backed by in-house design and development facilities engaged in developing new product and processes.
- ◆ The company had posted a net profit of Rs 35.08 crore for the October-December 2009 quarter as compared to Rs 20.38 crore for the October -December 2008 quarter, up 72.13%. Profit before depreciation and tax (PBDT) surged by 64.90% to Rs 87.23 crore during the quarter from Rs 52.90 crore for the year ago period.
- ◆ Its net profit margin improved by 317 basis points (bps) or 3.17% to 11.61% from 8.44% in the corresponding previous quarter.
- ◆ The company's revenues for the quarter stood at Rs 302.18 crore, up 25.21% over Rs 241.33 crore reported in the same period of last fiscal.
- ◆ It posted cash EPS of Rs 4.83 during the latest quarter as compared to Rs 3.25 in the year ago period.
- ◆ Though the auto component maker will witness some strain on the top line due to hike in excise duty to 10% from earlier 8%, the cut in tax slabs for individuals and reduction in surcharge on corporate tax to 7.5% from 10% is expected to compensate the lower realisations.

Last Traded Price (as on 02/03/10)	Rs 185.90
Price target	Rs 201
Market cap. (Rs cr.)	3,725
52 Week H/L	239.30/ 69
Free Float	64%
BSE code	520077

### Dena Bank: Buy



- ◆ Dena Bank was founded on May 26, 1938 by the family of Devkaran Nanjee under the name Devkaran Nanjee Banking Company. It became a public limited company in December 1939 and later the name was changed to Dena Bank.
- ◆ For the quarter ended December 31, 2009, the bank had posted a net profit of Rs 134.52 crore as compared to Rs 140.36 crore for the year ago period, down 4.16%.
- ◆ Meanwhile, its net profit for the quarter was up by 7.93% on sequential basis. The bank had reported a net profit of Rs 124.64 crore for the September 2009 quarter. Its net profit margin for the quarter was at 13.24% against 12.95% in the previous quarter.
- ◆ The bank's total income for the quarter increased by 5.08% to Rs 1,149.04 crore from Rs 1,093.54 crore for the corresponding previous quarter.
- ◆ Interest income of the lender during the latest quarter stood at Rs 1,015.90 crore, up 6.31% over Rs 955.61 crore reported for the December 2008 quarter.
- ◆ Its operating profit dipped to Rs 197.68 crore from Rs 265.24 crore, indicating a year-on-year (YoY) drop of 25.47%.
- ◆ The lender managed to reduce its gross non-performing assets (NPAs) to 1.89% of gross advances from 2.28% in the year ago period.
- ◆ Its capital adequacy ratio during the quarter stood at 11.79% (Basel I) and 13.18% (Basel II).
- ◆ The bank's earning per share (EPS) – non-annualised - for the quarter was at Rs 4.69.
- ◆ Further, the proposal to boost Tier-I capital of PSBs through more funds is likely to benefit Dena Bank.
- ◆ The government has provided Rs 16,500 crore to ensure that the state-owned banks are able to attain a minimum 8% Tier-I capital by March 31, 2011.
- ◆ Besides, measures to bring down the fiscal deficit will also improve sentiment for the counter.

Last Traded Price (as on 02/03/10)	Rs 83.35
Price target	Rs 95
Market cap. (Rs cr.)	2,390
52 Week H/L	93/ 27.10
Free Float	49%
BSE code	532121

### Tata Communications ropes Gulf-based telecom operators for TGN Gulf project

Tata Communications and its partners have announced that Tyco Telecommunications, will be constructing the TGN Gulf cable system. The telecom major's partners in the TGN Gulf project, namely Bahrain Internet Exchange in the Kingdom of Bahrain, Nawras of Oman, Qatar Telecom of Qatar, Mobily of the Kingdom of Saudi Arabia and Etisalat of the United Arab Emirates will each be an exclusive landing party for the TGN Gulf Cable System.

This new state-of-the-art cable system, on which work began in October 2009 and is expected to be completed during 2011, will connect the region to the rest of the world via the Tata Global Network (TGN) providing reliable high speed bandwidth to all the key cities of the world. Using its own cable station, each party will have access to a new high-speed route to the globe and at the same time add much needed resilience and diversity to the infrastructure in each country.

### Thermax settles its pending dispute with Purolite International

Energy and environment solutions provider, Thermax has settled a legal dispute regarding its ion exchange resin business in the US with Purolite International. Thermax will pay \$38 million to US-based Purolite spread over the calendar year to settle the litigation. The two parties will now be joint co-owners in perpetuity of the information and technology in dispute.

The agreement permanently resolves all claims and counterclaims. There will be no further financial obligations on this account. The dispute was about its ion exchange resin business in the United States, and an amicable out of court settlement has resulted in the co-ownership of the information and technology in dispute.

### L&T Infotech to foray into BPO business

L&T Infotech, the IT arm of engineering and procurement major Larsen & Toubro is planning to enter the BPO business to provide customers with a full range of services, starting from application development and testing to back-office processing.

The software exporter has already appointed one of the big four consulting firms to advise it on its BPO strategy. Most IT exporters, including smaller ones, already offer BPO services. The idea is to make L&T Infotech a rounded IT company ahead of the planned IPO.

### Religare Enterprises announces strategic investment in Northgate Capital

The board of directors of Religare Enterprises, a global financial services group focusing on emerging markets, has approved a commitment of up to \$1 billion for strategic investments in diversified asset management businesses globally and an initial strategic investment in Northgate Capital -- a leading global private equity and venture capital firm with principal offices in the San Francisco Bay

Area and London, UK.

The parties have signed a definitive agreement for Religare to acquire a majority equity interest in Northgate's Management Company. Northgate's five partners will continue to retain controlling interests in its general partner entities and will also maintain a significant equity stake in the Management Company.

### Micro Technologies to incorporate Cloud Computing in its security products

Micro Technologies (India), an IT based company and a leading global developer, manufacturer and marketer of security devices for its clients across the globe, for the first time is going to use Cloud Computing, the utility-based computing, to enhance the operational efficiency.

The company gave a path-breaking innovation in security products by embedding Cloud Computing in its innovative fleet monitoring system of Micro FMS. Cloud Micro FMS will enhance the scalability of the product in existing and other geographies. Micro FMS (Fleet Monitoring System) is a live vehicle management and tracking system to monitor and track registered vehicles using GIS and GPRS/ GSM technology.

### ONGC finds oil and gas in Gujarat

Public sector exploration major, Oil and Natural Gas Corporation (ONGC) has discovered oil and gas after digging a well at a depth of around 550 metres in Karjan taluka area of Vadodara district of Gujarat.

The company has started drilling at this new site expecting a huge quantity of oil and gas in this area after its preliminary results. According to some reports, it will take about one month to estimate quantity of availability of gas and oil from this well.

### MIC Electronics bags Parramatta League Club order

MIC Electronics, a global leader in design, development & manufacturing of LED Video displays, high end Electronic & Telecommunication equipment has bagged a 3 year long contract to supply video screen to Parramatta Eels National Rugby League Club through solid alliance with Sequity.

As per the agreement between MIC & Parramatta League Club, MIC will supply a 120 sq.m video screen to the club. It is also partnering with Parramatta via Sequity to supply advertising screens for the club's future requirements. The revenue generated, however will be shared between the groups.

### Jain Irrigation in pact with IRRi

Jain Irrigation Systems, a pioneer in drip irrigation in India, has inked a memorandum of understanding (MoU) with International Rice Research Institute (IRRI) for collaborative research and adaptive field trials on paddy using micro irrigation.

Through this engagement, both entities are looking to

study the relevance of different irrigation and fertilizer delivery systems for paddy cultivation in India and other south Asian countries wherever IRRI is planning research or adaptive trials with a main aim of finding ways to reduce water consumption in rice cultivation while increasing crop productivity.

### **HCL Tech opens regional headquarters in Dubai**

IT major HCL Technologies (HCL) has opened its regional headquarters for the Middle East operations in Dubai, UAE. The company already services more than 25 large organizations in the Middle East and the new headquarters will become the hub for its regional operations.

It plans to offer services across a wide range of service lines including product engineering and research & development (R&D), custom applications, enterprise application services, infrastructure management services and business process outsourcing (BPO). HCL had forayed into the Middle East in 2007.

### **L&T collaborates with Raytheon Company to upgrade the Indian Army's T72 tanks**

Engineering major Larsen and Toubro (L&T) has announced that it is collaborating with US-based Raytheon Company for its proposal to upgrade the Indian Army's T72 tanks.

Raytheon will help to improve target accuracy and increase overall system lethality on the battlefield for T72 tank battalions by providing infrared imaging sights and electronics. On the other hand, L&T will provide fire control system, sensors and will accomplish the final integration along with the customer support.

### **Stone India inks JV agreement with Sumitomo Electric**

Stone India has signed an agreement with Sumitomo Electric, Japan in order to form a joint venture in a phase-wise manner to locally manufacture air springs in India. The joint venture has become effective from February 15, 2010.

Both companies in the month of November 2007 had entered into a technical collaboration agreement for selective manufacturing and assembly of air spring systems for railways in India. Subsequently, Stone India commenced bulk supply of air springs to the Indian Railways.

### **Bharti in exclusive discussions with Zain for acquisition of Zain Africa BV**

Bharti Airtel and Zain have agreed to enter into exclusive discussions until March 25, 2010 for the acquisition of the latter's African unit (Zain Africa BV) based on an enterprise value of \$10.7 billion. This potential transaction does not include Zain's operations in Morocco and Sudan and remains subject to due diligence, customary regulatory approvals and signing of final transaction documentation.

There can be no assurance that a transaction will be

consummated. Further announcements will be made in due course.

### **Adhunik Metaliks plans to supply automobile parts to major automakers**

Adhunik Metaliks, the flagship company of the Kolkata-based Adhunik Group of Industries, is planning to supply specialized steel as well as auto components being produced by the subsidiary companies of the group to the automobile industry. In this regard, it has been in talks with automakers like Toyota, Honda, Bajaj and Maruti Suzuki to supply automobile parts and steel.

Adhunik Metaliks engages in manufacturing of wide range of special steels used for different applications in the fields of automobile, construction and engineering.

### **Mahindra & Mahindra and Mitsubishi tie up to deliver FarmTech prosperity**

Mahindra & Mahindra (M&M), one of the world's top tractor brands, and Mitsubishi Agriculture Machinery Company Co. Japan (MAM) have signed a license agreement for a strategic transfer of agricultural machinery technology. This agreement, which outlines an association to provide mechanization for crop specific solutions, was signed at the Mahindra Group's headquarters in Mumbai.

The agricultural machinery technology is being licensed to M&M farm equipment sector's Applitrac business, for manufacturing in India. The machinery will be sold under the Mahindra brand name in the domestic market, in addition to exports to China and SAARC countries.

### **Ranbaxy Laboratories and Daiichi Sankyo to launch innovator products in Mexico**

Ranbaxy Laboratories and Daiichi Sankyo Company have announced specific plans to introduce innovator products of Daiichi Sankyo in Mexico through the marketing division that was created last year within Ranbaxy's Mexican subsidiary, Ranbaxy Mexico SA de CV. Daiichi Sankyo and Ranbaxy Mexico have agreed to commercialize olmesartan medoxomil, an antihypertensive discovered by Daiichi Sankyo, in Mexico.

Additionally, the companies have agreed to promote prasugrel, an antiplatelet co-developed by Daiichi Sankyo and Eli Lilly & Company, in Mexico. Prasugrel will be co-promoted by Lilly's affiliate in Mexico.

### **Maruti eyes South-East Asia and Middle East markets for Ritz**

Maruti Suzuki, the country's largest passenger car maker is planning to export its small car Ritz to South-East Asia and the Middle East. The car comes in both petrol and diesel versions with a K-series engine, which is a Bharat Stage-IV emission norm compliant.

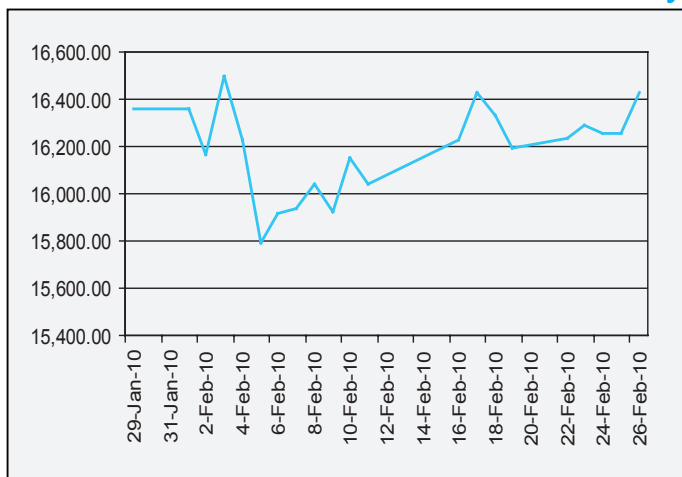
In January 2010, the company sent its first shipment of 500 units of Ritz, sporting a 1.2 litre petrol engine to Indonesia. Following a positive feedback from its dealers in Indonesia, the company is planning to add new markets for its small car segment.

## Markets snapped the budget month on flat note

The Indian equity markets witnessed almost a flat month of February, a month when the big event of the year 'Union Budget' happened. Usually it is expected that wild swings will happen in share prices on the day of the Union Budget due to the huge build-up of speculative positions but this time everything remained calm till the announcement of different proposals as the markets got what it was expecting and all ended well. The 30 share BSE Sensex lost 0.44% while the S&P CNX Nifty was down by 0.82% for the month. Though the start of the month was not very good as the global cues related to the debt crisis in Europe was weighing down the whole global markets. And some jitters were seen with the Kirit Parikh Committee report on petroleum pricing presented to the petroleum ministry. The committee suggested that the petrol and diesel prices should be made market determined. In other words, the government should stop regulating auto fuel prices and let the oil marketing companies decide prices based on international prices of the crude oil. India imports close to 70% of its total crude oil requirements currently and the country does not have enough reserves to meet its huge demand. The announce made the oil marketing companies cheerful but on the same time markets got skeptical of inflation rise and its aftermath.

In a robust indicator of all round strong recovery in the non-farm sector of Indian economy, the business activity in the services sector accelerated for the second consecutive month in January to touch the highest level since September 2008. The HSBC Markit Business Activity Index for services has risen to 58.96 in January, from 57.41 in the previous months. The index has been above 50, the cut off between expansion and contraction, for nine consecutive months. The strong performance of the sector, dominated to a large extent by the software services industry, was primarily due to a sharp rise in new orders.

## BSE Sensex movement for the month of February



The Auto sector continued its momentum rejoicing over the continued fiscal stimulus, rapid recovery in broader

economy and easy availability of finance. It posted a record growth in the month of January 2010, clearly signalling that it has put the crisis behind and is on a fresh and steep growth trajectory. According to the data compiled by the Society of Automobile Manufacturers (SIAM), the total auto sales in domestic market stood at 11.14 lakh units, against 7.69 lakh units in the year-ago period, registering a jump of whopping 44.94%. Director General of the SIAM said after releasing the data that economic growth, reduced interest rates, better money supply and reduced commodity prices helped the industry in recording the strong growth. The industry sold 145,905 units in the month under review in domestic market registering a growth of 32%. This was the highest ever monthly sales number beating the March 2009 tally of 129,358 units by substantial margin. Two-wheeler sales also surged by 44% to about 1.1 million units. Sales of large commercial vehicles, a key barometer of the health of any economy, more than tripled to 21,587 units in January.

BSE Sensex Monthly Gainers			
Company	Prev Price (Jan 29'09)	Last Price (Feb 26'10)	Change (%)
Hero Honda Motors	1,558.70	1,772.15	9.53
Sun Pharmaceutical	1,469.45	1,540.90	7.09
Larsen & Toubro	1,425.05	1,566.85	5.11
HDFC	2,382.40	2,500.00	4.86
ICICI Bank	830.40	871.85	4.84

- The major gainer of the Sensex Hero Honda Motors was reported to be considering the export of motorcycles to Africa, and was said to be in talks with its Japanese partner Honda Motor in this regard. During the month there was another buzz about the company that it has bought stakes in one of the IPL team Kings XI Punjab but the company denied the speculation saying that it was never having any discussion in this regard. The company posted 23.57% growth in its January 2010 sales compared to the year ago period, it sold total 3,89,802 units in January this year.
- SunPharma the other major gainer of the month received recommendations from the European Medicines Agency for granting it marketing authorisation in the continent for cancer drug Docetaxel, a generic version of French drugmaker Sanofi-Aventis' Taxotere. The application was made by the European subsidiary of Sun Pharma.
- The other top gainer of the month, engineering major Larsen and Toubro (L&T) signed a joint venture (JV) agreement for the 1,600 MW (2X800 MW) coal-based thermal power project at Godhna in Chhattisgarh with state-owned power generating company Karnataka Power Corporation (KPCL). The latter and Chhattisgarh State Electricity Board have already signed a memorandum

of undertaking (MoU) for implementing the project at Raipur and the government of Chhattisgarh has allotted 1,260 acres of land to KPCL for the project.

BSE Sensex Monthly Losers			
Company	Prev Price (Jan 29'09)	Last Price (Feb 26'10)	Change (%)
Bharti Airtel	306.50	279.25	-15.51
DLF	332.80	297.15	-13.62
Reliance Communications	169.85	157.35	-12.14
Hindustan Unilever	244.10	235.75	-10.65
NTPC	214.25	203.00	-9.23

It was during the mid of the month that market started stabilizing as the European Union came to rescue Greece and gave it one month time to show improvement in its financial health. The bottom fishing from investors too helped the markets to recover from their continuous declines.

Amid all the worries of inflation the Reserve Bank of India (RBI) said that the central bank could not focus just on inflation alone because such a move may have negative implications for economic growth. While the trend of inflation targeting was spreading fast a few years ago, the financial crisis that began in September 2008 seems to have changed the perspectives of central banks. Even at a time when inflation is surging, the RBI has refrained from acting immediately. In fact, the finance minister Pranab Mukherjee acknowledged that the trend was disturbing and inflation still had more upside to it before the rise in prices can be brought under control.

The RBI however has maintained a silence on the fact that the headline inflation for the month of January 2010 itself at 8.56% has crossed the RBI's projection. The central bank had projected the end-fiscal projection of wholesale price index based inflation at 8.5% in its January policy review. Most experts including those from the government expect inflation now to cross the 10% mark by end-March 2010.

India's industrial sector put down any and all doubts relating to the strength of recovery, if any were left, and recorded a growth rate of 16.8% in the month of December 2009, way above the market expectations of around the 12% level. Industrial expansion in the previous month was 11.8% while in the same month a year ago was - 0.2%. The manufacturing sector led the growth recording a massive 18.5% expansion compared with a contraction of 0.6% in the same month last year. Electricity and mining sectors too improved their performances to 5.4% and 9.5% compared with 1.6% and 2.2% a year ago, respectively.

More importantly, the use based classification showed that investment climate in the economy had completely

recovered out of the crisis inertia and the production of capital goods increased by whopping 38.8% compared with 6.6% in the same month a year ago. Consumer goods also continued to show good strength and grew at 12% against 1.7%. Basic goods registered a growth of 7.5% against 2.0% while intermediate goods expanded at 21.7% against a contraction of 8.9% in the same month a year ago.

Indian government presented the Economic Survey for FY10 in the Parliament. The document while lauded the recovery in Indian economy over the last one year, it also highlighted the potential downside risks to recovery. Besides, the Survey also analysed various factors that have been hampering the growth of economy and laid down the contours of reforms that India needs to march on to and sustain the high growth trajectory of 9-10%. The Survey, as expected, called for massive reforms in various segments of the Indian economy in order to further push the growth potential. In the farm sector, it called for direct subsidy to farmers rather than through various industries like the fertiliser. In the food sector, the Survey called for food coupons for the below the poverty line population which may be used anywhere by the receivers. It also called for massive drive to attract private investment in the farm sector.

The railway budget was as populist railway budget has ever known to be, it nonetheless had a strong vision appeal. Mamta Banerjee proposed a total Rs 41,426 crore, the highest ever plan investment to provide efficient, customer focused and modern railway network. There will be no increase in the passenger fares of any class or category of trains. Freight tariffs will also remain unchanged for the next fiscal except Rs 100/wagon cut in freight on kerosene and food commodities. Overall, the budget seemed to have a good long run vision for development of Indian Railways despite all the populist measures rapping the package. There are huge opportunities for private sector, not just for the rail related segments but also for real estate and education industry.

The final day of February witnessed one of the historic day for the Indian markets, in the immediate previous trading session the markets remained steady despite the February F&O series expiry. It seemed the markets were keeping all their volatility for the budget session but the budget was more or less on the expected lines and the market that seemed already factored a rollback in excise duties was relieved with no major negatives except hike in partially rolling back the rate reduction in central excise duties and enhancement in the standard rate of MAT from 8 per cent to 10 per cent and levying an excise duty of Re 1 per liter on petrol and diesel everything appeared ok for all the industries. Finance minister has addressed the key issues of containing fiscal deficit and outlined a clear roadmap for the next three years. Pranab Mukherjee said that India's fiscal deficit would drop to 5.5 per cent next fiscal and to 4.8 per cent in the following year.

## Take-aways from Economic survey 2009-10

India's Union Finance Minister Pranab Mukherjee tabled in the Parliament on 25 February the Economic Survey for 2009-10. The Survey observed that the Indian economy had recovered strongly in last two quarters and medium-term prospects of Indian economy were fairly strong. However, it also mentioned some downside risks and cautioned on exit from stimulus policies.

The Survey said that while the food price inflation ranging around 17-18% was certainly unacceptable, but was arising to a large extent out of the supply side bottlenecks in some essential commodities. It also saw signs of high food prices, together with hardening of non-administered fuel prices, getting transmitted to other non-food items. This has created some concerns for higher than anticipated generalized inflation over the next few months. The Survey in this wake called for raising the growth rate of farm sector of the economy. Towards this end, the Survey urged the government to promote private investment in agriculture through giving various tax and other incentives.

The Survey lauded the exceptionally strong recovery in Indian economy and clearly sounds very upbeat on the prospects of medium term growth for India. The Survey notes with satisfaction that several factors that have emerged from the performance of the economy in the last 12 months like gross domestic savings as a percentage of GDP stands at 32.5% in 2008-09 while the gross domestic capital formation stands at 34.9%. These variables compare favourably with some of the fastest growing economies, and being inherently stable by nature, augur well for the medium term outlook of Indian economy.

### Following are the key highlights of the Survey:

- Economy likely to grow by 7.2% in FY10
- Strong momentum in non-farm sector, but growth in farm & allied sector to decline by 0.2% in 2009-10.
- Industry growth at 8.2%
- Gross fiscal deficit likely at 6.5 pc of GDP in 2009-10.
- More efforts needed to raise investment in core sector to 9%
- Recovery broad based but need to watch private investment in Q3-Q4 before giving a final verdict.

- By FY12, when the economy recovers fully, growth to exceed 9%.
- Growth in GFCF seen at 5.2% in FY20, up from 4%.
- 32.5% savings & 34.9% investment (of GDP in 2008-09) put India in league of world's fastest growing nations.
- Possible for India to emerge as the fastest growing economy in four years.
- Double-dip recession risk still there; may have direct implication for India.
- Exports may turn negative again as demand for imports increases.
- Recommends cap on Central Govt debt at 45% of GDP by 2014-15, for States it is under 25%.
- Recommends cap on consolidated govt debt at 68% of GDP by 2014-15.
- High food inflation in 2009-10 remain a major concern.
- Food inflation may spread in broader economy.
- Need to improve food production as farm income rises
- Policy innovations needed to ensure the 4% farm growth.
- Government to take measures to boost private investment in agriculture.
- Credit for farm sector investment by private sector may be subsidised.
- Favours direct food subsidy through food coupons to households and monthly ration coupons usable anywhere.
- India 10th largest gold holding nation at 557.7 tonnes.
- Domestic oil production to rise 11% in 2009-10.
- Refining capacity to rise to 240.96 mn tons by 2012.
- Reliance gas output to rise to 80 mmscmd by March.
- Gas output up 52.8% to 50.2 billion cubic meters with KG Basin gas.
- 3G spectrum auction to provide existing and foreign players to bring in new technology and innovations.

## Japan Q4 growth better than expected at 4.6%

Japan's economy grew at 1.1% in the December quarter of last year compared with the previous quarter, according to the provisional data released by the government on Monday as a rebound in exports helped alleviate fears of a "double-dip" recession. December quarter growth is the equivalent of an annualised increase of 4.6%. However, despite the growth in October to December period, the economy contracted by 5% over the whole calendar year 2009.

The higher than expected growth also helped Japan keep its tag of second largest economy in world for another year although China, which grew a blistering 8.7% last year, came very close to unseating its neighbour from the position it has held for more than 40 years. In all likelihood, by the end of 2010, China will become the second largest economy in world.

However, the Japanese economy remains heavily dependent on external demand, with net exports accounting for 0.5 percentage points of fourth-quarter GDP expansion. Further, in an embarrassing show of reliability of GDP numbers, the third quarter of 2009 GDP was downgraded for a second time. Seasonally-adjusted growth for July through September 2009 had initially been estimated at 1.2%, but was revised in December to just 0.3%. After the latest revision, the government said there had been no growth at all.

There were a number of positives though in the latest data released by the government. It showed that Capital spending has turned positive, household consumption was getting stronger and exports continue to rise. Overall, it showed a picture of an economy which is doing fairly well in its early stage of recovery.

However, the government is unlikely to take much comfort in the GDP growth as most economists expect growth to slowdown further going forward as an aging population, falling wages and a large gap between supply and demand push prices down. In fact, in the medium run, Japan will face difficult fiscal questions as population of working class declines against rising number of people in government support.

## Improved industrial output growth and Fed's hike in discount rate

In a major relief to the concerns regarding the US economic recovery, industrial production has grown at a more-than-expected rate in January. According to the Federal Reserve, the 0.9% increase in production at factories, mines and utilities followed a 0.7% gain in the prior month.

These reports propelled stocks in the US. Growing overseas demand and efforts to replenish inventories in the US will keep spurring production and may generate the jobs needed to boost consumer spending. Economists have expressed optimism that capital spending is picking up gradually on the back of strong foreign demand growth, particularly from the Asian region. This underlines the depth of recovery in the US economy.

As per the data released by the Commerce Department, construction of single-family houses rose 1.5%, while work on multi-family homes such as town houses and apartment buildings surged 9.2%.

Part of the January increase may have reflected by warmer weather, compared with the monthly average and colder-than-average temperatures in December. According to the National Climatic Data Centre in Asheville, the previous month was the 14th coldest December and the 11th wettest in 115 years of record-keeping.

On the same time the Federal Reserve Board decided to hike the discount rate by 25 basis points (bps) to 0.75% with effect from Friday, February 19. Discount rate is the rate at which the US Fed lends directly to commercial banks. It was the first increase in the discount rate since June 2006. The Fed has taken this move in view of continuous improvement in financial market conditions. Such a move from the US central bank was expected but analysts have been taken aback by the timing of the decision. However, the Fed has left its benchmark federal funds rate unchanged at the current near-zero level.

Federal Reserve Chairman Ben Bernanke had indicated earlier this month that the central bank was considering a monetary policy move, as Wall Street recovered from a near collapse that began in September 2008. With the rate hike, the Fed has sent its most explicit signal yet that the emergency supply of liquidity to financial markets is

done and the most aggressive monetary policy easing in its 96-year history will have to eventually reverse. The Fed expects the discount rate increase will encourage banks to borrow in private markets rather than from the apex bank.

Federal Reserve has portrayed the decision as a "normalization" of lending and reiterated that its benchmark federal funds rate would stay low for an extended period. Tracking the Fed's announcement, the American greenback gained strength vis-à-vis other major global currencies and US stock futures fell after the announcement.

Economists have opined that the discount rate historically has always been used as a psychological tool for signalling the future course of monetary policy. By hiking the discount rates, Fed has signaled that in the future rates are more likely to go up, rather than stay stable or go down.

### World trade most sluggish in 2009 since World War II

World trade witnessed its most severe contraction last year since World War II. Director General of World Trade Organisation (WTO), Pascal Lamy has opined that world trade has been one of the worst hit due to the global economic slowdown. Global trade dropped by 12% during 2009 and its recovery in 2010 is likely to be mediocre. In this backdrop, Lamy has called for conclusion of all pending international free trade talks in 2010.

The Doha Round of trade negotiations that began in 2001 with a focus on dismantling obstacles to trade for poor nations has been dogged by stubborn disagreements. These include how much the US and the European Union should reduce farm aid and the extent to which developing countries such as India and China should lower tariffs. Negotiating countries have repeatedly missed deadlines for concluding all trade talks.

The WTO chief has blamed the lack of demand across the countries, which caused such a huge downfall in world trade. Moreover, drying up of trade financing and rising tariffs or national subsidies also played their part for the lacklustre global trade.

Amidst concerns of jobless growth in the developed economies, Lamy reiterated that the huge unemployment scenario has made it tough for the sustainability of the recovery path. As per International Labour Organisation

(ILO) statistics, total unemployment stands at 200 million worldwide including the 20 million people who have lost their jobs since the crisis began on Wall Street.

Opening up of international markets will be one of crucial factors in keeping up the recovery of the world trade. Lamy asserted that the BRIC (Brazil, Russia, India and China) countries make up a quarter of developing economies and consequently they hold the key to conclusion of a deal that would cut agriculture subsidies and tariffs on individual goods.

### UK exits recession with strong Q4 GDP growth

UK put an end to the recession by registering a better-than-expected positive GDP (Gross Domestic Product) growth during the last quarter of the previous year. GDP rose 0.3% from the third-quarter. This higher rate of economic expansion has been possible due to the surge in services output. The improved economic health of the country is likely to help the prospects of Prime Minister Gordon Brown, who is facing general election within weeks.

As per the latest release of the National Statistics in London, the surge in GDP growth came as services growth was revised to 0.5%, the biggest gain since the first quarter of 2008, from a previous estimate of 0.1%. Industrial production growth was revised to 0.4% from 0.1%, with manufacturing rising 0.8% instead of 0.4% during the reporting period.

The better-than expected GDP growth during the fourth quarter of 2009 should alleviate some of the apprehensions that descended on markets about UK's economic prospects. The continuous negative growth had prompted economists to caution about a double-dip recession in the UK economy. Policy makers in the UK expect the growth momentum to build up steadily during 2010.

During the fourth-quarter of 2009, consumer spending rose 0.4%, the biggest gain since the first quarter of 2008. Moreover, government spending increased by 1.2%. On the flip side, fixed capital investment fell 3.1% during the quarter in review.

Chancellor of the Exchequer Alistair Darling has pledged to delay cutting the deficit until 2011, saying conservative plans to start this year may wreck the recovery. UK's budget deficit is at more than 12% of GDP, on a par with that of Greece.

## FM begins fiscal consolidation, balances growth-deficit objectives

India's union finance minister Pranab Mukherjee presented the Budget for FY11 in Parliament on February 26. Set in the backdrop of a rapidly improving economy, soaring fiscal deficit and surging inflation, the FM did an exceptionally good job in balancing the concerns of various quarters.

The Budget started the process of fiscal consolidation by initiating restoration of the tax cuts that were announced following the events of September 2008. Excise duty on non-petro products has been across the board increased by 2%. The levy was cut by 6% following the global economic slowdown. The exit hence is only partial in nature. Also, the services tax has been left at the post crisis level of 10%.

The finance minister accepted in his budget speech that there was need to boost the economic growth and reach to a level of 9-10% in the coming years. Towards this direction, the FM started the process of balancing the tax structure to promote incentive on the part of working community. The minister assured that the ambitious taxation reforms, that is the goods and services tax (GST) and the direct tax code (DTC) will be implemented by the next fiscal.

## Economic Survey calls for raising infra investment

The Economic Survey for FY10, presented by finance minister Pranab Mukherjee on February 25, has called for raising the pace of investment in the infrastructure sector. Pointing out the huge shortfall in basic infrastructure, the Survey said there was a need to channelize more of the savings for development of core sectors on a large scale.

According to Planning Commission estimates, the rate of investment in the infrastructure sector as a proportion of GDP has increased to 6% in 2007-08 compared to 4.5% in 2003-04. However, it is still below the targeted pace and the trend growth rate of the Indian economy. The Survey in this wake called for removing administrative hurdles, particularly streamlining the process of land acquisition and related issues and addressing the issue of shortage of raw material to improve pace of infra projects.

## Rail budget lines up massive opportunities for private sector

As expected, Union railway minister Mamata Banerjee has lined up massive opportunities for the private sector in the Rail Budget for FY11. Stressing on the drive to upgrade rail infrastructure, she said the pace of development and growth in the railways has to match the growth in the broader economy.

A number of new initiatives taken by the Indian Railway will lead to increase in demand for the private sector. The railways has targeted 1000 km of track laying over the next fiscal and also hopes to add 25,000 km of new tracks by 2020. The move will generate added demand for the major infrastructure companies including steel makers.

## Government imposes anti-dumping duty on Chinese tyres

In a move that will boost the domestic tyre industry but will increase problems of auto majors, the finance ministry has imposed an anti-dumping duty on truck and bus radial tyres imported from China and Thailand.

There has been a tussle going on between the tyre makers and auto players over the timely supply and prices. Since the auto industry has seen an exceptional surge in demand, production too has gone up sharply, which has also put pressure on suppliers. Auto makers in this wake have been resorting to large imports from China and Thailand. However, local tyre makers have been saying that this will hamper the long term development of domestic industry and had urged the government for a protective duty.

## Edible oil imports likely to remain high

India's edible oil imports are set to rise further in the current year after posting a substantial hike last year. A number of factors including the reduced kharif crop in wake of poor monsoon last season, lower domestic crushing, appreciation of the Indian rupee making imports cheaper and weaker import duty regime will keep total imports higher, according to the industry.

Total vegetable oil imports, including edible, non-edible and vanaspati in Oil Year (OY) 2008-09 (November-October) touched an all-time high of 86.6 lakh tonne, up 37% from 63.1 lakh tonne in the previous year. As per the data compiled by the Solvent Extractors' Association of India (SEA), in value terms, total imports rose to Rs 28,000 crore in 2008-09 from around Rs 25,000 crore in the year ago period.

## Government clears NBS for fertilisers, signals overhaul of subsidy regime

The Union Cabinet has cleared the proposal to implement nutrient based subsidy (NBS) in the fertiliser sector, thereby altering completely the nature of fertilizer subsidy regime in the country. The move will unshackle the fertilizer industry to a large extent and will also help bring more rationality in fertiliser prices.

The decision came despite initial concerns expressed by a number of ministers including the minister in charge of the fertiliser department who had urged the government to ensure that fertiliser prices do not increase after deregulation of the sector.

## NHAI tightens sub-contracting norms

The National Highway Authority of India (NHAI), the apex body responsible for the development of roads and highways, has tightened the norms that a builder needs to follow before he can sub-contract the road project work to an outside service provider.

The new norms are aimed at ensuring the final contractor who actually performs the work on the ground has enough experience of doing the job. The NHAI has in this wake

mandated that all sub-contractors that are employed by the primary concessionaire in projects awarded by the road ministry must have the experience of completing at least one project of similar kind that is being given to them.

### Cap on number of bidders for PPP port projects scrapped

In a move that will help speed up implementation of port projects and also boost the infrastructure industry, the government has removed cap on the number of players who can submit financial bids for port expansion projects being implemented under the public-private partnership (PPP) mode.

As per the existing regime, only five players are allowed to bid for a project. In case more than five players are technically qualified, the list is scrutinised to select the best possible five players. However, this has resulted in a lot of litigation due to considerable scope for judgmental evaluation.

### ADB will provide \$200 million for Assam power projects

In a major boost to the Indian power sector, Asian Development Bank (ADB) has decided to provide \$200 million to India for financing power projects in Assam. The regional multilateral lending agency said that it would provide \$200 million in three tranches of \$60.3 million, \$89.7 million and \$50 million. 90% of the amount will be provided as grant while the rest 10% would be extended as loan to the Assam government.

The scheduled MFF from ADB is in line with the government's mission of 'Power for All by 2012' -- to provide electricity to all households at an affordable price by 2012 as per Electricity Act, 2003.

### RBI gives sops to infrastructure financiers

In a move that will increase the fund flow to the infrastructure sector, the Reserve Bank of India (RBI) has issued a notification introducing a new category of Non-Banking Finance Companies (NBFCs) as "Infrastructure Finance Companies (IFCs)". The NBFCs have been asking for the classification for long.

Currently, the RBI classifies NBFCs under three categories -- asset finance companies, loan companies and investment companies. It has now been decided to introduce a fourth category of NBFCs as infrastructure finance companies (IFCs), the RBI said. To be categorised as an IFC the NBFC should have a net worth of about Rs 300 crore, capital adequacy ratio of 15% and a minimum credit rating of 'A' or equivalent from accredited rating agencies.

### Government raises the ceiling of FDI approvable by finance ministry

The Cabinet Committee on Economic Affairs (CCEA) has approved the proposal of the Department of Industrial Policy & Promotion (DIPP) to hike the ceiling of foreign direct investment (FDI), which can be cleared by the finance

ministry itself upon approval from the Foreign Investment Promotion Board (FIPB), rather than sending the proposal to the CCEA.

Currently, the recommendations of the FIPB on proposals with total project cost up to Rs.600 crore are approved by the finance minister and proposals involving total project cost more than Rs.600 crore are put up to the CCEA. Further, presently the total project cost, including the foreign equity inflow, is taken into consideration in deciding whether the proposal is to be put up for consideration of CCEA.

### TRAI begins deliberations on 4G

The Telecom Regulatory Authority of India (TRAI) has started deliberations for the next level of telecom services called fourth generation (4G) even as the auction of third generation (3G) radio spectrum continues to face delays and the government failing to announce a clear cut date for it.

The telecom sector regulator said that deliberations for the 4G technology have been started to ensure that it does not face delays like what has been witnessed in case of the 3G. The 4G applications allow much faster download speeds and make it possible to run high definition audio-video online along with providing a seamless connectivity across the mediums.

### Government tightens sugar stock limit for bulk users

The government has tightened the sugar stockholding limit for bulk consumer in wake of prices of the sweetener remaining at record high levels. India is the world's largest sugar consumer and the high international as well as domestic prices can be traced to a large extent in huge demand-supply gap in last two years in the country.

To help increase supply to retail consumers and hence soften prices, the government has curtailed the sugar stock limit for bulk users to 10 days from 15 days prevailing currently. The move, effective from 20 February, for a period of 180 days, will discourage bulk consumers from holding on to huge stocks for longer periods and also encourage them to import more sugar for meeting their requirements, said the ministry of consumer affairs in a statement.

### RBI scraps BPLR with base rate

In a move aimed at improving the transparency and bringing more uniformity in how banks price their loans, the Reserve Bank of India (RBI) has proposed a new base rate system that will replace the existing benchmark prime lending rate (BPLR) system. The RBI has released a draft notice on this regard on prevailing benchmark prime lending rate (BPLR) system and the change is proposed to take effect from beginning of next fiscal.

The draft guidelines also propose to deregulate all lending rates. At present, all small loans up to Rs 2 lakh given to agriculture and small industries and export loans are capped at banks' BPLR. The RBI will accept comments from bankers and public on the proposal till February 17 and will be issuing final guidelines thereafter.

Company Name	Year End	Price (Rs.) (02/03)	Yield (%)	EPS (Rs.)	FV	PE	TTM				52-Wk High (Rs.)	52-Wk Low (Rs.)
							Year End	NP Rs. ml	EPS (Rs.)	PE		
Varun Shipping Company Ltd.	200903	50.45	9.88	8.19	10	6.16	200912	196.04	1.31	38.72	70.40	38.25
EID-Parry (India) Ltd.	200903	339.85	5.83	80.37	2	4.23	200912	1942.30	22.50	15.23	419.00	125.00
SRF Ltd.	200903	180.50	5.66	26.91	10	6.71	200912	2199.41	36.35	5.01	224.55	69.75
Aftek Ltd.	200903	16.85	0.00	12.48	2	1.35	200912	1402.87	15.00	1.15	24.70	5.99
Karnataka Bank Ltd.	200903	117.15	5.01	21.93	10	5.34	200912	1761.65	13.15	9.11	174.35	55.15
Indian Overseas Bank Ltd	200903	91.30	4.84	24.34	10	3.75	200912	9018.86	16.55	5.62	141.00	37.55
Shipping Corpn. Of India Ltd.	200903	145.70	4.38	22.21	10	6.56	200912	4418.20	10.43	14.23	181.90	70.00
Sujana Towers Ltd.	200809	51.50	0.00	9.65	5	5.34	200912	337.91	4.09	12.64	60.90	7.75
Graphite India Ltd.	200903	82.90	3.57	12.81	2	6.47	200912	2598.09	15.14	5.55	94.90	20.55
Syndicate Bank Ltd	200903	85.35	3.43	17.49	10	4.88	200912	8517.53	16.32	5.35	105.40	37.65
Orient Paper & Inds. Ltd.	200903	46.10	3.23	10.37	1	4.44	200912	1586.70	8.23	5.64	61.25	19.10
Alok Industries Ltd.	200903	23.60	3.12	9.56	10	2.47	200912	2105.50	3.48	6.92	29.50	11.33
Indian Bank Ltd	200903	165.50	2.98	28.98	10	5.71	200912	15391.02	35.81	4.69	195.70	63.75
Bank Of Maharashtra Ltd	200903	50.40	2.91	8.71	10	5.78	200912	4378.38	10.17	5.06	58.00	18.90
Great Eastern Shipping Co.	200903	273.20	2.87	90.27	10	3.03	200912	5382.70	35.35	7.88	327.50	142.60
Man Industries (India) Ltd.	200903	54.00	2.73	8.90	5	6.07	200912	562.67	10.56	5.19	60.90	21.50
Gujarat Fluorochemicals Ltd.	200903	145.85	2.37	30.96	1	4.71	200912	2533.76	23.07	6.40	189.40	51.00
Gujarat State Fert.& Chem.	200903	193.55	2.30	62.57	10	3.09	200912	3160.74	39.66	4.94	255.00	72.05
Bank Of India Ltd	200903	343.80	2.29	57.14	10	6.02	200912	21235.26	40.43	8.63	474.70	179.60
Gujarat Alkalies & Chemicals	200903	133.50	2.23	26.18	10	5.10	200912	1077.93	14.68	9.18	160.00	53.50
Nava Bharat Ventures Ltd.	200903	360.20	2.19	58.23	2	6.19	200912	4971.87	65.44	5.57	462.40	106.50
KLG Systel Ltd.	200903	129.50	2.05	26.37	10	4.91	200912	235.65	18.55	7.24	310.25	47.40
3I Infotech Ltd.	200903	74.80	1.93	14.12	10	5.30	200912	1535.40	9.10	8.56	103.00	25.00
Ratnamani Metals & Tubes	200903	98.55	1.79	15.82	2	6.23	200912	726.12	15.80	6.36	121.40	32.00
Kolte Patil Developers Ltd	200903	56.20	1.72	9.38	10	5.99	200912	234.35	3.10	18.68	76.00	18.50
UCO Bank Ltd	200903	58.05	1.71	10.15	10	5.72	200912	7500.46	13.65	4.28	64.75	22.10
IFCI Ltd.	200903	52.20	1.50	8.60	10	6.07	200912	5701.50	7.73	6.90	61.15	15.80
Kesoram Industries Ltd.	200903	367.75	1.48	83.83	10	4.39	200912	3745.79	81.89	4.54	409.00	102.70
Dena Bank Ltd	200903	83.35	1.42	14.74	10	5.66	200912	4853.52	16.92	5.00	93.00	27.10
Geodesic Ltd.	200903	127.95	1.23	20.76	2	6.16	200912	1653.10	17.92	7.25	158.65	44.65
Bharati Shipyards Ltd.	200903	279.30	1.06	48.36	10	5.78	200912	1415.42	51.34	5.49	352.80	44.55
Tanla Solutions Ltd.	200903	47.65	1.03	7.33	1	6.50	200912	22.10	0.22	219.50	87.50	21.20
Cranes Software Intl. Ltd.	200903	18.85	1.02	9.80	2	1.92	200912	134.47	1.14	17.12	64.90	18.00
ICSA (India) Ltd.	200903	135.50	1.01	33.69	2	4.02	200912	1266.43	26.88	5.15	229.90	48.35
Jindal Steel & Power Ltd.	200903	652.10	0.81	99.32	1	6.57	200912	12897.00	13.85	48.84	778.00	162.03
Genus Power Infrastructures	200903	152.15	0.65	32.88	10	4.63	200912	431.32	29.16	5.30	281.85	59.00
Reliance Communications	200903	159.65	0.50	23.27	5	6.86	200912	38039.20	18.43	8.74	359.00	131.35
Videocon Industries Ltd.	200809	225.55	0.44	37.26	10	6.05	200912	4719.00	20.41	11.24	269.50	82.00
Lakshmi Energy & Foods Ltd.	200809	131.50	0.37	25.12	2	5.24	200912	977.65	15.47	8.82	175.00	61.55
Mascon Global Ltd.	200903	4.05	0.00	0.67	10	6.06	200912	-385.41	-1.04	0.00	7.06	3.00
Heidelberg Cement India Ltd	200812	46.05	0.00	7.89	10	5.84	200912	1340.40	5.91	7.89	51.90	14.10

Company Name	Net Sales		Change In Sales	% Change in Sales	Net Profit		Change In Net Profit	% Change in Net Profit
	200912 Qtr	200812 Qtr			200912	200812		
Orbit Corporation	1496.08	82.56	1413.52	1712.11	325.49	-59.22	384.71	-
Ennore Coke	1240.47	129.54	1110.93	857.60	16.02	-0.16	16.18	-
KIC Metalik	699.04	87.20	611.84	701.65	37.23	-88.40	125.63	-
Brahmaputra Infra	586.41	74.42	511.99	687.97	40.95	2.82	38.13	1352.13
Thiru Arooran Sugars	3068.10	414.15	2653.95	640.82	331.89	-64.32	396.21	-
Tips Inds.	496.54	74.28	422.26	568.47	69.79	7.47	62.32	834.27
Ausom Enterprises	416.00	67.01	348.99	520.80	0.76	-14.98	15.74	-
Surana Corporation	13573.50	2209.42	11364.10	514.35	147.78	32.12	115.66	360.09
Impex Ferro Tech	1647.00	293.30	1353.70	461.54	20.50	-68.70	89.20	-
Vertex Spinning	349.87	66.96	282.91	422.51	0.15	-21.11	21.26	-
Baba Arts	1058.24	208.71	849.53	407.04	29.14	5.25	23.89	455.05
Horizon Infra	452.21	90.03	362.18	402.29	6.96	4.22	2.74	64.93
Gang.Iron	480.33	102.75	377.58	367.47	3.94	1.77	2.17	122.60
Pujjab Comm.	298.92	64.74	234.18	361.72	0.45	1.93	-1.48	-76.68
EID Parry	3553.00	774.20	2778.80	358.93	340.50	-164.50	505.00	-
Dharan Sugars & Chem	2471.86	543.72	1928.14	354.62	187.40	20.96	166.44	794.08
Poona Dal & Oil	3006.22	675.28	2330.94	345.18	19.19	3.66	15.53	424.32
Ackruti City	2084.10	473.70	1610.40	339.96	786.00	190.80	595.20	311.95
Swaraj Mazda	1885.00	429.00	1456.00	339.39	59.00	-105.00	164.00	-
Computer Point	355.52	81.02	274.50	338.81	10.22	0.45	9.77	2171.11
Gamm.Infra	324.67	76.00	248.67	327.20	24.18	36.11	-11.93	-33.04
Cronimet Alloys	259.21	62.19	197.02	316.80	29.78	-122.26	152.04	-
Syncom Formulations	296.50	71.72	224.78	313.41	19.18	-2.22	21.40	-
Nitin Fire Protectn	387.52	94.14	293.38	311.64	53.00	55.54	-2.54	-4.57
Richa industries	1401.87	346.29	1055.58	304.83	100.61	10.50	90.11	858.19
ITL Industries	217.35	54.24	163.11	300.72	18.86	2.41	16.45	682.57
Vikas Granaries	302.47	76.07	226.40	297.62	66.39	6.47	59.92	926.12
Kothari Products	1050.60	275.50	775.10	281.34	161.50	4.00	157.50	3937.50
Shree Renuka Sugar	12530.00	3383.00	9147.00	270.38	1947.00	101.00	1846.00	1827.72
ITI	11536.80	3163.80	8373.00	264.65	-531.50	-1323.10	791.60	-
LML	587.55	177.48	410.07	231.05	-82.61	-300.85	218.24	-
India Foils	324.34	98.60	225.74	228.95	-0.81	-93.80	92.99	-
Linkson Intl.	352.44	107.91	244.53	226.61	13.47	1.00	12.47	1247.00
Unitech	6428.80	2038.10	4390.70	215.43	1319.40	195.00	1124.40	576.62
SREI Infra Fin	1271.90	405.60	866.30	213.59	285.00	23.50	261.50	1112.77
Camson Bio Tech Ltd	216.79	69.75	147.04	210.81	48.13	10.48	37.65	359.26
Emmsons Intl	2076.93	669.38	1407.55	210.28	43.35	3.52	39.83	1131.53
Kanani Industries	229.75	74.41	155.34	208.76	20.70	7.42	13.28	178.98
Shilchar Tech	221.57	73.92	147.65	199.74	3.05	-7.41	10.46	-
Salzer Electronics	510.87	170.85	340.02	199.02	17.13	10.99	6.14	55.87
Manappuram Gen Fin	1319.53	443.25	876.28	197.69	349.90	87.47	262.43	300.02
Lohia Securities	210.15	71.32	138.83	194.66	-18.00	-27.88	9.88	-
Artson Engg	281.31	95.59	185.72	194.29	11.41	-15.71	27.12	-
Shristi InfraDev Cor	282.41	97.28	185.13	190.31	2.29	9.00	-6.71	-
Hind Oil Exploration	326.43	117.41	209.02	178.03	103.55	100.64	2.91	2.89
Auto.Axle	1363.01	497.45	865.56	174.00	64.43	0.69	63.74	9237.68
Thirumalai Chemicals	1624.10	601.30	1022.80	170.10	42.80	-591.10	633.90	-
Vanasthali Textile	339.63	126.79	212.84	167.87	16.46	-79.03	95.49	-
UTV Software	1602.24	599.70	1002.54	167.17	401.96	76.67	325.29	424.27
Shiva Texyarn	519.98	195.35	324.63	166.18	11.09	4.93	6.16	124.95

Company Name	Year End	Price (02/03) Rs.	EPS	FV	PE
MMTC Ltd.	200903	33678.25	28.04	10	1200.93
Cairn India Ltd.	200903	270.40	0.29	10	945.52
Golden Tobacco Ltd.	200903	127.90	0.14	10	899.11
BF Utilities Ltd.	200809	968.00	1.23	5	788.05
Lok Housing & Constructions Ltd.	200903	40.70	0.10	10	402.52
Marksans Pharma Ltd.	200903	5.03	0.01	1	373.85
JM Financial Ltd.	200903	38.70	0.11	1	364.23
Entertainment Network (India) Ltd.	200903	211.30	0.61	10	345.87
GVK Power & Infrastructure Ltd.	200903	44.30	0.15	1	296.63
Kalyani Steels Ltd.	200903	209.30	0.76	10	276.39
Godrej Industries Ltd.	200903	153.65	0.58	1	263.04
Max India Ltd.	200903	199.75	0.98	2	203.12
Strides Arcolab Ltd.	200812	310.00	1.53	10	202.37
Radico Khaitan Ltd.	200903	114.45	0.64	2	179.41
Aptech Ltd.	200812	174.55	1.02	10	170.91
Karuturi Global Ltd	200903	18.90	0.11	1	169.46
KEI Industries Ltd.	200903	31.70	0.20	2	154.93
Jai Corp Ltd.	200903	242.85	1.58	1	153.44
IRB Infrastructure Developers Ltd	200903	258.35	1.73	10	149.71
Reliance Natural Resources Ltd.	200903	63.35	0.43	5	148.07
Nirlon Ltd.	200903	72.60	0.50	10	145.42
Reliance Power Ltd	200903	140.50	1.04	10	135.29
Bajaj Finserv Ltd	200903	345.75	2.86	5	120.95
Edelweiss Capital Ltd	200903	423.00	3.52	5	120.20
IVR Prime Urban Developers Ltd.	200903	160.80	1.34	10	120.14
Future Capital Holdings Ltd	200903	168.20	1.47	10	114.79
Kotak Mahindra Bank Ltd.	200903	748.90	7.99	10	93.76
Alembic Ltd.	200903	46.10	0.53	2	87.65
Advanta India Ltd.	200812	504.30	5.85	10	86.20
Firstsource Solutions Ltd.	200903	28.30	0.35	10	80.22
Mindtree Ltd	200903	549.00	7.90	10	69.52
United Breweries Ltd.	200903	178.95	2.60	1	68.74
Motherson Sumi Systems Ltd.	200903	131.10	1.96	1	67.03
Assam Company India Ltd.	200812	21.50	0.33	1	65.33
Sundram Fasteners Ltd.	200903	53.30	0.83	1	64.34
UTV Software Communications Ltd.	200903	475.75	7.55	10	63.01
Mundra Port & Special Economic Zone Ltd	200903	687.40	11.51	10	59.73
Trent Ltd.	200903	818.15	13.70	10	59.73
Arshiya International Ltd.	200903	186.00	3.15	2	59.12
TVS Motor Company Ltd.	200903	77.05	1.31	1	58.88
Aditya Birla Nuvo Ltd.	200903	841.85	14.46	10	58.20

EPS Earning Per Shares is calculated as Net Profit / Number of Equity Shares (Rs)

FV Latest Face values of equity Shares (Rs)

PE Market Price / Trailing Twelve Months Earning Per Shares

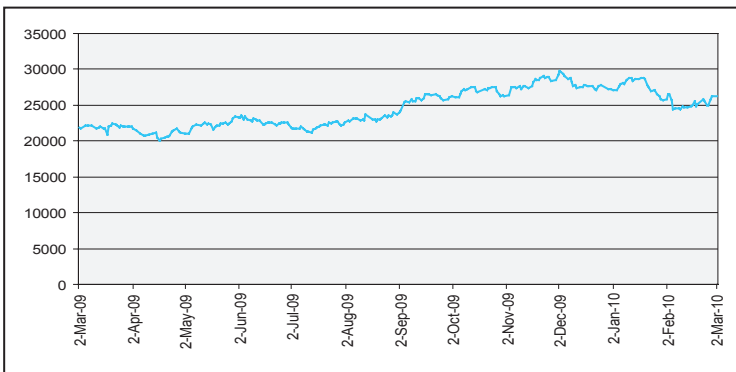
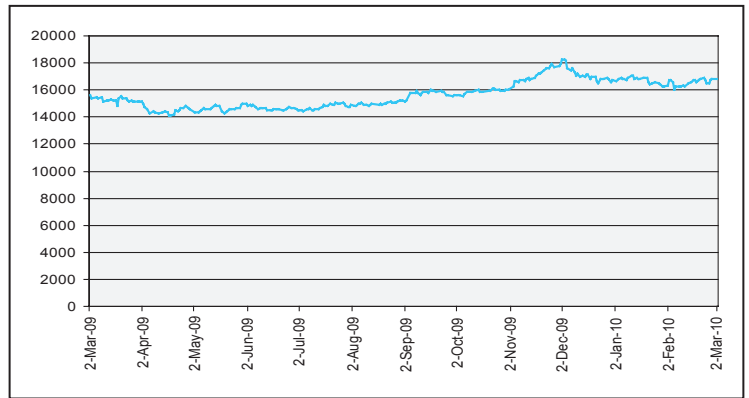
Company Name	Year End	Price (02/03) Rs.	EPS	FV	PE
Aftek Ltd.	200903	16.85	12.48	2	1.35
Cranes Software Intl. Ltd.	200903	18.85	9.80	2	1.92
Alok Industries Ltd.	200903	23.60	9.56	10	2.47
Prithvi Information Solutions Ltd.	200903	61.80	24.78	10	2.49
Great Eastern Shipping Company Ltd.	200903	273.20	90.27	10	3.03
Gujarat State Fertilizers & Chemicals Ltd.	200903	193.55	62.57	10	3.09
Indian Overseas Bank Ltd	200903	91.30	24.34	10	3.75
ICSA (India) Ltd.	200903	135.50	33.69	2	4.02
EID-Parry (India) Ltd.	200903	339.85	80.37	2	4.23
Kesoram Industries Ltd.	200903	367.75	83.83	10	4.39
Orient Paper & Inds. Ltd.	200903	46.10	10.37	1	4.44
Genus Power Infrastructures Ltd.	200903	152.15	32.88	10	4.63
Gujarat Fluorochemicals Ltd.	200903	145.85	30.96	1	4.71
Syndicate Bank Ltd	200903	85.35	17.49	10	4.88
KLG Systel Ltd.	200903	129.50	26.37	10	4.91
Gujarat Alkalies & Chemicals Ltd.	200903	133.50	26.18	10	5.10
Lakshmi Energy & Foods Ltd.	200809	131.50	25.12	2	5.24
3I Infotech Ltd.	200903	74.80	14.12	10	5.30
Sujana Towers Ltd.	200809	51.50	9.65	5	5.34
Karnataka Bank Ltd.	200903	117.15	21.93	10	5.34
Tamil Nadu Newsprint & Papers Ltd.	200903	83.85	15.52	10	5.40
Dena Bank Ltd	200903	83.35	14.74	10	5.66
Indian Bank Ltd	200903	165.50	28.98	10	5.71
UCO Bank Ltd	200903	58.05	10.15	10	5.72
Bharati Shipyard Ltd.	200903	279.30	48.36	10	5.78
Bank Of Maharashtra Ltd	200903	50.40	8.71	10	5.78
Heidelberg Cement India Ltd	200812	46.05	7.89	10	5.84
Kolte Patil Developers Ltd	200903	56.20	9.38	10	5.99
Bank Of India Ltd	200903	343.80	57.14	10	6.02
Videocon Industries Ltd.	200809	225.55	37.26	10	6.05
Mascon Global Ltd.	200903	4.05	0.67	10	6.06
IFCI Ltd.	200903	52.20	8.60	10	6.07
Man Industries (India) Ltd.	200903	54.00	8.90	5	6.07
Varun Shipping Company Ltd.	200903	50.45	8.19	10	6.16
Geodesic Ltd.	200903	127.95	20.76	2	6.16
Nava Bharat Ventures Ltd.	200903	360.20	58.23	2	6.19
Jindal Steel & Power Ltd.	200903	652.10	99.32	1	6.57
Ratnamani Metals & Tubes Ltd.	200903	98.55	15.82	2	6.23
Graphite India Ltd.	200903	82.90	12.81	2	6.47
Tanla Solutions Ltd.	200903	47.65	7.33	1	6.50
Shipping Corpn. Of India Ltd.	200903	145.70	22.21	10	6.56

EPS Earning Per Shares is calculated as Net Profit / Number of Equity Shares (Rs)

FV Latest Face values of equity Shares (Rs)

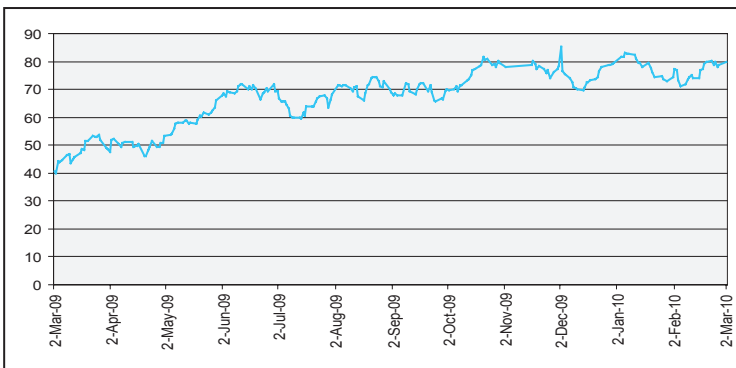
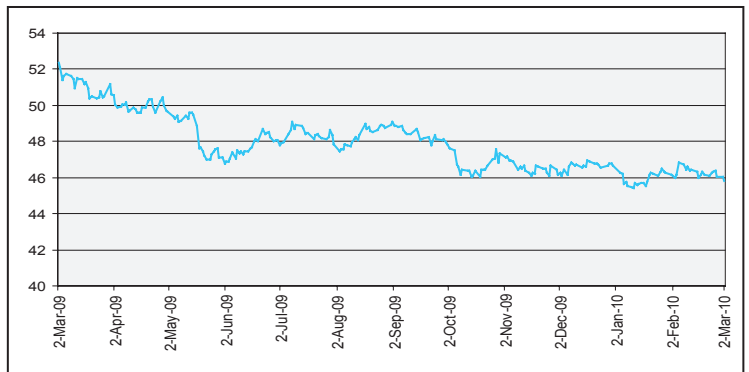
PE Market Price / Trailing Twelve Months Earning Per Shares

Date	Price Rs.
2-Mar-10	16841.65
2-Feb-10	16722.50
2-Jan-10	16677.00
2-Dec-09	18259.55
3-Nov-09	16250.00
3-Oct-09	15645.00
2-Sep-09	15250.00
3-Aug-09	14852.50
2-Jul-09	14496.25
2-Jun-09	14852.50
2-May-09	14350.00
2-Apr-09	14959.10
2-Mar-09	15655.00



Date	Price Rs.
2-Mar-10	26187.20
2-Feb-10	26490.00
2-Jan-10	27050.00
2-Dec-09	29800.00
3-Nov-09	26400.00
3-Oct-09	26050.00
2-Sep-09	24261.50
3-Aug-09	22850.75
2-Jul-09	21681.00
2-Jun-09	23250.00
2-May-09	20988.00
2-Apr-09	21700.00
2-Mar-09	21900.00

Date	Price Rs
2-Mar-10	45.82
2-Feb-10	46.07
4-Jan-10	46.29
2-Dec-09	46.28
2-Nov-09	47.09
2-Oct-09	47.62
2-Sep-09	48.86
3-Aug-09	47.43
2-Jul-09	47.93
2-Jun-09	46.90
1-May-09	49.68
2-Apr-09	50.03
2-Mar-09	52.35



Date	Price \$
2-Mar-10	79.68
2-Feb-10	77.23
4-Jan-10	81.51
2-Dec-09	85.44
2-Nov-09	78.04
2-Oct-09	69.58
2-Sep-09	67.78
3-Aug-09	71.65
2-Jul-09	66.87
2-Jun-09	68.41
4-May-09	53.71
2-Apr-09	51.92
2-Mar-09	40.70

**ICICI Pru Tax Plan (G)**

ICICI Prudential Tax Plan (Growth) is an ICICI Prudential Asset Management Company managed open-ended, Equity - ELSS scheme.

The fund was launched on August 19, 1999 and its current net asset as on January 31, 2010 was Rs 1050.59 crore.

The benchmark index of the fund is S&P CNX Nifty and the custodian of the fund is HDFC Bank Limited.

The current net asset value (NAV) of the fund as on March 2, 2010 was Rs 122.27; while the 52 week high NAV was Rs 125.46 on January 18, 2010 and the 52 week low NAV for the scheme was Rs 48.36 on March 9, 2009.

The minimum investment to the fund is Rs 500 and additional investments can be made in multiples of Rs 500.

The investment objective of the fund is to generate long-term capital appreciation by investing approximately 90 per cent of the investments in equity instruments, while the balance 10 per cent would be a parked in debt and money market instrument and cash (Including-money at call)

The top five holdings of the fund are:

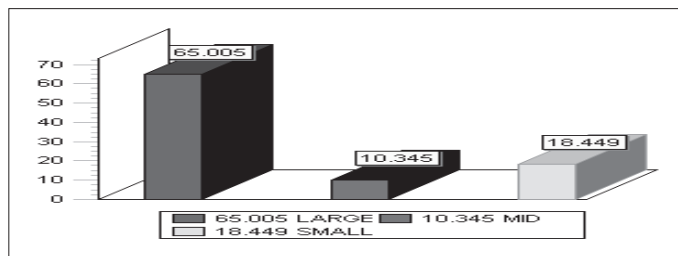
Company	Infosys	Cadila Health-care	Bharti Airtel	RIL	Zuari Inds.
% Holding	7.22	5.83	5.36	4.58	4.53

Industry wise the fund has the maximum contribution of 13.35% from the Banking followed by Consumer non Durables with contribution of 7.46% and has contribution of 6.69% from the Media & Entertainment and 6.45% from Software.

As far as market capitalization-wise companies are concerned, the scheme's portfolio consists of 65% from Large-cap, 10.35% from Mid-cap and 18.45% from Small-cap companies.

The fund has given a return of 26.57% since inception and a return of 141.45% in last one year, while the category average in the same period has been 24.42% and 96.35% respectively.

As on January 31, 2009 the major companies included in

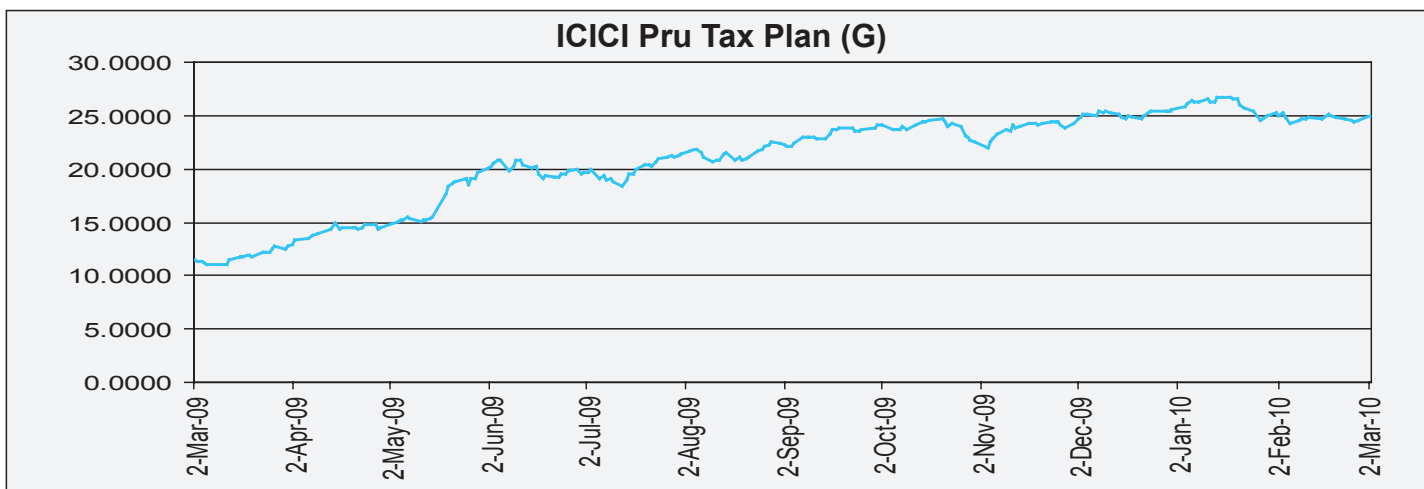


Market cap-wise Allocation Style	
Average Mkt Cap (Rs Cr)	38729.20
Market Capitalization	% of Portfolio
Large	65.00
Mid	10.35
Small	18.45

the scheme were HDFC Bank with holding of 2.61%, Sun Pharma with holding of 1.58%, Hero Honda Motors with a holding of 1.52% and L&T with holding of 1.08%, while the major companies that have been excluded from the portfolio of the fund were Lupin with holding of 3.01% and NHPC with a holding of 1.19% and Bombay Dyeing with holding of 1.45%.

**Outlook**

ICICI Prudential Tax Plan (Growth) is an open-ended equity linked saving scheme (ELSS) of ICICI Prudential Asset Management Company, being managed by Sankaran Naren. The scheme is one of the best performing ELSS schemes in the last year. It has a lock-in period of 3 years like other ELSS schemes, which ensures that one compulsorily remains invested over this period. This 3 year lock-in gives the fund manager the flexibility to make strategic long term investments in a diversified portfolio comprising a mix of large and medium sized stocks, chosen after careful fundamental research. All these stocks are growth oriented and have a patient, long term style. The ELSS schemes have an added advantage over other tax saving instruments it has the potential for higher rate of return and shorter lock-in period of 3 years. So the plan allows harnessing the benefits of long term equity investing in addition to helping you save tax.



Last one year NAV Graph

Duration	1 Week %	1 Mth %	3 Mth %	6 Mth %	1 Year %	3 Year %	5 Year %	Since Inc. %
Scheme Return %	2.30	2.90	5.34	23.37	141.45	13.29	20.55	26.57
Category Avg %	2.58	1.77	-0.41	12.98	96.35	10.53	17.89	24.42

Returns as of 2nd March, 2010

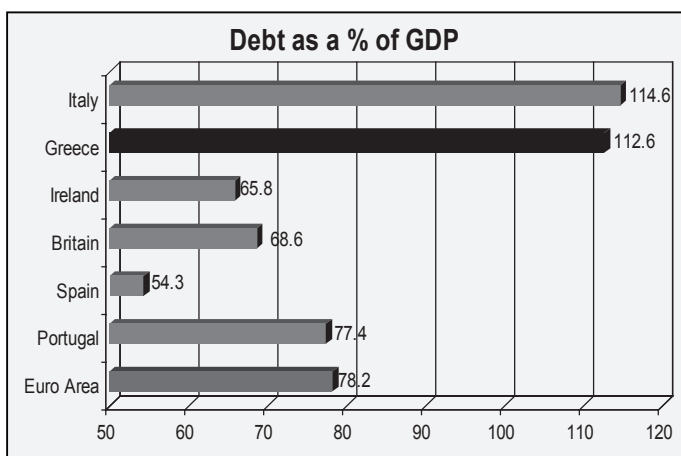
Scheme Name	NAV (Rs.)	Inception Date	AUM (Rs. cr)	Absolute %				CAGR %		
				1 M	3 M	6 M	1 Y	3 Y	5 Y	Since Inception
<b>Equity - Diversified</b>										
Birla SL India Opportunities(G)	49.71	21-Jan-95	14	2.07	2.92	17.30	140.03	-0.33	12.45	11.19
Birla SL Special Situations(G)	9.43	15-Jan-08	350	1.57	0.75	9.38	98.96	-	-	-2.74
DSPBR Opportunities(G)	72.82	10-Apr-00	386	1.86	-1.29	11.45	95.87	12.17	21.85	22.21
Fidelity Equity(G)	29.49	19-Apr-05	1345	2.84	-0.32	15.85	99.34	13.60	-	24.86
ICICI Pru Dynamic(G)	91.44	18-Oct-02	1081	1.78	3.04	17.72	99.36	13.53	27.26	35.00
Kotak Opportunities(G)	41.13	25-Aug-04	579	2.07	-0.95	11.52	98.54	14.57	25.77	29.20
SBI Magnum Comma(G)	23.31	25-Jul-05	320	0.09	1.39	18.03	107.75	17.40	-	20.17
SBI Magnum Multicap(G)	17.12	16-Sep-05	341	1.72	-0.93	12.12	96.78	6.25	-	12.81
Reliance Equity Oppor-Ret(G)	28.90	7-Mar-05	1027	2.46	6.05	26.47	140.72	12.44	-	23.70
Reliance Natural Resources(G)	9.79	30-Jan-08	3167	-1.01	-4.02	4.75	74.30	-	-	-1.02
<b>Equity - ELSS</b>										
Birla SL Tax Relief '96(D)	84.54	29-Mar-96	842	3.21	-1.69	15.02	124.92	10.54	20.97	32.42
DSPBR Tax Saver(G)	14.79	26-Dec-06	460	1.99	-0.50	14.04	105.70	16.10	-	13.07
Fidelity Tax Advantage(G)	18.10	31-Jan-06	679	3.18	0.42	16.40	100.90	14.81	-	15.63
Franklin India Taxshield(G)	178.26	10-Apr-99	367	3.31	2.09	16.10	101.70	14.73	20.55	30.25
HDFC Long Term Adv(G)	113.98	27-Dec-00	501	1.84	0.76	14.70	109.32	9.62	18.67	30.34
Principal Personal Tax saver(G)	86.83	1-Jan-96	564	2.04	-2.02	11.51	104.98	9.23	18.22	25.74
Reliance Tax Saver (ELSS)(G)	17.89	23-Aug-05	1187	1.19	2.96	16.80	101.77	8.98	-	13.72
Sundaram Tax saver(G)	40.14	31-Jan-05	585	1.09	-4.10	6.91	88.33	15.79	-	25.85
<b>Equity - Large-cap</b>										
Birla SL Equity(G)	242.75	27-Aug-98	620	1.00	-1.20	14.35	112.92	12.66	24.28	31.90
Birla SL Frontline Equity(G)	77.72	30-Aug-02	985	2.48	-0.89	13.78	105.28	17.44	26.09	31.40
DSPBR Equity(D)	51.00	15-Apr-97	1186	1.20	-0.90	13.96	96.73	18.25	27.02	25.22
DSPBR Top 100 Equity(G)	87.59	21-Feb-03	1200	2.12	-2.85	10.15	81.38	17.34	25.94	36.16
JM Large Cap(G)	16.81	9-Jun-04	2	1.73	-3.16	1.95	55.77	0.36	6.97	9.49
Kotak 30(G)	91.45	21-Dec-98	528	2.65	-2.69	10.90	77.87	12.70	22.27	33.26
Magnum Equity(D)	28.50	30-Nov-90	293	2.81	-0.72	11.23	106.23	13.19	23.96	13.20
Reliance Equity-Ret(G)	14.60	7-Mar-06	1188	1.37	-2.53	4.70	73.20	10.19	-	9.95
Reliance Vision-Ret(G)	244.14	7-Oct-95	1739	2.72	-0.24	14.26	100.76	12.91	22.02	24.82
Sundaram BNPP Growth(G)	82.06	15-Feb-97	62	1.55	-3.79	7.16	94.32	9.59	18.77	20.41
<b>Equity - Mid-cap</b>										
Birla SL Midcap(G)	100.74	1-Oct-02	696	-0.01	-1.38	17.10	149.67	18.15	25.36	36.51
ICICI Pru Emerging S.T.A.R.(G)	30.77	25-Sep-04	238	1.69	6.95	24.32	147.15	4.41	20.45	22.97
JM Mid Cap(G)	24.45	9-Jun-04	7	-2.04	-4.25	6.05	127.72	5.37	13.79	16.88
Kotak Midcap(G)	21.11	28-Jan-05	53	0.78	-0.40	17.31	110.19	3.26	15.61	15.80
Reliance Growth-Ret(G)	421.20	7-Oct-95	3616	1.00	2.04	16.56	121.14	17.49	28.22	29.64
Reliance Reg Savings-Equity(G)	27.49	10-Jun-05	1776	0.91	1.33	16.73	133.13	24.06	-	23.85
Sundaram BNPP S.M.I.L.E(G)	29.98	21-Jan-05	268	-0.72	-4.41	9.38	145.71	20.28	23.90	23.96
Sundaram BNPP Select Midcap(G)	131.19	19-Jul-02	934	0.07	0.56	16.99	156.14	14.56	27.96	40.16
<b>Equity - Pharma &amp; HC</b>										
Franklin Pharma(G)	49.77	31-Mar-99	30	2.54	6.57	38.59	138.52	21.73	21.04	15.82
Reliance Pharma(G)	44.18	26-May-04	116	1.97	7.17	38.22	157.60	30.68	28.59	29.37

Returns as of 2nd March, 2010

Scheme Name	NAV (Rs.)	Inception Date	AUM (Rs. cr)	Absolute %				CAGR %		
				1 M	3 M	6 M	1 Y	3 Y	5 Y	Since Inception
<b>Equity - Service Inds</b>										
ICICI Pru Services Inds(G)	15.63	18-Nov-05	185	4.06	0.51	13.43	108.40	1.67	-	10.98
Principal Services Inds(G)	13.52	31-Jan-06	71	0.37	-0.66	9.39	91.77	7.47	-	7.66
Tata Service Inds(G)	22.83	10-Mar-05	84	0.07	-2.78	9.35	139.96	6.48	-	18.03
<b>Equity - Sensex Linked Index</b>										
Franklin India Index-BSE Sensex(G)	47.03	27-Aug-01	30	3.69	-2.57	7.95	93.24	9.55	19.94	19.93
HDFC Index-Sensex Plus(G)	198.05	10-Jul-02	56	2.79	-1.74	12.27	96.72	12.95	21.94	26.83
HDFC Index-Sensex(G)	140.12	10-Jul-02	73	3.75	-2.35	8.16	90.15	5.69	17.23	21.22
UTI-SUNDER	526.44	11-Jul-03	3	3.83	-1.91	8.98	86.71	11.34	20.11	26.06
<b>Equity - Nifty Linked Index</b>										
Birla SL Index(G)	49.89	17-Sep-02	18	3.73	-2.46	8.18	86.55	9.59	18.48	24.04
SBI Magnum Index(G)	42.67	16-Jan-02	14	3.81	-2.29	8.28	87.01	7.84	17.36	19.54
Nifty BeES	503.05	18-Dec-01	603	3.86	-2.08	8.89	87.91	11.13	20.17	22.22
Reliance Banking ETF	909.08	30-May-08	13	5.36	-4.37	21.20	141.29	-	-	34.87
<b>Balanced - Equity Oriented</b>										
Kotak Balance	23.16	25-Nov-99	67	0.86	-0.97	8.66	61.40	10.87	17.99	18.01
Sundaram BNPP Balanced(G)	43.41	25-May-00	14	-0.22	-2.77	12.60	81.45	12.13	16.21	16.20
<b>Balanced - Debt-Oriented</b>										
HDFC Children's Gift - Savings	20.01	2-Feb-01	59	0.09	2.10	7.85	24.68	11.16	8.97	7.94
ICICI Pru Child Care Plan-Study Plan	26.16	6-Aug-01	31	0.74	2.58	6.76	26.21	9.93	11.58	11.87
<b>Commodities - Gold</b>										
Gold BeES	1653.02	23-Feb-07	723	0.22	-7.93	9.57	4.95	-	-	20.85
Kotak GOLD ETF	1651.64	4-Jul-07	124	0.23	-7.93	9.60	4.64	-	-	27.50
DSPBR World Gold-Reg(G)	13.88	23-Aug-07	863	0.22	-18.75	5.07	25.71	-	-	13.93
Reliance Gold ETF	1606.42	1-Nov-07	245	0.23	-7.96	9.56	4.71	-	-	21.75
UTI-Gold ETF(G)	1651.75	16-Mar-07	302	0.23	-7.92	9.63	4.79	-	-	21.00
<b>Liquid Funds</b>										
Birla SL Cash Mgr-Ret(G)	22.38	14-May-98	27	0.26	0.88	1.90	4.53	6.96	6.59	7.06
Birla SL Cash Plus-Ret(G)	24.42	13-Jun-97	132	0.26	0.83	1.73	4.11	6.83	6.55	7.27
Kotak Liquid(G)	17.80	6-Oct-00	31	0.25	0.83	1.71	4.05	6.55	6.21	6.32
LICMF Liquid(G)	16.81	13-Mar-02	4213	0.29	1.04	2.23	5.17	7.53	7.16	6.73
Magnum InstaCash-Cash(G)	20.38	19-May-99	890	0.27	0.88	1.77	4.24	6.85	6.56	6.82
Reliance Liquid-Cash(G)	14.97	4-Dec-01	12	0.20	0.64	1.27	2.29	4.80	5.11	5.02
UTI-Money Mkt(G)	2563.37	23-Apr-97	185	0.27	0.87	1.84	4.67	7.04	6.72	7.59
<b>Monthly Income Plans</b>										
Birla SL MIP II-Savings 5(G)	16.42	30-Apr-04	637	0.29	0.61	2.55	10.63	12.40	9.61	8.86
Birla SL MIP II-Wealth 25(G)	16.62	30-Apr-04	90	0.76	0.29	4.54	25.68	7.98	8.77	9.09
Birla SL MIP(G)	24.56	10-Nov-00	104	0.50	0.38	4.38	15.93	9.22	8.52	10.13
Birla SL Monthly Income(G)	33.90	14-Jul-99	182	0.45	0.90	4.58	19.72	10.60	10.18	12.16
L&T MIP(G)	18.60	1-Aug-98	8	0.32	0.08	2.60	12.04	12.09	9.97	4.49
DSPBR Savings Mgr-Agg(G)	18.17	20-May-04	73	0.22	0.50	4.86	20.17	9.58	10.55	10.87
ICICI Pru Income Multiplier(G)	17.94	5-Mar-04	192	0.86	-0.08	4.18	26.27	7.85	10.48	10.25
Magnum Income Plus-Savings(G)	10.77	22-Oct-03	1	0.43	1.36	1.92	2.22	0.55	1.18	1.17
UTI-MIS(G)	18.45	11-Oct-02	147	0.31	1.24	6.33	17.33	10.50	9.31	8.63

## Greece: Opening Can of Worms for Euro Zone?

Amidst speculations of the euro taking over as the most popular reserve currency of the world from the American greenback, the Greek financial crisis has put the entire euro zone in doldrums. Years of unrestrained spending, cheap lending and failure to implement financial reforms left Greece badly exposed when the global economic downturn struck. This revealed huge debt levels and deficits of Greece that exceeded limits set by the euro zone. The total national debt, which stands at around \$413.6 billion, is bigger than the country's economy. Greece's fiscal deficit stood at 12.7% of its GDP in 2009. Speculations are rife that the surging national debt may exceed 120% of Greece's GDP in 2010.



Investors are wary that Greece's credit rating has been downgraded to the lowest in the euro zone. This leaves the country struggling to pay its bills as interest rates on existing debts rise. The Greek government, which inherited much of the financial burden when it took office late last year, has already scrapped most of its pre-election promises and must implement harsh and unpopular spending cuts in order to salvage the country's image among global investors.

### Euro Zone: fell well-short of its objectives

The prime objective behind the introduction of the euro in 1999 was to narrow the economic differences between the member countries of the monetary union. Going by the logical hypotheses, member countries believed that the creation of the monetary union would enable unemployment to converge as would other macroeconomic variables such as unit labour cost, productivity, fiscal deficits and government debt. Subsequently, the differences in wealth would diminish as well.

However, contrary to the projections, the common currency increased divergence and with the onset of the Greek crisis, worse may yet to follow in the euro zone.

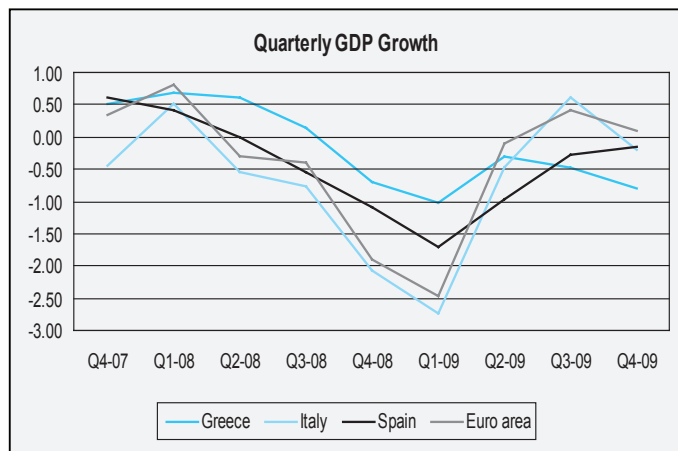
The wealth convergence formula was questionable from the very first day of the creation of the monetary union since it contained very wealthy countries like Germany and Netherlands; and much poorer countries like Greece and Portugal. Such huge differences among countries had often put the European Central Bank (ECB) in a dilemma while determining the appropriate interest rate for all the member countries.

A fair comparison of some macroeconomic variables in some of these euro zone countries will reflect the amount of divergence that the monetary union has created instead of its objective of a union. The difference between the euro zone countries' with the lowest and highest inflation rate has reached to 5.9% in 2009 as compared to that of 2% in 1999. Moreover, the productivity difference increased from 25 index points in 1999 to 66.2 points in 2008. The difference in unit labour costs went from 5.4% to 31.8 during the said period. More importantly, the unemployment rate reached 15.4% in 2009, as compared to that of 10.1% when the monetary union was formulated in 1999.

### Greece vs. Euro Zone GDP growth

During the fourth quarter of 2009, the Euro zone economy grew by 0.1% higher than the previous quarter. It had grown by 0.42% in the previous quarter signalling the onset of economic recovery from the doldrums of the economic slowdown. Overall, the Euro zone GDP dropped by 4% during 2009. The sluggish rate of economic expansion of the Euro Zone reflects that it is still facing very challenging economic and financial conditions.

Germany, the largest economy of the euro zone, registered a near-zero level of quarter-on-quarter (q-o-q) GDP growth after witnessing positive growth during the previous two quarters, which had signalled its year-long recession. France was a rare bright spot in the 16-nation euro zone with a q-o-q GDP growth of 0.6% during the last quarter of 2009.



Among the worst performers in the euro zone, Greece's

GDP declined by 0.80% from the third-quarter in 2009. Italy did even worse with a GDP fall of 0.2% from the third quarter, contrary to forecasts that the euro zone's third-largest economy would grow by 0.1% during the reporting period.

### Greece's huge Budget Deficit

Greece's total budget deficit reached 12.7% in 2009, highest among the Euro-zone countries. Such a huge budget deficit has triggered panic in the bond market of Greece. The yield on the 10-year Greek government bonds declined to 7.1% in January, the highest since the country joined the euro area. However, the panic on yield rates abated riding on the European Commission's endorsement for Greek government's plan to cut the budget deficit to 3% of GDP by 2012. Moreover, in order to underline Greece's seriousness in this regard, its Prime Minister George Papandreou had announced to impose higher taxes on fuel and an extension of a public-sector wage freeze to include low-paid civil servants.

In a word of caution, the European Commission has asserted that it will watch Greece closely to ensure that it keeps its promises. The Commission is expecting a report in mid-March on Greece's chances of hitting the targeted budget deficit of 8.7% of GDP during 2010. The scheduled assessment by the Commission in mid-May is likely to help restore confidence in Greece.

On the flip side, if Greece fails to regain markets' confidence, it may not be able to refinance around 20 billion euros that falls due in April and May. In such a scenario, the government would default or would have to be bailed out.

### Moving forward

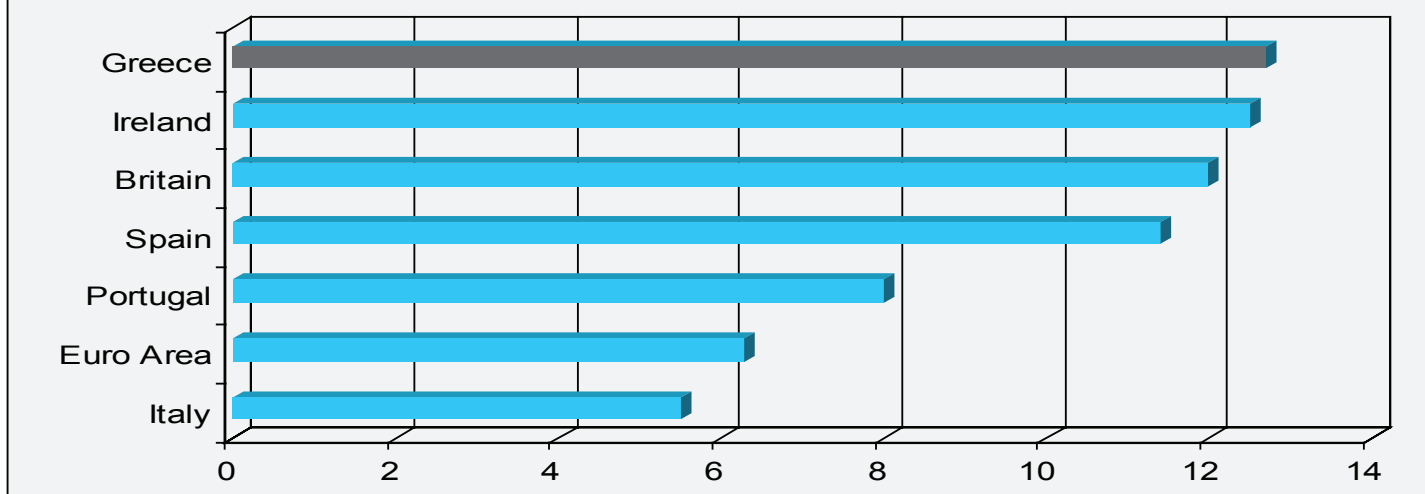
Economists expect that there may arise four possible scenarios on the Greek crisis. First, Greece may rescue

itself due to heavy pressure from the EU and eventually succeed in bringing down the budget deficit towards the target of 8.7% in 2010 and below 3% by 2012. The second scenario may emerge that EU bails out Greece by taking a slew of measures like providing Greece with a debt guarantee or establishing a bailout fund. In order to contain spillover of the Greece crisis to other euro zone countries, the EU may launch a full-fledged bailout plan for the vulnerable countries. Thirdly, Greece may continue to survive with the ongoing crisis and may manage to borrow funds from international organizations. The fourth scenario will be the worst, i.e. Greece heading towards a default, if at all it happens so. In this scenario, it will be difficult for Greece to raise money in the international markets and it may well be forced to exit from the euro zone.

Greece's latest plan for stability and development sets out an optimistic three-year blueprint for cutting the deficit from 12.7% of GDP in 2009 to below 3% in 2012, which is the theoretical limit for euro-area countries. But the European Commission is not convinced that Greece will be able to stick to all its promises keeping in view of the depth of the current crisis.

Greece has already breached the deficit management rules of the euro zone and speculators are betting that the country is most likely to default on its public debt. If this materializes while Greece remaining a member of the monetary union, then it will put euro's credibility at stake. Moreover, the Greece financial crisis may have its contagion effect on other vulnerable poor countries within the euro zone like Portugal and Ireland. On the other hand, euro may resist itself from approaching the International Monetary Fund (IMF) for bailing out Greece fearing its possible detrimental effect on euro's reputation. Any such eventuality may cause a slide in the euro's strength vis-à-vis other major global currencies.

**Budget Deficit as a % of GDP**



**Capital Asset Pricing Model (CAPM)**

Capital Asset Pricing Model (CAPM) is used to determine the price of a risky security by portraying the relationship between risk and expected return. The model, for the first time, showed what an investor should get in return for investing in a risky security. The model is based on the idea that investors should get compensated for time value of money and for the risk he takes by investing in a particular security (also known as risk premium). The CAPM is widely used in applications such as estimating the cost of capital for firms and evaluating the performance of managed portfolios. CAPM builds on the model of portfolio choice developed by Harry Markowitz.

William Sharpe, the principal originator of the CAPM, was awarded the Nobel Prize in Economic Sciences (1990) for his contributions to the financial markets.

The model tries to find answers to two important questions viz., relationship between risk and return for an efficient portfolio, and relationship between risk and return for an individual security.

**Assumptions of CAPM Model**

- Every investor aims to maximize economic utility
- All investors are rational and risk-averse
- Investors cannot influence prices
- All investors can borrow and lend unlimited amount, that too, at the risk-free rate of interest
- There is no transaction cost or taxes involved in trade
- Every investor deals in such securities that are highly divisible into small parcels
- Every information is available to all investors at the same time
- There are perfect competitive markets

Before proceeding further we should take a brief look at what Portfolio theory, originally proposed by the Nobel Prize winning Economist Harry Markowitz in the 1950s, illustrates. He was the first person to depict quantitatively why and how diversification reduces risk.

There is a famous saying that -- 'Don't put all your eggs in one basket' (means one should diversify his portfolio by including stocks from different sectors rather than putting all money in a single stock).

Expected Return from a Portfolio: In simple words, it is the weighted average of the expected returns on the individual securities in the portfolio.

$$E[R_p] = \sum_{i=1}^N w_i E[R_i]$$

where  $E[R_p]$  = the expected return on the portfolio,

$N$  = the number of stocks in the portfolio,

$w_i$  = the proportion of the portfolio invested in stock  $i$  or stock's weight in the portfolio,

$E[R_i]$  = the expected return on stock  $i$

Example: Table I

Stocks	Expected Return	Weight of each security
A	7%	20%
B	10%	30%
C	12%	35%
D	15%	15%

Table I shows four stocks with expected returns of 7%, 10%, 12% and 15% respectively. Their weightage in the portfolio is 20%, 30%, 35% and 15% respectively. In this scenario the expected return on the portfolio will be;

$$E[R_p] = 0.20(0.07)+0.30(0.10)+0.35(0.12)+0.15(0.15) = 10.85\%$$

**How to measure portfolio risk?**

The risk of a portfolio is measured by the variance (or standard deviation) of its return. But one should keep in mind that portfolio risk is not the weighted average of the risks of the individual stocks in the portfolio, except when returns from the securities are uncorrelated.

For calculating portfolio risk the information on weighted risk of individual stock and weighted co-movements between the returns of stocks that are included in the portfolio is required.

Covariance and coefficient of correlation are used to measure co-movements between the returns of stocks.

**Covariance:** It shows the degree to which the returns of two stocks change or move together. A positive covariance means that asset returns move in a same direction. On other hand, a negative covariance means returns move inversely.

$$Cov(R_i, R_j) = p_1 [R_{i1} - E(R_i)] [R_{j1} - E(R_j)] + p_2 [R_{i2} - E(R_i)] [R_{j2} - E(R_j)] + \dots + p_n [R_{in} - E(R_i)] [R_{jn} - E(R_j)]$$

where  $p_1, p_2 \dots p_n$  = probabilities associated with states 1, 2, ..., n

$R_{i1}, \dots, R_{in}$  = return on security  $i$  in states 1, ..., n

$R_{j1}, \dots, R_{jn}$  = return on security  $j$  in states 1, ..., n

$E(R_i), E(R_j)$  = expected return on security  $i$  and  $j$

**Coefficient of correlation:** It also reflects the degree of co-movement between two variables. Covariance and coefficient of correlation are mathematically related as follows;

$$Cor(R_i, R_j) = Cov(R_i, R_j) / SD(R_i, R_j)$$

where  $Cor(R_i, R_j)$  = correlation coefficient between the returns on securities  $i$  and  $j$

$Cov(R_i, R_j)$  = covariance between the returns on securities  $i$  and  $j$

$SD(R_i, R_j)$  = standard deviation of the returns on securities  $i$  and  $j$

The correlation coefficient can fluctuate between -1 and +1. A reading of -1 means perfect negative correlation; a reading of zero means no correlation and a reading of +1 means perfect correlation.

**Calculation of risk for two-security portfolio**

$$\sigma_p^2 = (w_1)^2(\sigma_1)^2 + (w_2)^2(\sigma_2)^2 + 2w_1w_2\rho_{12} \sigma_1\sigma_2$$

where  $\sigma_p^2$  = variance of the portfolio return

$(w_1)(w_2)$  = weights of securities 1 and 2 in the portfolio

$(\sigma_1)^2(\sigma_2)^2$  = variance of the returns on securities 1 and 2

$\rho_{12} \sigma_1\sigma_2$  = covariance of the returns on securities 1 and 2

**Calculation of risk for n-security portfolio**

$$\sigma_p^2 = \sum \sum w_i w_j \rho_{ij} \sigma_i \sigma_j$$

$$\sigma_p = [\sum \sum w_i w_j \rho_{ij} \sigma_i \sigma_j]^{1/2}$$

where  $\sigma_p^2$  = variance of the portfolio return

$\sigma_p$  = standard deviation of the portfolio return

$w_i$  = weight of security i in the portfolio

$w_j$  = weight of security j in the portfolio

$\rho_{ij}$  = coefficient of correlation between the returns on securities i and j

$\sigma_i$  = standard deviation of return on security i

$\sigma_j$  = standard deviation of return on security j

The standard deviation of an individual stock does not indicate how that stock will contribute to the risk and return of a diversified portfolio. Thus, another measure of risk is needed; a measure of a security's systematic risk. This measure is provided by the Capital Asset Pricing Model (CAPM). Systematic risk is non-diversifiable while unsystematic risk can be. Therefore systematic risk is considered relevant in the CAPM. This model provides an expression which relates the expected return on an asset to its systematic risk. The relationship is known as the Security Market Line (SML) equation and the measure of systematic risk in the CAPM is called Beta.

**The Security Market Line (SML)**

Equation of SML is expressed as follows;

$$E(R_i) = R_f + [E(R_m) - R_f / \sigma^2_m] \text{Cov}(i, m)$$

where

$E(R_i)$  = expected return on security i

$R_f$  = risk-free return

$E(R_m)$  = expected return on market portfolio

$\sigma^2_m$  = variance of return on market portfolio

$\text{Cov}(i, m)$  = covariance of return between security i and market portfolio

In simple words it can be said that it is the;

Expected return on security i = Risk free return + (price per unit of risk) Risk

The price per unit of risk is:  $E(R_m) - R_f / \sigma^2_m$

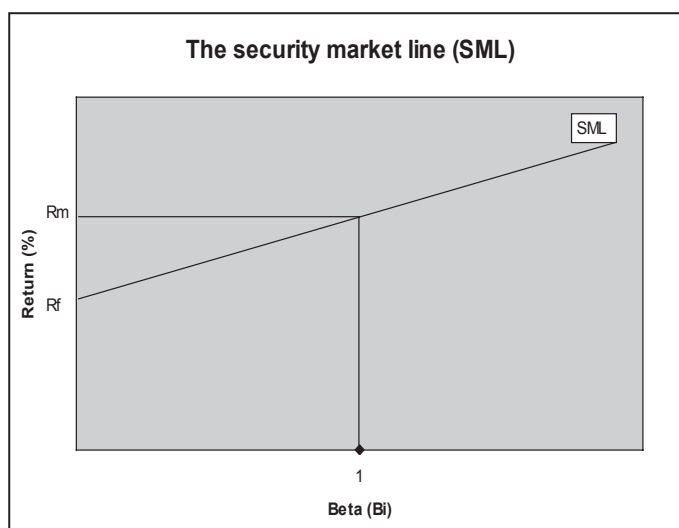
While  $\text{Cov}(i, m)$  is the measure of risk

Beta is the standardized measure of risk:  $\beta_i = \text{cov}(i, m) / \sigma^2_m$

Thus, the SML is popularly expressed as:  $E(R_i) = R_f + [E(R_m) - R_f] \beta_i$

**Beta:** is used to measure volatility or systematic risk of a security or portfolio. The beta of an asset is a number that depicts the relation of its returns with that of the market. If an asset's beta is positive one (1) it indicates that the asset will move in tandem with the market; the beta of negative one (-1) means the asset has an inverse relation to the market while the beta of zero (0) means there is no correlation between the asset and the market.

**Chart I: The Security Market Line (SML)**



The Chart I shows the SML. The x axis represents beta of an security while the y axis shows the required or expected rates of return.  $R_f$  is the risk free rate of return and  $R_m$  is the return on market portfolio. The SML begins at the risk-free rate and rises with beta.

**What are the shortcomings of the CAPM?**

- The CAPM is based on the unrealistic assumptions
- Uncertainty over the assignment of values to variables, i.e. risk free rate of return, the return on the market and the equity price premium (ERP) is the biggest disadvantage of the model
- Problems can arise when using the CAPM to calculate a project-specific discount rate.

Even after lots of attacks against the CAPM, mainly in recent years, it has stood up well to criticism. The model is considered useful among the investor community as well as fund managers and research houses. The risk measure provided by the CAPM is useful to determine what return an investors should get for risking his or her money.

## Govt imposes antidumping import tax on stainless steel products

India has imposed an antidumping import tax of up to \$2,254 per tonne on import of certain stainless steel products used by consumer durables and auto industries from the US, EU, China and other countries to protect the local industry.

The antidumping tax will be applicable on all products imported since April 22, 2009, to protect the domestic industry from cheap imported goods priced below their cost. The decision to slap the duty by the Finance Ministry came after an inquiry by a Commerce Ministry wing, which found that 'the domestic industry has suffered material injury' due to a surge in imports. The antidumping import tax varies from \$12.74 a metric ton to \$2,254.69 a ton, depending on the product and origin.

The anti-dumping duty is a WTO compatible remedy available to protect domestic industry against cheap imports. The government is also likely to impose anti-dumping duty on anti-bacterial medicines like Penicillin variants and raw material used in producing anti-bacterial infection drugs.

## Foodgrain output to decline by 7.5% in FY10

The government released the second advance estimates (AE) of production of major crops grown in the country on Friday. The latest estimates, based on the feedback received from the states, showed that foodgrain output in the current fiscal may decline by 7.5% to 216.85 million tonne compared with 234.47 million tonne (MT) last year. Due to deficient and erratic distribution of rainfall during the last monsoon season, production of Kharif crops, particularly of rice, coarse cereals and sugarcane had been affected adversely. The early trends indicate that during Rabi season the production scenario will be better.

According to the advance estimates, rice production is projected to be around 87.56 MT, down from last year's record output of 99.18 MT, primarily because of 12-mt loss during the kharif season caused by the worst monsoon in more than three decades. However, rice output during the rabi season is estimated to register a growth of nearly 3%.

Further, thanks to a likely bumper rabi crop, wheat output in the current fiscal is expected to be around close to the last year's record harvest at 80.28 MT. Output in last year was 80.68 MT. Production of pulses on the other hand will be more than last year, a development that will help bring soaring prices of the commodity down. Total output of pulses is projected to reach 14.74 MT, up from 14.57 MT last year, though it will remain below the domestic demand of around 18 MT.

The government has also said that if weather conditions continued to be favourable, the production of some of the Rabi crops was likely to improve further and the same would be accounted for in the third AE to be released in April, 2010

when more information on the rabi crop will be available.

## Higher production in UP may ease sugar supply scenario in India

India's sugar supply scenario may get a boost from potentially higher output in Uttar Pradesh (UP) than what had been anticipated earlier. Although at the beginning of the season high sugarcane production was expected riding on strong prices, the monsoon played a spoiler and area under cultivation in UP declined significantly as farmers shifted to other crops.

In this wake, production in UP in the 2009-10 sugar year (Oct-Sept) was expected to be around 3.0-3.5 million tonne. However, the trend so far in crushing suggests that the output may reach close to the last season's production of 4.6 million tonne.

The state is already understood to have achieved a production of around 30 lakh tonne and there is still a month of crushing left. Clearly, there are good prospects of total production touching the last year's level of 40.6 lakh tonne. This would mean around 1 million tonne of gain from earlier estimates, thus boosting the overall supply scenario in the country.

Earlier, the top sugar producing state of the country Maharashtra also revised upwards its estimate for cane availability. The state now expects to crush 45.5 million tonne of sugarcane as against the earlier estimate of 41 million tonne. As a result, the production in Maharashtra is now expected to rise by 6.2% to 5.1 million tonne compared to earlier expectations of status quo level of production.

Sugar has had a string of rally in 2009 as prices more than doubled over the year in India and breached 28-year record high in international markets. However, the positive surprise in output in the two largest producer states will help ease supply in the biggest consumer of sugar in world. As Indian supply eases, not only should local prices soften, but global prices should lose some ground as import by India will decline.

## Prospects bright for rabi crop, acreage under wheat, pulses rises

India's wheat harvest from the rabi crop looks all set to break last year's record riding on rise in area under cultivation coupled with favorable weather which improves yields. A government release said on Friday that as per the data compiled by state governments, about 277.58 lakh hectare wheat has been sown compared to last year's coverage of 275.87 lakh hectare, reflecting an increase of 1.71 lakh hectare.

Total production of wheat in this wake is likely to be around 82 million metric tonne (mmt), up from record 80.58 mmt produced last year. Wheat accounts for about 70% of the rabi season output. Higher area coverage of wheat is reported

in the states of Madhya Pradesh, Bihar, Uttarakhand and Himachal Pradesh. Less coverage has been reported in Gujarat, Rajasthan, Uttar Pradesh and Jammu & Kashmir.

Even greater increase is being seen in the pulses which have seen record price rally last year. Total acreage under various pulses has increased by seven lakh hectare. This will help soften to some extent the soaring prices of pulses and in fact some decline in prices has already been witnessed in wake of better rabi harvest prospects. The country will nonetheless continue to import pulses in large quantity due to huge demand-supply gap. India is the largest consumer of pulses in world.

Higher yield of wheat and pulses will not only help the government curb food inflation which has remained stubbornly close to 17-18% for many months after a poor monsoon last year, but also help make up to some extent the decline in farm output in the kharif season, and hence boosting overall growth prospects of the economy.

Poor weather conditions have hit India's rubber production which has come down by nearly 7.3% in the last calendar year to 8.17 lakh tonne. The main reason for decline in production is lower yield even as the area under cultivation improved. Hit by poor monsoon and then dry weather, yield in India declined from 1,903 kg/hectare in 2008 to 1,753 kg/hectare in 2009.

### Rubber production declines 7.3% in 2009

Rubber prices continue to remain substantially higher on year-on-year basis as the global supply demand equation tightens. Prices slumped late last year as the global commodity rally collapsed and the world economy came in the grip of economic downturn. However, rubber started strengthening in India in the current fiscal riding on a number of factors including improvement in demand from auto industry, tight domestic supply and improvement in general economic outlook.

While supply has remained tight, demand has increased sharply in the calendar year 2009 riding on increasing demand from the tyre industry which has been forced to hike imports to meet the supply shortfall. In the early months of FY10, prices in India ran ahead of global prices which remained subdued due to uncertain economic outlook. This also resulted in sharp rise in imports.

However, in the second half of 2009, global rubber prices exhibited strong rally, and even as Indian prices remained firm, world prices ran even ahead. This resulted in declining imports and increase in exports, which further tightened the domestic demand-supply scenario, keeping prices firm.

Supply is tight in the international market as well as poor weather has impacted production in a number of countries. The Association of Natural Rubber Producing Countries (ANRPC) has reported that total production in member

countries fell 5.1% in 2009 to 8.68 million tonne in against 9.15 million tonne in 2008. As a result, rubber prices are likely to remain strong in the near term in international markets as well.

### Government announces further steps to check sugar prices

The government has announced further steps to check sugar prices which continue to remain at record high levels. It has made the sugar release norms more transparent and has also extended the stock limit order on the commodity to ensure higher and uniform supply in markets.

The government directed the sugar mills to dispatch non-levy quota of sugar, released for February, on a weekly basis in four instalments. As per the order, 20% of the set quota has to be sold and dispatched in the first week of February, 30% in the second week and 25% each in last two weeks.

The government has made available 17.91 lakh tonne of the commodity consisting of 15.97 lakh tonne non-levy sugar and 1.94 lakh tonne of levy sugar for the said month. The latest move of weekly release is expected to ensure uniform supply of sugar throughout the month. It had been earlier observed that towards the end of the month, sugar supply was seen getting tight, leading to firming up of prices. Sugar mills have been releasing the commodity only once, towards the end of every month, earlier.

'Any quantity which remains unsold/ undespached in each week would stand converted into levy stock. Any sugar mill which fails to report weekly quota of sale and dispatch of non-levy sugar within the prescribed time, will be deemed to have actually not sold and delivered the quantity as stipulated,' read a release by the Ministry of Consumer Affairs, Food & Public Distribution.

The government has also extended the stock limit order till September, under which the state governments can take action against parties that carry a larger stock of sugar than what is permitted. Under the stock and turnover limit on sugar, the government has prescribed the maximum quantity a trader can keep, while giving flexibility to states to lower the limit. At the national level, a registered dealer can stock only up to 2,000 quintals. It said, a trader has to sell his stocks within 30 days from the date he receives the consignment.

Sugar prices, both in Indian and international markets, have been increasing since start of last calendar year as the global demand supply equation tightened in wake of sharp decline in production in India, largest consumer and second largest producer of the sweetener, for two consecutive years. However, owing to a supply shock in response to higher prices, prices are expected to come down in the second half of current calendar year as Brazilian production from new season starts coming into markets.

## SBI Life – Horizon III

SBI Life – Horizon III, is a dynamic and attractive non participating Unit Linked Insurance Plan. With Horizon III, SBI gives a hassle free way to get market linked returns through the unique feature of Automatic Asset Allocation. If one is keen on managing his money actively, this plan also gives him the freedom to take charge of his investments. Horizon is essentially a unit-linked insurance plan, which combines a life insurance or term policy with an investment product. This plan gives a chance to get higher market-linked returns. It is elastic and a bother free unit linked pension plan along with all the ground-breaking and elastic options.

### Features of SBI Life – Horizon III:

Hassle free investment management by way of Automatic Asset Allocation where SBI Life through its proven investment expertise manages the investments on investors' behalf.

If one believes in managing his Investments actively, he can choose between 4 diverse fund options at his disposal.

One can also enjoy the best of both worlds, through a combination of Automatic Asset Allocation and Active Fund Management option.

No Premium Allocation Charge from 6th year onwards, thereby enhancing the fund value.

Twin Benefit of Market linked returns and insurance cover.

Flexible product with an option to increase/decrease the premium and Sum Assured from 4th year onwards

### The SBI Life – Horizon III offers options to boost your investments through Top-ups.

- One can invest any additional amount, at any point of time during the policy term as a top up, provided all the premiums due are paid.
- The top payment should not be less than Rs 5000 and total amount of top-ups paid should not exceed 25% of the total basic premium(s) paid as on the top-up payment date.
- Each nominal top-up amount has a 36 months lock-in- period from payment date. This is not applicable for top-ups received within the last 3 policy years. However, such lock-in period of Top-ups premium is not applicable in case of surrender of the policy.
- The top-ups will not affect the basic sum assured.

Switch facility and redirection facility to give you the power for active management of your investments- One can switch his/her investment made in plan between the four different fund options available, to suit the changing investment needs. Minimum switch amount is Rs 5000. Two switches are allowed free of charge in policy year. A charge of Rs 100 will be levied per switch in excess of free switches in the same policy year. Free switches not used during any policy year cannot be carried forward to the next policy year.

The plan offers different option to customize the product with a wide range of riders - Criti Care 13 Rider, Accidental Death Benefit Linked Rider, Premium Payor Waiver Benefit Rider and Income Sustainer Rider.

### Different benefits of the plan:

**Death Benefit:** - Higher of the Fund Value or Sum Assured is payable. However for minor lives the risk commences from 7 years of age last birthday and on death before attainment of 7 years of age the fund value is payable.

**Maturity Benefit:** - On survival of the life assured, the Fund value shall be paid. One will have the option of taking the Fund Value as a Lump Sum or through the Settlement Option.

### Rider Benefits:

**Criti Care 13 Rider:** Provides lump sum amount to take care of 13 Critical Illnesses which include Cancer, Coronary Artery Bypass Graft Surgery, Heart Attack, Heart Valve Surgery, Kidney Failure, Major Burns, Major Organ Transplant, Paralysis, Stroke, Surgery of Aorta, Coma, Motor Neurone Disease and Multiple Sclerosis

**Accidental Death Benefit Linked Rider:** Provides additional death benefit if the death occurs as a result of an accident.

**Premium Payor Waiver Benefit Rider:** In the event of the death of the Proposer, the cover for the Life Assured under the base policy continues and the future premiums under the base policy, payable during the rider term, will be paid by the Company.

**Income Sustainer Rider:** Provides additional benefit in the case of death or in the case of Total & Permanent Disability due to Accident or Sickness, whichever is earlier. A 25% of income sustainer benefit sum assured is paid upfront and 1% of income sustainer benefit sum assured is paid monthly in arrears for 10 years or till the end of the base policy term (capped at a maximum of 30 years) whichever is higher.

Age at Entry*	Min: 0 years	Max: 60years
Max. Age at Maturity	70 years	
Sum Assured	Min: Annualized Basic Premium × 5	
	Max: For age of entry upto 45 years: Annualized Basic Premium × 20 For age of entry above 45 years: Annualized Basic Premium × 10	
Policy Term**	10/15/20/25/30 years	
Premium Paying Term	Same as policy term	
Premium Modes	Yearly / Half-yearly / Quarterly / Monthly	
Regular Premium Amounts	Min	Max
	Yearly Rs 18,000	No limit
	Half-yearly Rs 9,000	No limit
	Quarterly Rs 4,500	No limit
	Monthly Rs 1,500	No limit
Top Up Premium	Min Rs. 2,000	
	Max: Cumulative top-ups cannot exceed 25% of total basic premium (s)	
Tax Benefits***	Available under Sec. 80C, Sec. 80D & Sec. 10(10D) of Income Tax Act, 1961	

The basic premium contribution made, net of premium allocation charges are invested in plan(s)/fund(s) of investors' choice. One can choose Plan A (Dynamic) or Plan B (Growth) to allow the fund to manage the money. Alternatively if one wishes to actively manage his/her investments, he may opt for Plan C (Flexible) which has four different fund options made available, as follows:

**Equity Fund-** The objective of this fund is to provide high equity exposure targeting higher returns in the long term.

Assets	Minimum	Maximum	Risk Profile
Equity & equity related instruments	80%	100%	High
Debt & money market Instruments	Nil	20%	

**Balanced Fund-** The objective of this diversified fund is to provide accumulation of income through investment in both equities and fixed income securities with an attempt to maintain a suitable balance between return and safety.

Assets	Minimum	Maximum	Risk Profile
Equity & equity related instruments	40%	60%	Medium
Debt & money market Instruments	40%	60%	

**Bond Fund-** The objective of this fund is to provide relatively safe and less volatile investment option mainly through debt instruments and accumulation of income through investment in fixed income securities.

Assets	Minimum	Maximum	Risk Profile
Debt instruments	60%	100%	Low to Medium
Money market Instruments	Nil	40%	

**Money market fund-** The objective of this fund is to provide an option to deploy the fund in liquid and safe instruments so as to avoid market risk on a temporary basis.

Assets	Minimum	Maximum	Risk Profile
Debt instruments	Nil	20%	Low
Money market Instruments	80%	100%	

**Index Fund-** The objective of this fund is to provide returns closely corresponding to returns of NSE S&P CNX Nifty index, though investment regulations may restrict investment in group companies listed on index leading to higher tracking error.

Assets	Minimum	Maximum	Risk Profile
Equity	90	100%	High
Cash & Money Market Instruments	Nil	10%	

### Charges for the plan:

**Premium allocation charges-** This charge shall be deducted from premium at the time of receipts of such premium. The allocation to units is made after the deduction of this charge.

Year	As a percentage of Premium
1	10.0%
2-5	5.0%
6 Onwards	Nil

\*For top-ups: The allocation charges shall be 2% of the top-up amount.

**Policy Administration Charges:** the applicable policy administration charge of Rs 50 per month shall be deducted by cancelling units at the prevailing unit price on the first business day of each policy month.

**Fund management charges:** A certain fixed percentage of the relevant fund before calculating the NAV on a daily basis will be charged as per the rates below:

Fund name	Fund management charges
Money Market fund	0.25% per annum
Equity Fund	1.35% per annum
Bond Fund	1.00% per annum
Balanced Fund	1.25% per annum
Index Fund	1.25% per annum