

Magnum Connect

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 Monthly Magazine



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Dear friends,

We passed a month full of volatility in the equity markets, deeply influenced by the global economic recovery concerns. Though the Indian scenario is completely different from what the other global majors are witnessing these days, mainly the US which is again going through a lean phase with apprehension of double-dip recession. The Indian markets have been continuously bucking the trends and the result is that, the markets are at their more than two and half year high but the flip side of the gains is that there has a belief erupted in the minds of overseas investors that Indian markets are overpriced. Retail sentiment; too, are not very good and a fall is being expected in markets in the coming future. But still any sort of correction in the market can be said healthy and an opportunity to catch the missed bus at a correct valuation, as the domestic economic and fundamental situation remains robust for the local markets.

While the retail participation has been a bit sluggish in both primary and secondary markets the FIIs have maintained a bullish stance for the third month in a row. There is a general perception that Indian securities are overpriced and primary market investors are adopting a wait-and-watch policy before subscribing to issues, both equity and debt but the FIIs continue to give their relentless support to the Indian equities and have invested about \$2.5 billion in Indian equities in August. The strength in the Indian markets is likely to attract more inflows from overseas in medium to long-term investment, as the prospect of high return is now left with emerging economies only.

In the passing month, the Indian government cleared the Direct Tax Code (DTC) bill which aims to overhaul the direct tax regime in the country by rationalizing tax brackets and cutting down on plethora of exemptions. The government has proposed further widening of the three-tier slab structure for personal income tax, with the lowest rate of 10% now being implemented for Rs 2-5 lakh income, 20% for Rs 5-10 lakh and 30% for higher income, it also proposed a 30% corporate tax rate (for domestic companies) without any further surcharge or cess. The final version has included MAT at the rate of 20% of book profit as against the existing rate of around 18%, though there was a great deal of opposition from the corporate for this clause and hence the government has opted a mid way by charging a higher rate but on the book profits only rather than earlier proposed on gross asset value. So over all we passed a good month but exhaustion might be on cards for the markets in coming days.

Jiten J. Chheda
 (Director)
 Magnum Group

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Indian banking industry has had a reasonably good year in 2009-10. Despite the lowering of credit demand, Indian banks were able to post good performance owing to improvement in the non-interest income segment. The current fiscal too has so far seen strong performance and even though potential increase in non-performing assets remains a concern, the industry is well placed to enjoy the ride on back of strong growth in Indian economy. However inflation continues to be high and the Reserve Bank of India (RBI) has been expediting the process normalising its monetary stance. The trend is set to continue throughout the current fiscal and further tightening of 75-100 bps is likely before the central bank decides to take a pause.

Credit Off-take Improves, Deposit Mobilisation Lags

Credit growth for Indian banks had been going down right from the start of last calendar year and after declining for most the CY-2009, had begun to improve in Dec 2009. The trend has been maintained in 2010. By the end of last fiscal, the industry managed to record credit growth higher than the central bank's downwardly revised target of 16%. In the first four months of current fiscal, credit off-take has further picked up the pace and stood at close to 20% during the fortnight ended August 30, significantly better compared with 15.71% a year ago.

By the end of latest fortnight, total bank credit stood at Rs 33.64 lakh crore compared with Rs 28.00 lakh crore a year ago. In absolute terms, credit expansion was Rs 5.64 lakh crore, as per the data released by the RBI. In the current fiscal so far, credit delivery has increased by 3.6% compared with a decline of 1% seen in the same period

last year. While a robust improvement in the economy and return of capex expenditure has pushed credit demand, huge payments by the telecom operators towards the 3G and BWA spectrum has also been a crucial factor behind rapid increase in credit growth rate in recent months. This is also one of the reasons that after showing a sharp uptick during the months of May and June, credit growth started to moderate in July. Going forward, while we expect the credit demand to rise, the pace of improvement in credit growth will be moderate compared to what was seen in first three months of the current fiscal.

While credit growth has been improving, deposit growth rate has been going down as deposit rates remain low, savers find other lucrative avenues to park their funds and banks, until recently, remained little enthusiastic to push deposit mobilisation amidst abundant idle liquidity in the system and poor credit demand.

As on August 13, total deposit base of the scheduled banks in India stood at Rs 46.31 lakh crore as compared to 40.58 lakh crore a year ago. Deposit growth as a result stood at 14.13% compared with 21.8% seen a year ago. The fact that deposit mobilisation has been on the way down is also reflected in the fact that in the current fiscal till August 13, the banks have added only Rs 138,753 crore of aggregate deposits, little over one half compared with Rs 223,959 crore of addition in aggregate deposits seen in the same period a year ago. However, some change in trend has been witnessed in last couple of fortnights. Just a month ago, deposit growth has gone down to as low as 13.9%. However, with credit demand going up and tightening of monetary policy by the central bank, the

Chart 1: Growth in Bank Credit and Deposits

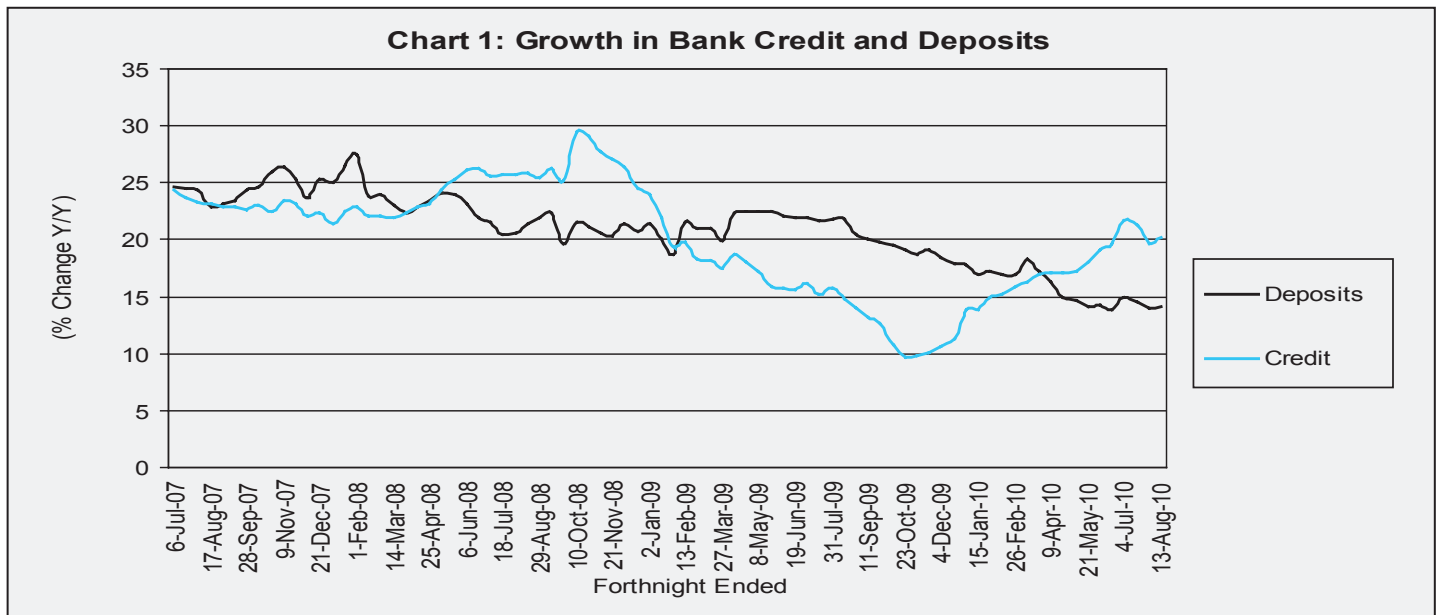
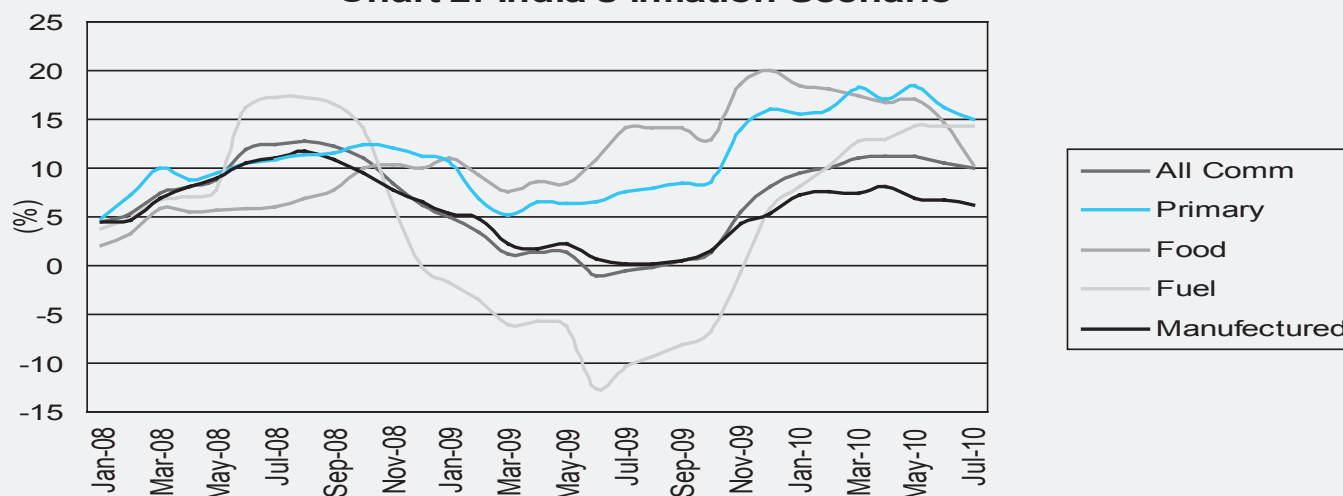


Chart 2: India's inflation Scenario



banks have started to focus more on raising deposits. In fact some of the banks have already announced hike in deposit rates and we expect that as the credit demand pick up gradually going forward, deposit growth will also start moving up.

Improvement in Credit-Deposit Ratio

Improvement in credit growth and slowdown in deposit mobilisation has resulted in significant increase in credit-deposit ratio (CDR) in last two quarters or so. As on August 13, 2010, scheduled banks' CDR stood at 72.64% compared with 69% a year ago. However, it may be noticed here that most of the improvement in CDR until the most recent fortnights was largely boosted by the decline in deposit rate than growth in credit delivery.

Inflation Remains at Elevated Levels

India's headline inflation as reflected in the movement of the wholesale price index (WPI) remained in double digits for five months before showing a slight dip in July to touch 9.97% compared with 10.55% in June. However, it is still much higher than the RBI's medium term target of around 5%. Further, the entry of the WPI based inflation into single digits might be short lived as the government revised the May inflation figure upwards to 11.14% from 10.16% released provisionally, indicating there could be significant upside for July inflation as well.

While some policy makers have suggested following the dip in June numbers that inflation might have peaked, more proof might be needed before such a conclusion could be reached. Increase in the headline index on a month-on-month basis, a sharp upward revision of May's inflation reading and only a marginal decline in manufacturing

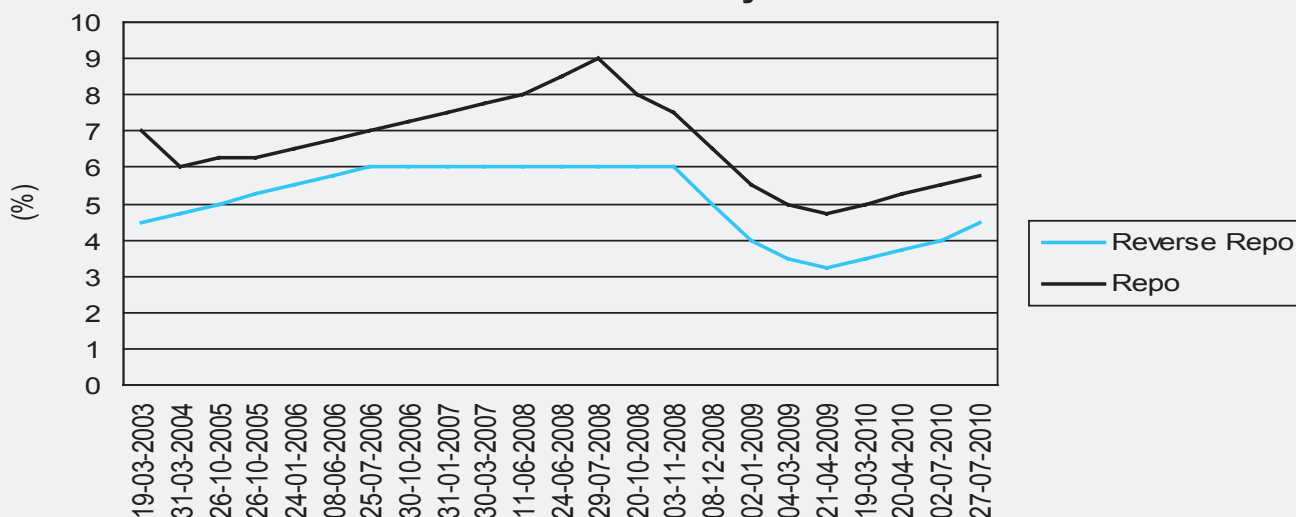
inflation suggest price pressures continue to persist in the Indian economy. Also, the weekly food prices data indicates that food inflation in the country remains in tractable so far despite a good monsoon so far and strong outlook for Kharif (summer sown) crops.

RBI Hikes Policy Rates Twice in July

The RBI has been on a policy tightening spree amidst persistently high inflation. There has been an increasing pressure on the Indian monetary authority to start moving aggressively towards controlling inflation that has proved extremely stubborn till now and hike its benchmark rates which are totally out of synchronisation with both the inflation as well as economic growth. Further, the inflation has been generalising into broader economy from hitherto being restricted to the food prices only. The non-food manufacturing or the so called core inflation too has picked up rapidly in last few months and is hovering around the 7% mark currently, indicating build up of pressure on capacities in the manufacturing sector.

In this wake, the central bank has picked up the pace of normalising its policy stance that was let loose following the global financial crisis. The RBI hiked its policy rates twice in the month of July by 25 bps each time. Further, the central bank stated in its July review that it will be conducting a mid-quarterly review of monetary policy from now on and the next such review would be held in mid-Sept. We believe that if the August inflation data, which would be out before the RBI releases its review, does not show a strong indication of deceleration in inflationary tendencies, the central bank may decide to implement another 25 bps hike in policy rates. The process will continue for rest of the fiscal and we expect 50-75 bps of more tightening

Chart 3: RBI's Policy Stance



being delivered by end of the FY11.

Liquidity Situation Eases

The liquidity cycle has progressed rapidly over the last few months. From the abundant liquidity that was seen during most of the last fiscal, banks had to face a liquidity crunch following the huge outgo towards the two telecom spectrum auctions which also coincided with the advance tax outgo for the first quarter.

As a result, the liquidity remained substantially negative for couple of months. However, as the government begins to spend money, the liquidity scenario has somewhat eased now. Nonetheless, even though banks' presence at the repo window has declined, overall liquidity is still negative. The change in situation compared with the last fiscal is also reflected in the fact that the call rates continue to be close to the upper end of the repo-reverse repo benchmark corridor compared to being right on the reverse repo level last fiscal.

Although we expect that the RBI will continue monitoring the liquidity situation closely due to heavy government borrowing program to ensure that liquidity does not get too tight, the central bank is also not going to let the liquidity get too much positive as it would like to see rapid transmission of its monetary policy manoeuvres.

Base Rate System Replaces BPLR

A major change that is going on in the Indian banking industry is the Base Rate concept which has been brought to replace the Benchmark Prime Lending Rate (BPLR) system. The concept of BPLR was introduced by the RBI in November 2003 with the objective of enhancing transparency in the pricing of loan products by banks.

However, over time the system of BPLR lost its relevance as a meaningful reference rate as the bulk of loans were advanced below BPLR. This not only made the loan pricing system non-transparent but also impeded the smooth transmission of monetary signals.

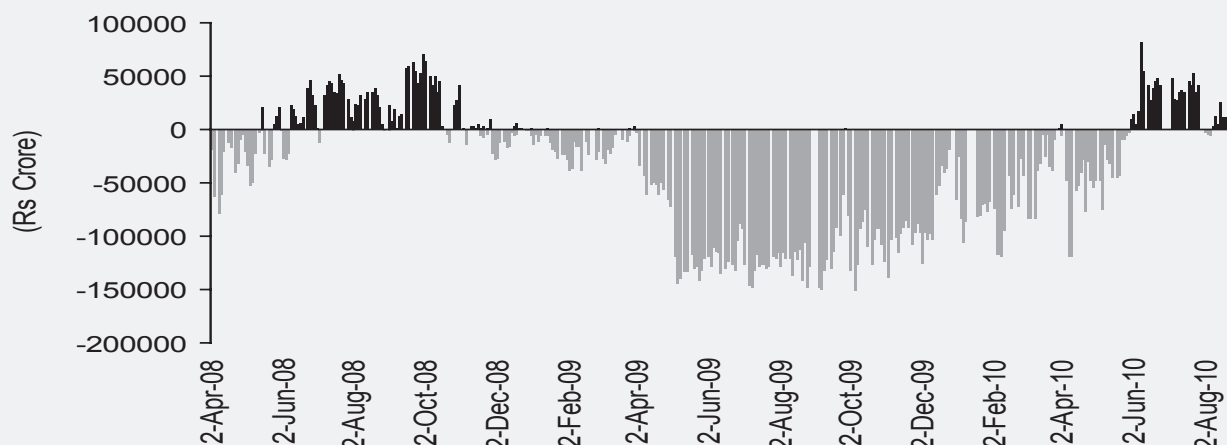
So, following the announcement in the Annual Policy Statement for the year 2009-10, the RBI set up a Working Group led by Deepak Mohanty to review the BPLR system. The Working Group suggested a shift from the BPLR system to the Base Rate system. The Base Rate represents the minimum rate below which it will not be viable for the banks to lend. In other words, Base Rate represents the risk-free lending rate.

As per the guidelines released by the RBI, the Base Rate forms the floor for lending activity and no loans except pre-defined exceptions will be allowed below it. At present these exceptions include (a) DRI advances (b) loans to banks' own employees, (c) Loans to banks' depositors against their own deposits, (d) agriculture credit under priority sector lending. The RBI may also add short term export credit to this category.

While all the banks have already shifted to the Base Rate System from July 1, the transition from BPLR is not yet over and for now the banks are specifying both the BPLR and Base Rate. This is because the banks have been allowed to carry on already entered contracts on the BPLR system. It will still take around couple of quarters for the transition from BPLR to Base Rate to be completed. However, for making new loans, banks have to follow the Base Rate guidelines.

At the moment the regime change is not expected to

Chart 4: Liquidity under Repo (+) and Reverse Repo (-) operations of RBI



significantly impact the margins of banks. However, with the rate cycle on upwards, the new regime will increase competition in certain loan categories like loans to blue chip companies and may therefore have a marginal downward impact on interest rate margins in medium run.

RBI Tightens HTM Norms for Banks

In order to plug loopholes in the manner the banks are managing government securities portfolios, the RBI has tightened the norms governing the disclosure related to the held to maturity (HTM) category.

The central bank has directed the banks that if the value of sales and transfers of securities to/from the HTM category exceeds 5% of the book value of the total investments held under this head at the beginning of the year, bank should disclose the market value of the investments held in the HTM category.

The changes follow the central bank's observation that many banks were resorting to sale of securities held under HTM category, that too frequently, to take advantage of favourable market conditions and to book profits. The move will cap banks' potential to manoeuvre the HTM portfolio now, though we do not expect any significant impact on treasury performance immediately.

Outlook

The Indian banking industry has had a good 5-6 quarters after facing a lot of pressure following the events of September 2008. Slowdown in credit growth has been compensated by non-interest income so far. The fears of sharp rise in NPAs following the credit meltdown have also subsided as most banks were able to check expansion in retail credit and tighten pre-sanction credit checks.

However, things are changing now with the economy looking to move towards rising rate regime. The RBI has picked up the pace of normalising its monetary stance and has already hiked rates twice in July. Further, the central bank will keep a tight leash on the liquidity as it would like to see rapid transmission of its monetary policy measures. With another 50-75 bps tightening expected over rest of the fiscal, there will be significant upward pressure on rates.

Also, as the interest rate cycle moves on its upward course, treasury profits will be lower. These have been a significant contributor towards maintaining profitability of banks in the last fiscal. Also, some of the restructured loans, particularly in the real estate and export oriented spaces, might go bad. Possibility of double dip in global economy is still not over and any such development can have significant impact on domestic demand and banks' loan portfolio.

On the positive side though, credit growth is picking up and is likely to remain solid in the second half of the fiscal. Overall outlook of the economy looks very strong at this point and growth rate is expected to increase to 9% next fiscal after touching 8.5% this year. While banks may see some slowdown in non-interest income in short term, we believe that in the medium term, a strong growth momentum will help banks keep a healthy interest margin and thus boost interest income despite rising market rates. Overall, we believe that while there will be some short run pressure on margins in wake of policy tightening by the central bank, in a broader sense the industry will continue to perform very well riding on strong growth in Indian economy.

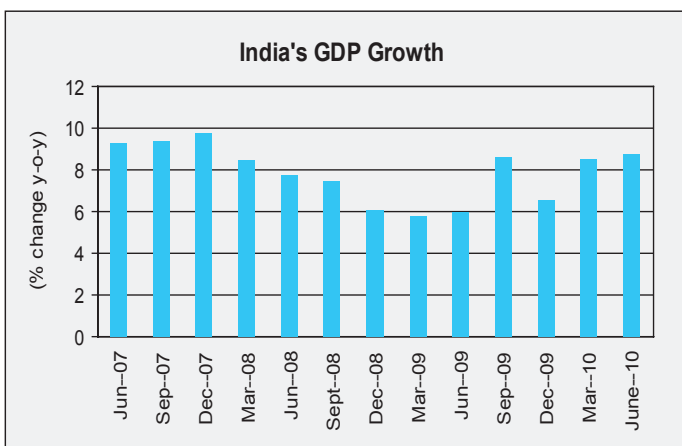
Q1 GDP: headline Strong but Internals Remain Weak

The Ministry of Statistics and Programme Implementation released the estimates of Gross Domestic Product (GDP) for the first quarter (April-June) of 2010-11 on August 31. While the overall growth in national income seemed in line with the expectations, the GDP internals showed a very lacklustre performance of all the demand side aggregates and put up a rather puzzling picture.

Growth Trajectory

Indian economy has recovered rapidly from the impact of the global economic slowdown and growth has been improving swiftly following the fiscal-monetary stimulus package. The recovery that gathered momentum in September quarter last year has remained intact except a bump in Q3 of FY10 due to poor monsoon.

As per the data released by the government, quarterly GDP in the first quarter of FY11 at factor cost and at constant (2004-05) prices is estimated at Rs 11,32,778 crore, as against Rs 10,40,949 crore estimated for the same quarter of the last fiscal, thus showing a robust growth rate of 8.8%. This figure was close to market expectations of around 8.9%.



Overall, the growth trajectory is strong and points out that the full fiscal growth should beat the targeted 8.5% by the government. However, there are some weaknesses in the demand side of the economy and these have to be addressed for sustaining a strong growth pace. Also, going forward, the base effect from last year and some moderation in industrial activity could cap the growth rate.

Composition of GDP

Industrial growth continued to show a strong momentum expanding at double-digits, albeit showed some moderation on quarter-on-quarter basis, as was expected. Overall industrial activity expanded by little over 10% boosted by the manufacturing activity which grew by 12.4%, while Mining and quarrying registered a growth of 8.9%

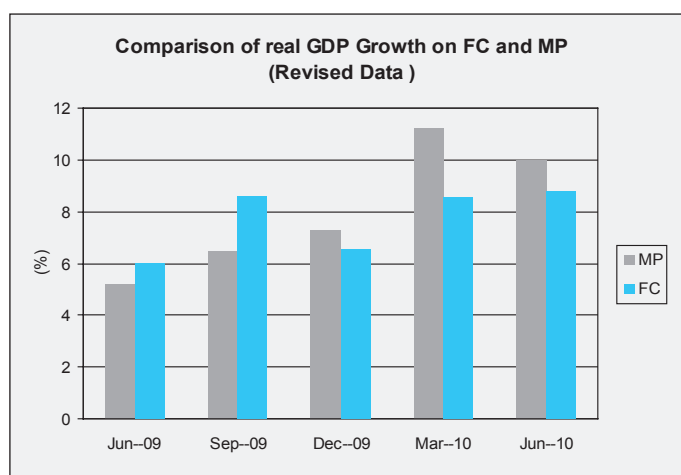
over the quarter. While there has been some slowdown in industrial activity on a quarter-on-quarter basis, this was anticipated following the moderation in the index of industrial production (IIP). Going forward, the industrial activity is likely to moderate further and reach close to its trend value of around 8-9%.

Agriculture sector too showed significant improvement riding on good Rabi crop in the last quarter and ongoing good monsoon. Farm sector put up a growth of 2.8% compared with 1.9% growth seen in this sector in the same quarter a year ago. Going forward, the farm sector is expected to further pick up the pace in wake of good monsoon this year and the low base effect from the previous year.

The most critical support to the GDP numbers however came from the services sector that showed a strong recovery to reach a growth rate of 9.7% compared with 8.4% growth seen in the last quarter. Within the services space, construction activity expanded by 7.5% compared with 4.6%, 'trade, hotels, transport and communication' 12.2% against 5.5%, financing, insurance and real estate' at 8% compared with 11.8%, and the 'community, social and personal services', which primarily reflect the impact of government's social expenditure, registered marginal slowdown to touch 6.7% compared with 7.6% expansion seen a year ago. Services sector is close to reaching back to the double-digit levels of growth which would be essential if a 9-10% growth rate for the economy is to be achieved.

Demand Side Aggregates

While the picture put up by the headline GDP number and supply side aggregates seemed pretty much in line with the expectations, problem arose when one looked at the demand side aggregates, which are measured and interpreted at market prices (as against factor costs), all of which showed a very dismal accounts. As per the original data released by the central statistical organisation (CSO) on August 31, the private consumption was nearly stagnant



while the investment dropped to one-fourth of what was in the last quarter. There was also a huge divergence between the overall real GDP growth estimates at factor cost (8.8%) and the real GDP growth estimates at market price (3.65%). Overall, the demand side picture just did not look of an economy that had grown at 8.8% over a year.

Even as the economists continued to pose questions on the puzzling nature of the demand side aggregates, the government was quick to accept that a mistake was committed in reporting the expenditures of GDP in real terms and revised the national income statistics on the very next day. The revised estimates showed a much more believable level of expenditures on GDP compared with the original release even as the overall demand side picture remains weak.

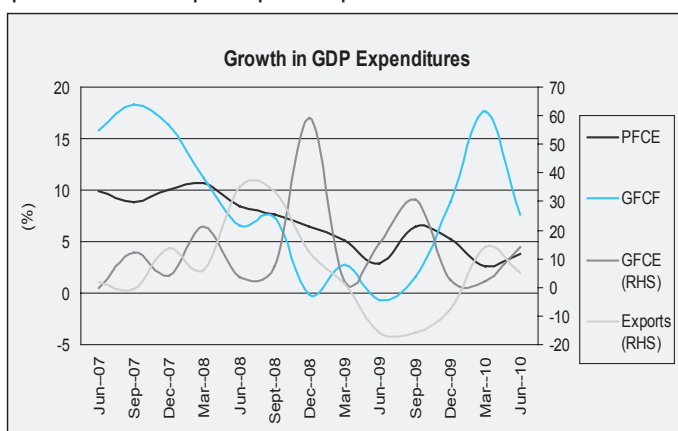
As per the revised estimates, the growth in real GDP (at 2004-05 prices) stood at 10% when the national income is measured at market prices as compared to the earlier reported figure of 3.65%. It should be mentioned here that the aggregates at market price should not be confused with those at current price. While the distinction between constant and current prices refers to whether the impact of inflation has been controlled for or not, the distinction between estimates on market prices and factor costs refer to how the GDP is measured. The factor cost estimates are measured by adding up the costs paid to all the factors of production or the income earned by such factors. Thus it provides us with a supply side measurement of the national incomes. This official headline growth rates is based on factor cost numbers. On the other hand, estimates on market prices are reached by adding up the prices of all the goods and services sold in the economy. Thus, it provides an estimate of the GDP from the demand side and is therefore important in understanding the demand side scenario in the economy.

Coming back to the revised estimates at the market prices, it is also worth noting that the huge difference between the original and revised aggregates stemmed from the miscalculation of GDP deflator. The original data assumed a deflator of over 20%, which literally means prices had climbed up 20% over the year, and obviously seemed very untrue. The revised data used a GDP deflator of around 13%, which was more in line with consumer price growth over the period. It may be noted that GDP deflator for expenditure based estimates is derived from consumer price index (CPI) while that for the factor cost based estimate is derived from the wholesale price index (WPI). The latter remains unchanged in the revised estimates, as is the headline GDP growth estimate too. Henceforth, all discussion refers to the revised national income data released by the CSO in late evening hours of September 1.

The revised demand side aggregates of the GDP numbers gives rise to some mixed trends indicating that while the consumption expenditure by the household sectors rose slightly from the record lows of the previous quarter, the significant uptick seen in investment demand in the March quarter has moderated three months later. The Private Final Consumption Expenditure (PFCE) as well as the Government Final Consumption Expenditure (GFCE) accelerated in the Q1, with the later showing much higher growth, while the Gross Fixed Capital Formation (GFCF) decelerated considerably. This may though indicate towards some sort of stabilization in the private spending which is necessary before the economy can again start performing robustly on a consistent basis. Also, since the recession was deep and the recovery was very rapid, demand side aggregates are bound to show some volatility in initial phase.

At constant (2004-05) prices, the PFCE and GFCE in Q4 of 2009-10 are estimated at Rs. 683,794 crore and Rs. 144,087 crore, respectively, registering a growth of 3.78% and 14.1% compared with the same quarter last year. This contrasts with growth of 2.64% and 2.14% in the previous quarter. What it indicates is that both government and private consumption expenditure have shown positive uptick in the Q1 data, although the growth is much higher in government expenditure. However, it should be noted that going forward, government demand will slowdown as finance ministry tries to keep a tab on expenditure in accordance with its fiscal consolidation policy.

Private demand on the other hand has shown some good growth over the last quarter when it had dipped to a record low level. However, the growth in household spending is still very little when compared to the average level in recent years. In order to support a growth of around 8-10%, it must pick up further in coming quarters. Also, investment demand too cannot support growth in long run until the private consumption picks up.

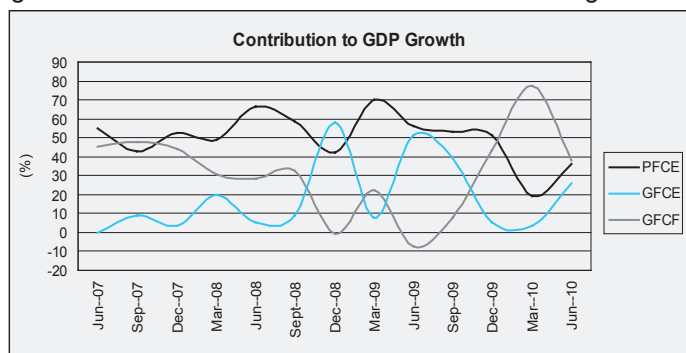


Finally, the pace of growth in the investment demand or the GFCF, which had shown a sharp jump in the last quarter, moderated substantially in the June quarter to touch

7.6% compared with 17.6% in March quarter. This figure is somewhat disappointing and does not really confirm the kind of bullish investment sentiments revealed by the capital goods numbers in the index of industrial production (IIP). It should be noted though that IIP only catches a part of the investment expenditure and also is an unrefined figure in itself, so the two are not strictly comparable.

Contribution to Growth

In order to further understand that how the three domestic expenditure heads are contributing to the economic growth, it will be worthwhile to analyze the relative contribution of each of these towards GDP expansion. In the following diagram, we have plotted the relative contribution of private, government and investment demand to the GDP growth.



We can see that historically, the private consumption and the investment expenditures have been the main contributors of growth. However, the contribution of private consumption and investment demand towards growth started coming down sharply from the second and third quarters of 2009, respectively, on account of the commodity inflation shock and global financial crisis. On the other hand, at the onset of these events, the contribution of government expenditure or GFCE rose sharply, signalling that the growth in the Indian economy was then largely maintained by pushing up the fiscal deficit to support increasing subsidy outgo and heightened social sector spending. However, as the recovery started taking shape, the government expenditure started going down reflecting the impact of declining stimulus spending as well as improving private demand. The trend however has been again broken with the share of government demand again showing an uptick in the last quarter.

On the other hand, investment demand that bottomed out in first half of 2009-10 and registered strong growth in the third and fourth quarter of the last fiscal has again gone down in the Q1 of FY11. However, the behaviour of both these components should be taken as moving towards stabilization, albeit with some hiccups. We believe the jump in GFCF last quarter was a bit too much and it had to come down once before continuing its upward journey. Similarly, while the contribution of government demand to growth should come down as recovery consolidates; such a

process cannot be overly smooth in a country like India.

A more important feature of the demand side aggregates is the fact that private consumption expenditure too seems to have bottomed out in the March quarter and has shown some positive movement in the latest numbers. While the contribution of the consumption to growth is still much lower compared to historical trends, we believe this could be due to high food inflation and resulting slowdown in demand for non-durables. Going forward, as inflation comes down, and outlook of the economy stabilizes further, we should see a further uptick in domestic demand and hence its contribution should increase towards overall GDP growth.

Outlook

Indian economy has remained on a strong platform despite the global crisis. However, given that the country has been increasingly getting integrated with rest of the world. As a result, some slowdown was necessary following the global downturn. However, India was quick to recover and growth was back to over 8% by September quarter of last year, that is within one year of start of the crisis in September 2008.

However, Even as the headline growth seems to have recovered swiftly, the demand side internals of the GDP continue to show a weaker picture. There has been some improvement from the last quarter and consumer demand seems to have bottomed out. Investment demand though slowed down from the sharp uptick seen in last quarter, is likely to continue the broader recovery trend.

However, on the whole internals are relatively weak compared with the headline number. The data will also be watched closely by the Reserve Bank of India (RBI) which has been on a policy tightening spree in recent months in wake of sticky inflation. Numbers clearly point out that even though the headline GDP growth is robust, internals are still weak and investment demand yet to go long way before it can support steadily a 9-10% growth. As such, we expect the central bank to probably get a bit slow on policy rates front, particularly if the inflationary forces show some sign of cooling down in wake of a good monsoon.

On the growth front, we believe the economy remains strong in terms of fundamentals and is emerging from the impact of slowdown. The recovery however is faster on the surface and somewhat slower when looked inside the numbers. There could be some slowdown in growth in coming quarters as industrial growth moderates, interest rates go up and impact of the fiscal stimulus fades. There will also be a base effect from last year in coming quarters. As such, we expect that Q1 may mark the peak of growth for this fiscal, with a relatively weaker Q2 ahead before the numbers get a boost again due to low base effect in the farm sector in Q3. Average growth over the fiscal is likely to be close to the government's target of 8.5%.

Bank of India - Buy Investment overview

- Banks advances and deposits are expected to improve at CAGR of 16% and 14.5% respectively in the present fiscal.
- The bank is working with an ambitious target of expanding to 3500 branches and 1500 ATMs by March 2011.
- Productivity of the bank witnessed huge improvement, with the bank's core cost-income declining 884bp yoy to 41.1%.
- The bank will be focusing on Mid Corporate segment

Stock Data (as on 03/09/10)	
Current Mkt Price (Rs.)	463.45
52 week High (Rs.)	476.40
52 week low (Rs.)	308.85
Mkt Cap (Rs. Cr.)	24339.30
Return in last one Month (%)	6.08

Share Holding Pattern(as on June 30,2010)	%
Total Promoter	64.47
Institutions	27.11
Non Institutions	8.42

Key Ratios	
P/E	12.93
Price/Book(x)	1.80
Dividend Yield (%)	1.51
ROCE(%)	5.88
ROE(%)	14.16

for higher returns, its domestic credits for corporate has increased by more than 305 in the Q1.

Business Overview

Bank of India was nationalised along with 13 other banks in 1969. The Bank has made a rapid growth over the years and blossomed into a mighty institution with a strong national presence and sizable international operations.

The Bank has 3101 branches in India spread over all states/ union territories including 141 specialised branches. These branches are controlled through 48 Zonal Offices. There are 29 branches/ offices (including three representative offices) abroad.

The Bank has been the first among the nationalised banks to establish a fully computerised branch and ATM facility at the Mahalaxmi Branch at Mumbai way back in 1989. The Bank is also a Founder Member of SWIFT in India. It pioneered the introduction of the Health Code System in 1982, for evaluating/ rating its credit portfolio.

The Bank's association with the capital market goes back to 1921 when it entered into an agreement with the Bombay Stock Exchange (BSE) to manage the BSE Clearing House. It is an association that has blossomed into a joint venture with BSE, called the BOI Shareholding Ltd. to extend depository services to the stock broking community. Bank of India was the first Indian Bank to open a branch outside the country, at London, in 1946, and also the first to open a branch in Europe, Paris in 1974.

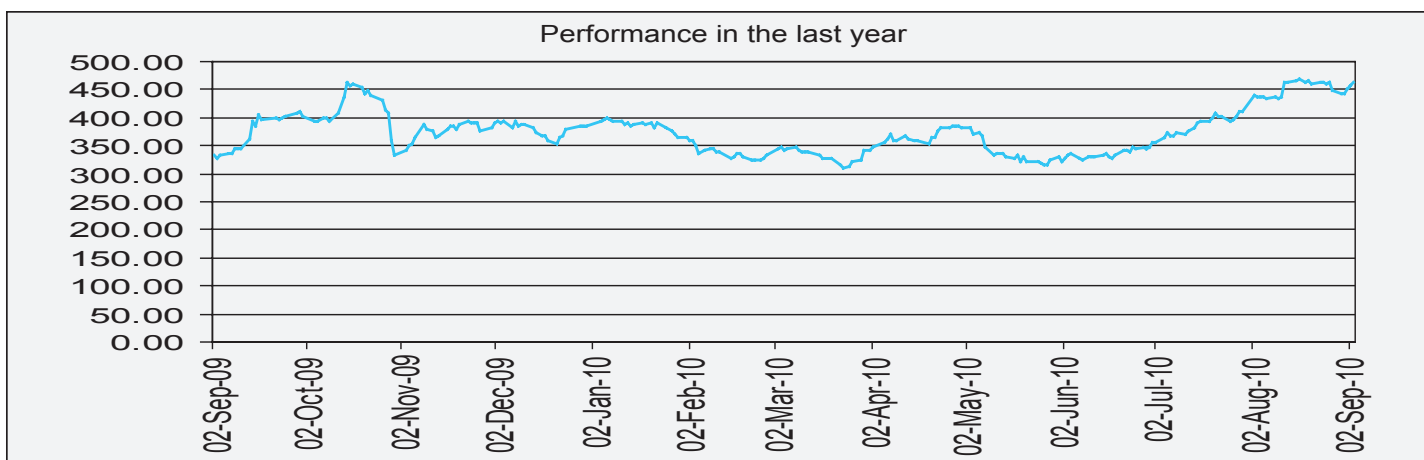
The bank apart from the customary banking services offers a bouquet of other modern products like, Mobile Banking, Internet Banking, Pay Bills, Book Air and Rail Ticket, Online ASBA IPO, Direct Tax, Central Excise, Service Tax, Online Trading in Shares and Star e-Remit etc.

Financial Health

For the quarter ended June 30, 2010 operating profit of the bank increased from Rs 1093.6 crore in June 2009 to Rs 1410.6 crore, up by 29%. Net Profit increased from Rs.584.3 crore in June 2009 to Rs.725.1 crore in the corresponding previous quarter, up by 24%. Interest income of the bank increased by 10.14% to Rs 4822 crore for the quarter while the non interest income declined by 9.29% to Rs 586 crore.

The total business of the bank touched Rs 4,10500 crore

Performance in the last year



(Rs. Cr.)

Particulars	June Qtr-10	June Qtr-09	%Change	FY10	FY09	%Change
Interest Earned	4821.72	4377.72	10.14	17877.99	16347.36	9.36
Total Income	5407.62	5026.61	7.58	20494.62	19399.22	5.65
Other Income	585.90	645.89	-9.29	2616.63	3051.86	-14.26
Net Profit	725.13	323.34	-124.26	1741.07	3007.35	-42.11
NPM	15.04	13.35	--	9.74	18.40	--
EPS	13.81	11.13	--	33.15	57.26	--

Standalone

showing an YoY growth 20% while the deposits stood at Rs 233700 crore. The domestic deposits were up by 20% and Foreign deposit by 14% while the global deposit registered a gain of 21% on Y-o-Y basis.

Net Interest Margin improved from 2.42% in June 2009 to 2.89% in June 2010 and the gross NPA declined from Rs 4882.7 crore in March 2010 to Rs.4794.5 crore in June 2010.

CASA of the bank witnessed a Y-o-Y growth of 26% while the Share of CASA to Aggregate Deposits for the June quarter stood at 32.64%.

Industry Scenario

The banking industry in India has witnessed path-breaking changes and massive growth ever since the government launched the financial sector reforms in 1991. Between 1991 and 2007, total assets of banking industry have grown at a compound annual growth rate of 11.5%. The induction of new private and foreign banks and private equity in public sector banks has brought professional dynamism and vibrancy to the industry. As a result of the foundations laid through the first and second generation reforms, the banking industry has witnessed a strong growth rally during last few years.

With positive contribution from the regulator ' the Reserve Bank of India (RBI) and the policy maker the ministry of finance, the industry has witnessed improved regulation and practices. Some of the banks have made notable stripes in innovation and improvisation. ICICI, the second largest player in the industry, was ranked among the top innovators in a recent survey by The Wall Street Journal Asia. The growth story of banking industry has placed India well in line with countries boasting of a well developed financial system.

One concern for the banking industry has been poor credit growth which kept declining through most of the last year as businesses postponed capex plans due to uncertain economic outlook and banks cut down heavily on retail loans in wake of rising NPAs. However credit growth too has started to pick up over last one month or so and is likely to grow at a healthy pace going forward as the non-farm sector growth surges to the pre-crisis levels.

The Indian banking industry has had a good one year after facing some pressure following the events of September 2008. Slowdown in credit growth has been compensated by non-interest income so far. The fears of sharp rise in NPAs following the credit meltdown have also subsided as most banks were able to check expansion in retail credit and tighten pre-sanction credit checks. The industry has

witnessed rapid growth in a broader sense it will continue to perform well riding on strong growth in Indian economy.

Investment Rationale

The banks Gross NPAs declined by 1.8% QoQ, thereby, breaking the increasing trend in GNPA's of past six quarters. Net NPAs, too, declined by Rs150 crore QoQ to 1.18%. Provision coverage improved to 57.0% from 54.8% QoQ. Though the slippages of loans for the quarter too reduced to Rs 620 crore against Rs1500 crore, but were more than a percent and poses a concern and defaults in loans too can be expected.

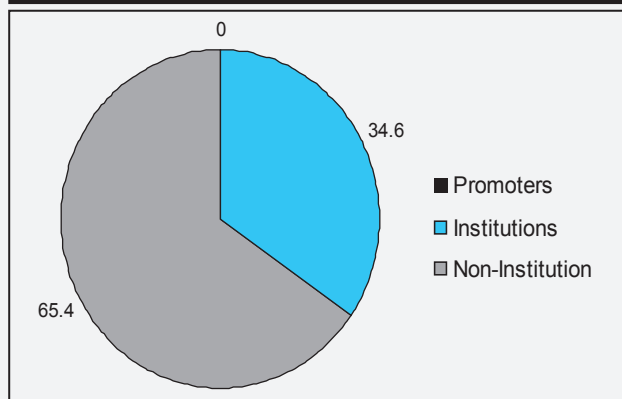
The bank has kept an ambitious target of having a branch network of over 3500 branches and 1500ATMs by March 2011 and to enlarge its presence abroad as well. In this regard it has established 133 new ATMs during Q1 thus taking the total ATMs to 989 and is targeting to reach 1150 ATMs by September 2010.

Its JV insurance company - 'Star Union Dai-ichi Life Insurance company' (Partners: Dai-ichi Life Insurance Co. Ltd., Japan & Union Bank of India), has reported a total premium of Rs 536.24 crore in the last fiscal and was having operating expenses to premium income ratio of 15%, lowest in the industry. It is the first company to launch 26 products during the first 14 months of operation. The business is likely to perform better in the coming days giving a fillip to the revenue of the company.

The bank's domestic credits of the bank has increased for agriculture, SME and corporate while it declined for retail. The management has revised the outstanding restructured book as on March 2010 to Rs10000 crore from Rs7450 crore, mainly due to inclusion of foreign restructured loans and due to difference in the cumulative restructured book as on March 2009.

Bank of India has shown a good bit of recovery in the recent days the overall performance of the bank can now be called on the track, though it showed slow business growth but its net interest margin has improved considerably and the CASA too has bettered. For the passing quarter the bank has reported a strong growth in net interest income while its asset quality remained stable. The scrips of the bank are currently trading at Rs 463 with a P/E multiple of 12.93x and an EV/EBIDTA of 11. We will recommend a buy in the stock with a price target of Rs 500 for a medium term outlook and with an estimated FY 11 P/E of 8x and estimated net interest income of Rs 7000 crore in FY11. Keeping in view the improved macro indicators factor and the banks repeated growth in domestic as well as global advances.

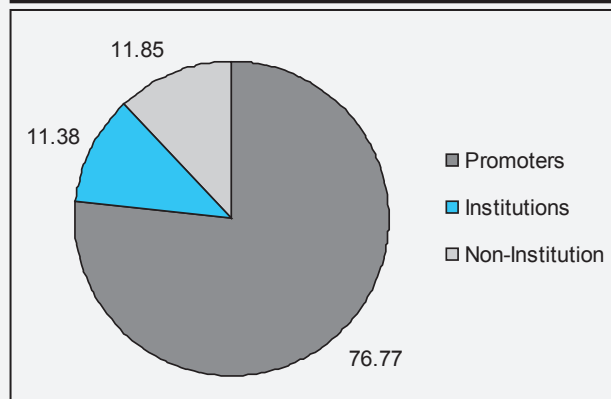
Karnataka Bank: Buy



- ◆ Karnataka Bank, incorporated on 18 February 1924, is a private sector lender with a branch network of 464 branches spread across 20 states and 2 union territories. It is a leading 'A' Class Scheduled Commercial Bank in India.
- ◆ It provides business banking, personal banking, internet banking, money transfer and insurance services. The lender has grown in size over the years through merger of Sringeri Sharada Bank, Chitradurga Bank and Bank of Karnataka with itself.
- ◆ The bank had posted a net profit of Rs 46.48 crore for the quarter ended June 30, 2010 as compared to Rs 40.06 crore for the quarter ended June 30, 2009, up 16.03%. Its total income for the quarter under review stood at Rs 613.30 crore, almost unchanged from Rs 609.67 crore reported for the year ago period. Net interest margin (NIM) for the quarter rose to 1.74% from 0.79% in June 2009 quarter.
- ◆ Its capital adequacy ratio (CAR) improved by 1195 basis points (bps) or 11.95% to 24.32% in June 2010 quarter from March 2010 quarter. Meanwhile, earnings per share (EPS) of the bank came down on quarter-on-quarter (QoQ) basis to 3.47 rupees from 5.99 rupees. The bank's net non performing asset (NPA) increased to 1.20% in June 2010 quarter from 0.95% in the year ago period. Its CASA ratio increased to 24.2% in June 2010 quarter from 19.4% in the year ago period.
- ◆ Recently, Credit rating agency -- ICRA -- reaffirmed 'LA+' ratings to Rs 350 crore lower Tier II bonds of Karnataka Bank and assigned a stable outlook. The rating agency also reaffirmed 'A1+' rating to the Rs 2,000 crore Certificate of Deposits (CD) programme of the bank.
- ◆ At a current market price (CMP) of Rs 179.60, the stock is trading at a price to earnings (PE) multiple of 13.87x whereas the industry PE stands at 22.45x. The bank's shares are available at stiff discount compared to other mid-size private sector banks like - Dhanalakshmi Bank (PE - 82.20x) and Lakshmi Vilas Bank (PE - 38.42x). We recommend a buy on the stock with a short term price target of Rs 200.

Last Traded Price (as on 03/09/10)	Rs 179.60
Price target	200
Market cap. (Rs cr.)	2,407
52 Week H/L	188.85/ 108.45
Free Float	100%
BSE code	532652

Bank of Maharashtra: Buy



- ◆ Bank of Maharashtra (BoM) commenced its operations on February 08, 1936. The bank has network of 1,433 branches spread over 22 states and 2 union territories. Its ATMs count currently stands at 345. The lender has good presence in rural areas with close to 40% of its branches located at such places.
- ◆ It offers various products and services like deposits, savings, personal loans, educational loans, RTGS, demat services, credit cards, etc under personal banking category. The PSU lender also provides NRI banking services.
- ◆ For the quarter ended June 30, 2010, it had reported a net profit of Rs 118.43 crore, up 16.35% over Rs 101.79 crore for the quarter ended June 30, 2009. Total income rose by 10.13% to Rs 1,412.98 crore in the quarter from Rs 1,282.96 crore for the year ago period. The bank's net interest margin (NIM) increased to 2.38% in the quarter.
- ◆ The bank's CAR showed good improvement to 23.38% during the reporting quarter from 12.78% for March 2010 quarter. EPS, however, slipped to 2.75 rupees in June 2010 quarter from 3.23 rupees for March 2010 quarter. Its net non-performing assets (NPA) for the quarter jumped to 2.02% from 1.36% in the year ago period.
- ◆ Recently, the lender received capital infusion of Rs 588 crore from the government. The second tranche of the capital infusion from the government is likely by the end of this fiscal.
- ◆ At a CMP of Rs 71.60, the stock trades at a price to earnings (PE) multiple of 6.76x against the industry PE of 10.65x. The bank's CASA ratio showed good growth to 40.01% during the latest quarter. Its bank's CAR position looks comfortable compared to other mid-size public sector lenders' whose stock prices witnessed sharp up-moves in recent rally. The stock looks attractively priced at these levels and one can buy the counter for a short term target of Rs 85.

Last Traded Price (as on 03/09/10)	Rs 71.60
Price target	85
Market cap. (Rs cr.)	3,082
52 Week H/L	74.50/ 39.80
Free Float	23%
BSE code	532525

Reliance Industries acquires 14.12% stake in EIH

Reliance Industries (RIL) through its wholly owned subsidiary -- Reliance Industries Investment and Holding -- has acquired a 14.12% stake in hotel chain EIH from Oberoi Hotels and certain other promoters for about Rs 1021 crore. RIL's investment in EIH has been made as the Oberoi family had developed the -- Oberoi Hotels -- brand into a premier international brand in the luxury hospitality sector and as a result EIH has excellent future prospects. RIL has full faith in and would support the management of EIH and there is no change of management, operation or control of EIH.

Videocon Industries to sell 26% of its stake in telecom arm

Videocon Industries, one of India's leading global business conglomerates is planning to sell 26% of its stake in its subsidiary-- Videocon Telecommunications. The company is in talks with various foreign entities from the U.S., Europe and Japan for this deal. Videocon Telecommunications is a 100% subsidiary of Videocon Industries, with 1.9 million subscribers and a market share of 0.31%. Meanwhile, the company is looking for total valuations of Rs 15,000 crore, though the current valuation for the telecom business has not been disclosed yet.

HPCL plans diluting its stake in HMEL through an IPO

Country's second-biggest oil marketing company, Hindustan Petroleum Corporation (HPCL) is planning to sell a part of its stake in HPCL-Mittal Energy (HMEL) through an initial public offer (IPO). HMEL is a joint venture between HPCL and Singapore-based Mittal Energy Investment, a group company of India-born steel tycoon Lakshmi Mittal. Both partners hold 49% each in the company, while the rest is held by financial institutions. HPCL through this IPO is planning to bring down its stake to 26%. As the company is of view that the money thus raised through the sale of its stake could be used for its other businesses.

NTPC plans to commission thermal power project in MP

Maharatna Public Sector Undertaking (PSU) National Thermal Power Corporation (NTPC) is planning to commission thermal power project at Gadarwara in Madhya Pradesh (MP). Stage-I of the project shall have an installed capacity of 1,320 Mega Watt (MW) (2x660 MW). The 3,260-MW Vindhyachal Project, the company's largest project, is also situated in MP. The company has a total installed capacity of 32,194 MW, out of which 8,593 MW is in the Western Region.

ONGC drills success in western onshore basin

State-run Oil & Natural Gas Corporation (ONGC) has

drilled success in Vadatal-1 well in NELP Block CB-ONN-2004/2, western onshore basin. The well drilled to a depth of 1,784m was found to be oil bearing in the interval 1,148 to 1,137m in EP-IV formation of mid. The conventional testing of the block showed a flow of 278 barrels of oil per day. This discovery pertains to a NELP-VI block (earlier relinquished part of GSPCL acreage CB-ON/2) in the Tarapur area of the western onshore basin. The discovery has opened up a large area for exploration and is under further assessment of its extent and potential, the PSU said in its press release.

NIIT, Tally enter into global strategic alliance to develop talent for SMB

NIIT, leading Global Talent Development Corporation and Tally Solutions, leading Business Management Software Product Company, have entered into a global alliance to develop comprehensive business software professionals with particular expertise in Tally.ERP 9 product. The uniqueness of this strategic alliance stems from the fact that this is the first global alliance aimed at developing talent for Small and medium Businesses (SMB). The programs being announced include training on the latest Tally.ERP 9 software, as well as business processes and soft skills -all of which are required for comprehensiveness of trained professional for this sector.

Moser Bear rolls out world's slimmest Micro USB flash drive

World's leading manufacturing company, Moser Baer India has rolled out world's slimmest Micro USB flash drive with embedded LED measuring just 29.4 x 12.4 x 2.3 mm in size to its consumers globally. The revolutionary technology developed by Moser Baer in a super miniature model weighs 1.3 gm only and is equipped with advanced chip-on-board technology' which enables up to 8GB of flash storage to fit into an incredibly small case. These USBs are designed with a lanyard which will allow the users to hook it to a keychain, mobile phone or even use it as a fashion accessory. This flash drive allows movies, music, photos and personal documents to be stored in a format that is one-third the size of a typical USB flash drive. Embedded with LED light, these USBs are available in cute strawberry red, vibrant yellow, green, pink and orange colour.

M&M to invest Rs 4,500 crore for new tractor facility in South India

In a bid to increase production capacity in India, India's largest sports-utility-vehicle maker Mahindra and Mahindra (M&M) is planning to establish new tractor facility in South India, with a production capacity of up to 1 lakh units per annum. In this regard, the company will invest Rs 4,500 crore for next three years. At present, the company has

four facilities in Nagpur, Mumbai, Jaipur and Chandigarh with a total production capacity of 2 lakh units annually.

Cipla to acquire Meditab Specialties for a consideration of Rs 133.35 crore

Cipla is going to acquire Meditab Specialties for an aggregate consideration of Rs 133.35 crore. With this acquisition, company can get entry into Chinese domestic formulations market through Meditab's local manufacturing facility in China and can expand its API / intermediates international business through this local manufacturing facility. Meditab has small mid-sized formulation manufacturing facilities at multiple locations which are substantially manufacturing formulation products for the Company. The company via this acquisition will also benefit as it will have additional business opportunity in Africa by leveraging on local manufacturing facility in Uganda and extending its existing strategic relationship for research & development of stem cell based products having facilities in India and Malaysia, through equity participation.

DQ Entertainment in merchandising pact with Off Road

DQ Entertainment (International), a leading animation, gaming live action entertainment and distribution company has entered into a merchandising agreement with Off Road, a leading footwear manufacturer, to produce a collection based on the animation from DQE's series, 'The Jungle Book'. Off Road specializes in designing, manufacturing and selling shoes for European brands and markets. The agreement was signed through TF1 Enterprise France, DQE's co-production partner and licensing and merchandising agent for the Jungle Book in these regions.

Reliance Power plans \$5 billion investment in Indonesia

Reliance Power is planning to invest \$5 billion in Indonesia to construct a railway and develop coal mines in South Sumatra. The company is planning to develop three coal mines in South Sumatra, which will produce 50 million tonnes of coal a year within five years. Further, the company plans to setup a 230-kilometre railway that will link its coal operations in Batang Hari, South Sumatra, to a port in Jambi.

Dena Bank to venture into syndication business

Dena Bank is planning to enter into the syndication business. For this, the bank has already set up a team in Mumbai and has fixed a revenue target of Rs 25 crore for 2010-11. The bank is expecting to start its syndication business by month of December this year. The bank initially is planning to start operations at Mumbai and will

later expand it to other parts of the country in a phased manner. Besides this, the bank has appointed an agency to identify the potential countries and business model for its overseas foray which include countries like the UK, Africa, West Asia, and Canada.

PTC India's subsidiary gets IFC status by RBI

PTC India Financial Services (PFS), a subsidiary of Power Trading Corporation (PTC), involved in providing debt and equity support to power projects has been given infrastructure financial company (IFC) status by the Reserve Bank of India (RBI). Grant of IFC status would reduce cost of borrowings for PFS as it is one of the new category of NBFCs announced by RBI in February, 2010, which allows to have higher exposure for lending and investment to a single borrower or a group of borrowers. PTC is currently having a majority stake of 77.2% in PFS while the remaining 22.8% is held by GS Strategic Investment and Macquarie India Holdings in equal proportion.

Jubilant Organosys bags \$51 million CRAMS contract

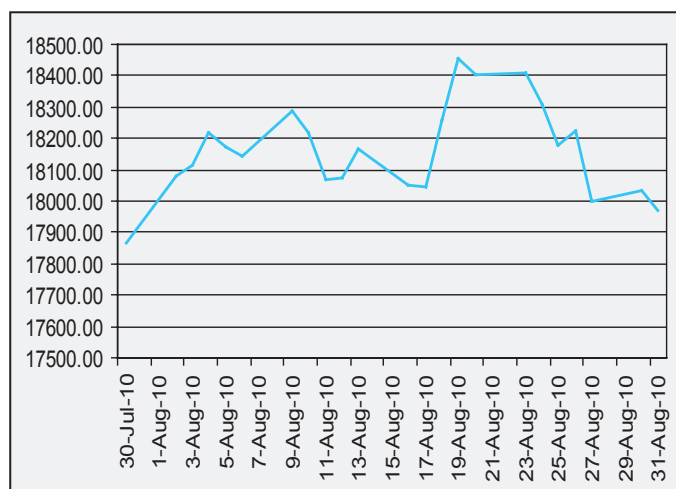
Jubilant Organosys has bagged \$51 million worth of Contract Research and Manufacturing Services (CRAMS) contract from the US-based life science company. The contract is believed to be for the tenure of 4 years with an option to extend it by one year. This is a take or pay contract with agreed quantities and the company is looking to raise the contract to more than 2.5 times. The product under this contract is based on the in-house developed technology, integrated with captively produced raw material resulting in competitive advantage both in terms of cost of production and capital investment. Following this order win, the company's CRAMS order book has crossed \$1 billion level, as mentioned in few media reports.

L&T bag two projects worth Rs 1,195 crore from ONGC

Engineering and construction major, Larsen & Toubro's (L&T) has won 2 projects worth Rs 1,195 crore from ONGC to set up additional processing units (APUs) at its gas processing complexes at Hazira and Uran. The APU project at Uran complex shall enhance the gas processing capacity at Uran complex by 5MMSCMD. New facilities to be set up include a gas sweetening unit (GSU), LPG recovery unit (LPG), condensate fractionation unit (CFU), condensate handling unit (CHU) and other utilities. The additional gas processing facilities (AGPF) project for Hazira complex is for augmenting the gas processing capacity in the Hazira complex by 5.6 MMSCMD. New facilities to be set up include a gas sweetening unit (GSU), gas dehydration unit (GDU), dew point depression unit (DPDU) and offsite and utilities.

After a happening month of July the markets witnessed a very volatile month of August. There was gloom spread across the globe with a slew of disappointing economy news from the world's largest economy US, which is being speculated to face a double dip recession. Though there was some recovery towards the end of the month but much damage was done to the markets and while the US markets witnessed worst month of August the Indian markets snapped the month with marginal gains. What started on a subdued note for the domestic markets turned bullish during the mid but again the global economic recovery worries took them down. The month was full of disappointments from the domestic front as well, the growth of industrial output for June has been reported at 7.1%, showing sharp decline from a 11.5% growth in May. This was the first time in eight months the industrial output, measured by the index of industrial production (IIP), slipped to single digits, partially due to a comparison with higher levels of last year (base effect) as June, 2009 was a much better year and also some seasonal factors that affected the below expectation performance. Manufacturing, which constitutes the majority of the Index of Industrial Production has reported a growth of 7.3% compared to 8% (Y-o-Y), Mining declined to 9.5% from 14.2%, CG was down to 9.7% compared to 13.4% in the same month last year while the Electricity sector reported a sharp plunge to 3.5% from 8%, that seems to have weighed on the June IIP index. However, despite a single digit growth in the month, factory output expanded by 11.6% in the first quarter from 3.9% a year ago and Consumer durables was the only industry that showed a good growth by expanding at a rate of 8.3% in June 2010 versus 4.4% in the same month last year. Further the Industrial growth figures for May was revised downwards to 11.35% from 11.50% estimated earlier. Though till the first week of the month everything looked alright and the Encouraging cues from across the globe and robust earnings growth from India Inc. helped the domestic equity markets to log handsome gains. HSBC Markit Purchasing Managers' Index (PMI) also boosted the market sentiment. The PMI for the last month increased to 57.6 from 57.3 in June 2010. But not only the IIP the India's export growth too disappointed the street as it slowed sharply in July amidst weakening demand from Western markets. Economists feel that the pace might go down further with the global recovery faltering and fresh

jitters threatening a double-dip recession.



BSE Sensex Monthly Gainers

Company	Prev Price (Aug 30'10)	Last Price (Sept. 03'10)	Change (%)
Tata Motors	841.90	1012.55	20.27
Jindal Steel & Power	619.60	683.25	10.27
ACC	829.90	893.90	7.71
HUL	253.60	272.05	7.28
ITC	154.10	164.25	6.59

- Tata Motors was the biggest gainer on the Sensex, advancing 20.27%. The scrip of the company went up after it reported a growth of 32% in its August month sales at 65,938 units as compared to 49,810 units in August 2009. Its domestic sales grew by 29% during the month under review to 60,781 vehicles from 47,126 vehicles in the year ago period. Its commercial and passenger vehicles' sales increased by 20% and 34%, respectively in the last month on year-on-year basis to 35,585 units and 27,008 units, respectively.
- Jindal Steel & Power (JSPL), up 10.27%, was another major gainer on the Sensex during the month after the company's subsidiary-- Jindal Steel Bolivia (JSB) secured around 3,000 acres of land from Government of Republic of Bolivia for the purpose of starting work on its \$ 2.1 billion steel and power plant in Bolivia. The company has secured this land in addition to the 1,000 acres provided earlier. JSB has resumed activities to develop iron ore deposits in El Mutun iron ore mine and steel project in Bolivia.

BSE Sensex Monthly Losers			
Company	Prev Price (Aug 30'10)	Last Price (Sept. 03'10)	Change (%)
Sterlite Inds.	178.50	158.55	-11.18
RIL	1026.20	925.60	-9.80
Reliance Infra	1120.05	1030.45	-8.00
Hero Honda Motors	1860.10	1736.15	-6.66
RCom	174.45	163.40	-6.33

- Sterlite Industries, down 11.18%, was the biggest loser on the Sensex. The scrip witnessed this decline after its parent company, Vedanta Resources PLC, announced that the Ministry of Environment and Forests (MOEF) in India has refused the final approval to the Orissa Mining Corporation (OMC) proposal for the bauxite mining at Niyamgiri hills in the state of Orissa, following the recommendation of NC. Saxena Committee.
- Reliance Industries (RIL) was another loser on the Sensex this week, plunging 9.80%. Some media reports came in that, around 75 retailers of Reliance Industries (RIL)'s fuel stations in the state of Gujarat have decided to exit the RIL dealership. As these retail outlets have been running in losses for over four years as they were unable to attract customer to purchase fuel because of the high rates compared to retail outlets of PSU companies. Also, in another development, SEBI is believed to have rejected any out-of-court like settlement sought by the company in the ongoing probe relating to alleged insider trading in shares of erstwhile group firm RPL.

The main concern of the Indian economy for the last couple of months has been the inflation and further aggravating it, the Associated Chambers of Commerce and Industry (ASSOCHAM) expressed its concern that the inflation may go as high as 15% in the following two months on the back of hike in prices of petroleum products. D S Rawat, the Secretary General, ASSOCHAM, stated "the full impact of rise in prices of petroleum products such as petrol, diesel and kerosene would begin reflecting from next two-three weeks; cost of transportation of goods would further go up and stroke inflation." ASSOCHAM is concerned over the consumer price index (CPI) which it expects will go

beyond 18% in the next 60 days. Apart from this, another cause of concern is the wholesale price index (WPI) which soared to 10.55% in June from 10.16% in the month before. The double-digits inflation has kept the Prime Minister's economic advisory panel busy for quite some time too. The chamber expressed its apprehensions over the prices of commodities and metals like zinc, copper and aluminum as it sees them rising in the near term on the back of increased demands. The impact of fuel price hike will be clearly visible on agriculture produce inspite of strong harvest and increased supply as the distribution may take its toll over the prices of farm produce. The secretary general explained "(if the) supply chain process gets disrupted (due to heavy rains), it leads to shortages of supplies and fuels inflation."

During the month the markets surged to their 30 months high but sluggishness started appearing from the very mid of the month on global economic recovery concern, the indices once seemed shrugging off the lower than expected IIP data but again the issue of US Senate voting in favour of the border security bill which asks for raising the fees for H1-B and L visas to fund US-Mexico border security programme led the markets and IT stocks in somber mood as the Indian IT vendors will be deeply affected by the decision. The markets were seen in a confident mood once again in the latter part of the month with heavy weights taking the active participation and the markets settled the August futures and options' series without much volatility though large rollover were seen. The proposal to hike minimum alternate tax or MAT from current 18% to 20% in the new direct tax code, which got Cabinet nod, spread some apprehensions on the street. In the final versions of the code, government has proposed further widening of the three-tier slab structure for personal income tax, with the lowest rate of 10% now being implemented for Rs 2-5 lakh income, 20% for Rs 5-10 lakh and 30% for higher income. The current slabs are Rs 1.6-5 lakh, Rs 5-8 lakh and above Rs 8 lakh respectively. It also proposed a 30% corporate tax rate (for domestic companies) without any further surcharge or cess. The change appears modest only because a major overhaul was done by the finance ministry in the Budget for this fiscal itself in the run up to the DTC. Finally the markets snapped the month on a positive note continuing its momentum of the previous month.

Q1 growth highest in two years as services recovery catches up

The Ministry of Statistics and Programme Implementation released the estimates of Gross Domestic Product (GDP) for the first quarter (April-June) of 2010-11. This was the highest pace of growth that the country has seen in over two years. Further, while the overall growth in national income seemed to be in line with the expectations, the GDP interiors pointed out that consumption demand in the country continues to lag, something that can drag the growth potential of the second fastest growing large economy. As per the data released by the government, quarterly GDP at factor cost at constant (2004-05) prices for Q1 is estimated at Rs 11, 32,778 crore, as against Rs. 10,40,949 crore in Q1 of 2009-10, thus showing a growth rate of 8.8%. This figure was close to market expectations of around 8.9%. Industrial growth continued to show a strong momentum expanding at double-digits, but some moderation on quarter-on-quarter basis was clearly visible. Overall industrial activity expanded by little over 10% boosted by the manufacturing activity that grew by 12.4% of the April-Jun period. Mining and quarrying registered a growth of 8.9% over the quarter. However, major support to the GDP came from the services sector that showed a strong recovery to reach a growth rate of 9.7% compared with 8.4% growth seen in the last quarter. Within the services space, construction activity expanded by 7.5% compared with 4.6% in the same quarter a year ago. Another major services sector sub-header 'trade, hotels, transport and communication' recorded an expansion of whopping 12.2% compared with just 5.5% growth seen in the same quarter a year ago.

DTC delayed by a year, will be less ambitious than planned

The Direct Tax Code (DTC) that was envisioned as a revolutionary change in India's direct tax regime by completely rewriting the Income Tax Act has finally turned out to be a much less ambitious move. It does however qualify to be dubbed as at least a first step in country's efforts to develop a world class direct tax regime. Further, the implementation has been delayed by a year and the final code proposes an implementation date of April 1, 2012. For the individual tax payers, changes have been little from what they were already offered in current year's budget and only the 20% income bracket has been hiked from Rs 8 lakh to Rs 10 lakh, alongside the hike in exemption limit to Rs 2 lakh. Clearly, what has been finally given is a steep climb down from what was planned in original draft. Also, the DTC proposes to allow companies to offset losses made on infrastructure projects against profits of other infrastructure projects or corporate income. The move will help push infrastructure development in the country by making core projects less risky. Further,

the extension of tax holidays for new special economic zones (SEZs) set up by March 31, 2014, will further boost investment in the country. However, the tax-free status is partly taken away by the imposition of 20% MAT on such units though the MAT will be creditable in coming years.

Natural gas availability to increase 50% in three years

India's natural gas production, after including imported LNG, is likely to increase by nearly 50% by 2013-14, said the government. Oil and gas minister Murli Deora informed the lower house of Indian Parliament that the gas availability in the country will increase to 271.92 million standard cubic meters a day (mmscmd) from 167.80 mmscmd currently. 'At present, total availability of natural gas in India, including liquefied natural gas, is around 167.80 mmscmd, which is projected to be around 202.97 mmscmd, 256.6 mmscmd and 271.92 mmscmd during 2011-12, 2012-13 and 2013-14 respectively,' the minister said in a written reply in the Lok Sabha. Deora added that the present total requirement of natural gas in power and fertilizers sectors, the two key consumers of the fuel, is around 77.44 mmscmd and 39.61 mmscmd respectively. Over the next three years, both these sectors will need an additional natural gas supply of around 60 mmscmd and 46.78 mmscmd respectively. Most of the increase is likely to come when Reliance Industries hikes output from its eastern offshore at the KG-D6 fields to over 80 mmscmd. The LNG import terminal at Kochi in Kerala is also set to improve substantially the gas availability when it is commissioned. It would be able to import 2.5 million tonne of LNG a year. Beyond that, any substantial jump in gas availability from domestic sources will only come when the ONGC start operating at the KG basin, expectedly in 2016.

Government mulls compulsory licensing to protect healthcare space

In a move that reflects government's unease with takeover of local pharma companies by multinational corporations (MNC), the commerce industry ministry has suggested that third-party licensing for production of patented drugs in the country should be mandated. This according to the ministry will help reduce the random acquisition of domestic pharma companies by MNCs. The objective can be achieved by resorting to the provision of Compulsory Licensing (CL) that allows governments to license third parties, that is, companies other than the patent holder, to produce and market a patented product or process without the consent of patent owner. The CL provision is there in the intellectual property rights legislation of the World Trade Organization (WTO) and is thus compatible with the international laws. Another suggestion by the commerce and industry minister Anand Sharma was that foreign direct investment (FDI) in the pharmaceutical

sector should be restricted to bring down cost of medicines in the country. Sharma has been wary of MNC takeovers of Indian pharma companies which he feels would lead to rise in cost of healthcare in the country. At present, 100% FDI is allowed in the sector through automatic route.

The Department of Industrial Policy and Promotion (DIPP) had recently released a discussion paper in which it recommended use of the CL provision under the Indian Patent Act. According to DIPP, CL provision will have two benefits – first it will reward inventions while making them available to the public during the term of the patent, and secondly it will also help balance the rights of the patent holder with its obligations to ensure availability of the products at reasonable prices.

LLP may be allowed in 100% FDI sectors

The Indian government is likely to allow foreign direct investment (FDI) in limited liability partnerships in sectors where 100% foreign investment under the automatic route is applicable. The issue has been pending before the government for long and has been caught in debates among various ministries. However, with the PMO pushing for it, a decision is now likely to be reached soon. The government currently while allows the FDI in companies according to the overall foreign investment norms, it does not allow foreigners to invest through an LLP. The ministry of commerce had in this wake asked the finance ministry to allow such a provision explaining its views on the FDI in LLPs. The finance ministry however raised some concerns with regard to monitoring of such companies.

The LLP is a new form of corporate structure that gives the benefits of limited liability of a company and the flexibility of a partnership. The LLP can continue its existence irrespective of changes in partners. It is capable of entering into contracts and holding property in its own name. In short, it brings the benefits of both a company and partnership firm. At present, not only the FDI but investment by Indian companies that themselves have any FDI is not permitted in the LLPs. This according to many analysts is hindering the progress of LLPs. The issue has been raised by various industry bodies including the Federation of Indian Chambers of Commerce and Industry (FICCI) and some of the government departments including the Department of Industrial Policy and Promotion (DIPP) is also in favour of allowing FDI in LLPs.

Government to notify norms for competitive coal block auctioning

The coal ministry is working on finalising the norms for competitive auctioning of coal blocks and the same are likely to be ready within next couple of months. However, before the norms can be notified, parliamentary approval for the amendment to the mines act is necessary. India has historically followed the policy of allocating coal blocks,

mainly to the publically owned companies, but the system has failed to boost production. Despite having abundant coal resources, production of the fuel remains low due to poor efficiency of publically owned mining operations. In fact, India's coal import has been rising over last few years as requirement for the power plants increase and domestic production fails to pick up. As such, competitive bidding will be a significant development in India's energy policy as it will allow various coal consuming business like power production to bid for the suitable block and have a captive coal mine for uninterrupted operations. The government has been allowing captive mining to private player for some time now, but the process of allocation is riddled with opaque policies and inefficient processes. As such, competitive bidding is expected to revolutionaries the captive coal mining in the country.

India lifts embargo on telecom gear import from China

In a move apparently aimed at addressing Chinese concerns on India's telecom equipment policy and also helping Indian telecom operators to roll out the coveted third generation (3G) and wireless broadband (WiMax) services rapidly, the government is understood to have allowed the import of telecom equipment from Chinese vendors. The department of telecommunications (DoT) has approved imports of Chinese telecom equipment by Indian mobile operators Reliance Communications and Tata Teleservices, bringing to an end a period of eight months in which none of India's 15 mobile operators could import foreign equipment even as the industry was getting ready to offer next-generation services. Chinese telecom equipment majors Huawei and ZTE had earlier agreed in-principle to give Indian security agencies access to their network source codes. This is one of the primary conditions for importing telecom equipment into the country as per the latest telecom security policy prepared by the DoT in association with the home ministry and security agencies. The demand however had raised outrage among western vendors, who complained it was violation of their intellectual property.

Consumer affairs ministry recommends 49% FDI in multi-brand retail

The Ministry of Consumer Affairs has recommended the foreign direct investment (FDI) in multi-brand retail with a cap of 49%. In its recommendation to the ministry of commerce and trade, it said that while the FDI should be allowed in multi-brand retail, some checks and balances should be put into place to ensure that small time businessmen are not affected by the arrival of big multinationals. Earlier, the Department of Industrial Policy and Promotion (DIPP) had floated a consultation paper seeking the views of various ministries and other stakeholders on allowing FDI into the multi-brand space.

Full Year

Company Name	Year End	NOM	Equity Rs. Mn.	FV	Promoter Stk %	BV Rs.	RONW (%)	Sales Rs. Mn.	Sales Var (%)	OPM (%)	NP Rs. Mn.	NP Var (%)	DIV (%)	CPS (Rs.)
Allahabad Bank	201003	12	4467.00	10	55.23	131.73	22.21	83692.00	13.64	21.17	12063.27	56.95	55	27.01
Andhra Bank	201003	12	4850.00	10	51.55	90.93	25.96	63728.66	18.57	22.53	10458.48	60.15	50	21.56
Axis Bank	201003	12	4051.74	10	37.73	395.99	19.15	116380.20	7.41	33.09	25145.30	38.51	120	
Bank Of Baroda	201003	12	3642.67	10	53.81	414.67	21.89	166983.40	10.65	25.38	30583.30	37.32	150	
Bank Of India	201003	12	5251.76	10	64.47	243.74	14.16	178779.90	9.36	13.95	17410.70	-42.11	70	33.15
Bank of Maharashtra	201003	12	4305.20	10	76.77	55.84	19.67	47355.60	10.35	12.01	4395.70	17.17	20	10.21
Canara Bank	201003	12	4100.00	10	73.17	305.83	26.76	187519.60	9.54	20.38	30214.30	45.79	100	
CentralBank of India	201003	12	4041.42	10	80.20	107.96	26.96	120643.10	15.39	12.84	10588.50	85.36	22	26.20
City Union Bank	201003	12	399.60	1		20.66	20.55	9566.08	18.92	20.41	1527.65	25.08	75	
Corporation Bank	201003	12	1434.38	10	57.17	402.60	21.93	72946.04	20.23	22.79	11702.51	31.08	165	81.58
Dena Bank	201003	12	2868.23	10	51.19	83.43	23.55	40103.60	16.33	17.13	5112.50	20.96	23	17.82
Dhanalakshmi Bank	201003	12	641.16	10		68.64	5.39	5345.70	30.89	5.19	233.00	-59.44	10	3.63
Federal Bank	201003	12	1710.33	10		252.57	12.15	36732.30	10.79	23.40	4645.50	-7.18	50	
HDFC Bank	201003	12	4577.43	10	23.63	470.12	16.31	161729.10	-0.98	26.52	29486.90	31.35	120	
ICICI Bank	201003	12	11148.12	10		463.02	7.96	257069.30	-17.32	20.79	40249.80	7.10	120	36.08
IDBI	201003	12	7248.62	10	52.67	113.48	13.17	152726.30	31.30	6.84	10311.30	20.10	30	14.22
Indian Bank	201003	12	4297.70	10	80.00	154.66	25.64	78570.60	15.03	29.93	15549.87	24.87	65	
Indian Overseas Bank	201003	12	5448.00	10	61.23	116.54	11.50	102457.73	6.27	9.55	7069.62	-46.68	40	
Indusind Bank	201003	12	4104.55	10	22.15	52.70	19.51	27069.90	17.21	19.69	3503.10	136.15	18	8.53
ING Vysya Bank	201003	12	1199.67	10	44.66	185.04	12.72	22329.00	-0.31	16.64	2422.20	28.31	25	20.18
J&K Bank	201003	12	484.78	10	53.17	621.00	18.19	30568.80	2.30	25.90	5123.80	25.02	220	
Karnataka Bank	201003	12	1339.76	10		136.13	9.88	20434.20	6.57	9.29	1671.20	-37.34	40	12.47
Karur Vysya Bank	201003	12	544.22	10	3.57	297.67	22.63	17579.40	21.57	24.23	3360.30	42.48	120	61.73
Kotak Mahindra Bank	201003	12	3481.42	10	48.17	128.83	13.52	32556.25	6.21	24.91	5611.06	103.23	8.5	16.10
Lakshmi Vilas Bank	201003	12	975.09	10	9.73	75.79	5.14	9093.24	38.28	3.43	306.68	-39.02	6	3.15
Oriental Bank	201003	12	2505.40	10	51.09	292.19	16.48	102571.20	15.81	15.65	11346.80	25.32	91	45.29

Scorecard Legends : NOM - Number of Months for which P& L a/c is prepared by the companies, Equity Rs.Mn - Latest Paid Up Capital of the Company, FV-Latest Face values of equity Shares, Promoter Stk % - Its promoter holding in the equity capital of the company as per latest shareholding pattern, BV Rs. - Book Value Per Share is calculated as (Equity + reserves) / No of Equity shares, RONW - Return on Net Worth is calculated as {(Net profit - preference capital)/ Shareholder's Fund }*100.Share- holders funds includes Equity Paid Up + Reserves excluding revaluation reserves - Misc Expenditures Not written off, Sales Rs. Mn - Sales , Turnover & Income from operations,Sales Var% - Percentage Change in Sales over previous period Sales, OPM% - Operating Profit after interest expended as a % of Interest income & income from operation, NP Rs. Mn - Net Profit as reported after Tax, NP Var% - Percentage Change in Net profit over previous period Net profits, Div% - Total % of Dividend Declared during latest Financial year.

Latest Quarter						TTM			Market Data				
EPS Rs.	Sales Rs. Mn.	Sales Var (%)	OPM (%)	NP Rs. Mn.	NP Var(%)	Ended	EPS Rs.	NP Var (%)	Price 03/08/10	H52W	L52W	PE	Mkt. Cap (Rs. Mn.)
27.01	24031.22	19.67	29.32	3471.42	14.62	201006	28.00	21.79	225.05	226.25	89.85	8.04	100529.84
21.56	18650.48	23.95	27.37	3204.09	25.05	201006	22.89	25.08	155.25	166.80	88.15	6.78	75296.25
61.71	33255.90	14.46	43.60	7418.80	32.00	201006	66.13	24.02	1379.95	1398.70	879.00	20.87	559120.00
83.96	47269.60	17.23	32.32	8591.60	25.36	201006	88.73	21.36	824.50	848.00	381.00	9.29	300337.73
33.15	48217.20	10.14	29.25	7251.30	24.10	201006	35.83	-60.99	463.45	476.40	308.85	12.93	243392.59
10.21	12802.10	14.42	20.33	1184.30	16.35	201006	10.60	5.67	71.60	74.50	40.00	6.76	30825.23
73.69	51608.80	13.22	28.74	10133.70	82.48	201006	84.87	28.01	533.70	539.80	278.75	6.29	218817.00
26.20	34108.20	21.71	19.57	3368.10	26.24	201006	27.93	31.02	181.20	196.30	101.00	6.49	73230.44
3.82	2672.21	17.06	29.42	443.71	40.65	201006	4.14	23.03	46.15	49.35	21.34	11.15	18441.36
81.58	20277.55	16.39	30.60	3337.80	27.76	201006	86.64	21.97	615.00	649.80	371.95	7.10	88214.25
17.82	11146.80	15.10	21.41	1387.90	20.67	201006	18.65	12.27	109.60	112.40	50.90	5.88	31435.82
3.63	1679.80	39.36	5.45	60.30	-40.42	201006	3.00	-202.19	185.50	198.95	123.55	61.91	11893.44
27.18	9517.90	8.85	35.23	1318.60	-3.31	201006	26.91	-23.63	346.35	369.00	218.00	12.87	59237.28
64.15	44201.50	7.99	39.56	8117.10	33.92	201006	68.62	24.33	2193.60	2240.50	1426.00	31.97	1004105.70
36.08	58125.40	-18.52	37.64	10259.80	16.82	201006	0.00		999.65	1023.00	731.40		1114422.02
14.22	42889.80	23.84	19.38	2508.90	46.01	201006	15.32	21.58	128.20	140.00	100.90	8.37	92927.30
36.18	21217.86	12.85	39.49	3681.49	11.00	201006	37.03	14.58	259.50	260.80	132.05	7.01	111525.32
12.98	26675.19	3.48	17.39	2004.39	-33.58	201006	11.12	-126.48	133.95	141.00	84.80	12.05	72975.96
8.53	7715.40	22.69	29.89	1185.50	37.05	201006	9.31	43.58	233.00	237.50	98.30	25.04	95635.92
20.18	5876.40	0.77	25.29	690.80	14.64	201006	20.91	16.98	340.05	376.30	235.00	16.26	40794.61
105.69	8657.00	11.65	33.30	1453.50	24.17	201006	111.32	19.89	758.75	916.00	540.00	6.82	36782.53
12.47	5446.30	14.11	13.87	464.80	16.03	201006	12.95	-64.84	179.60	188.85	108.45	13.87	24062.14
61.73	4920.80	20.93	26.42	844.80	20.09	201006	64.33	21.28	825.65	834.00	308.50	12.84	44933.44
16.10	9208.03	20.01	34.25	1869.03	106.95	201006	0.00		827.80	878.00	672.65		288191.53
3.15	2480.72	18.28	21.66	233.86	3.19	201006	3.22	-118.78	123.70	139.10	67.33	38.42	12061.84
45.29	28308.20	17.74	29.05	3633.10	41.14	201006	49.52	24.04	443.55	448.35	191.00	8.96	111126.88

CPS Rs. - Cash Profit per Shares, EPS Rs. - Earning Per Shares is calculated as Net Profit / Number of Equity Shares, Sales Rs. Mn - Sales ,Turnover & Income from operations for Latest Quarter, Sales Var% - Percentage Change in Sales for Latest Quarter over previous Corresponding Quarter Sales, OPM% - Operating Profit after interest expended as a % of Interest income & income from operation for Latest Quarter, NP Rs. Mn - Net Profit as reported after Tax for Latest Quarter, NP Var% - Percentage Change in Net profit for Latest Quarter over Previous quarter Net profits, Ended - Trailing Twelve months Ended On, TTMEPS - Earning Per Shares is calculated as TTM Net Profit / Number of Equity Shares, TTMNP Var% - Percentage Change in TTM Net profit over Corresponding previous TTM Net profits, H52 - High Price during last 52 Week, L52 - Low Price during last 52 Week, PE - Market Price / TTM Earning Per Shares, Market cap Rs. Mn - Market Capitalisation is calculated as Latest price multiplied by No of Equity Shares outstanding.

Company Name	Year End	Price (Rs.) (03/09)	Yield (%)	EPS (Rs.)	FV	PE	TTM				52-Wk High (Rs.)	52-Wk Low (Rs.)
							Year End	NP Rs. ml	EPS (Rs.)	PE		
Indiabulls Securities Ltd	201003	24.70	8.10	2.66	2	9.30	201006	502.29	2.17	11.36	61.20	22.00
HCL Infosystems Ltd.	200906	119.20	5.45	15.21	2	7.84	201006	2615.50	11.98	9.95	188.80	102.30
Canara Bank	201003	533.70	1.87	73.69	10	7.24	201006	34794.70	84.87	6.29	539.80	278.75
Dena Bank	201003	109.60	2.10	17.82	10	6.15	201006	5350.23	18.65	5.88	112.40	50.90
SRF Ltd.	201003	284.10	4.93	51.14	10	5.56	201006	2716.30	44.89	6.33	299.65	150.20
Binani Cement Ltd.	201003	78.50	4.46	13.88	10	5.66	201006	2178.86	10.73	7.32	92.40	60.00
JK Lakshmi Cement Ltd.	201003	60.05	4.16	19.71	5	3.05	201006	1794.50	14.67	4.09	84.85	51.15
Mastek Ltd.	200906	250.35	3.99	35.56	5	7.04	201006	369.90	13.73	18.24	462.00	225.00
Shipping Corpn. Of India Ltd.	200903	165.30	3.93	22.21	10	7.44	201006	4484.80	10.59	15.61	181.90	123.15
PSL Ltd.	200903	129.65	3.86	20.12	10	6.42	201006	793.10	14.84	8.74	188.40	119.00
JK Cement Ltd.	201003	159.30	3.77	32.32	10	4.93	201006	1852.80	26.50	6.01	201.50	115.75
Graphite India Ltd.	201003	94.10	3.72	13.54	2	6.95	201006	2213.74	12.02	7.83	111.90	58.10
Alok Industries Ltd.	200903	20.40	3.68	9.56	10	2.13	201006	2570.60	3.26	6.25	27.90	17.75
Balrampur Chini Mills Ltd.	200909	86.80	3.46	8.82	1	9.84	201006	1579.66	6.09	14.26	167.30	67.10
Vijaya Bank Ltd	201003	84.20	3.44	11.70	10	7.73	201006	5373.99	12.40	6.79	87.95	40.90
SJVN Ltd.	201003	23.55	3.40	2.37	10	9.95	201006	9782.00	2.36	9.96	28.00	20.00
Andhra Bank	201003	155.25	3.22	21.56	10	7.20	201006	11100.36	22.89	6.78	166.80	88.15
ICSA (India) Ltd.	201003	132.30	1.21	25.77	2	5.13	201006	1156.14	24.30	5.44	229.90	115.65
IFCI Ltd.	201003	60.75	1.65	9.08	10	6.68	201006	6881.60	9.33	6.51	64.40	41.10
HEG Ltd.	201003	324.85	3.08	37.27	10	8.09	201006	1557.55	36.35	8.94	412.70	238.00
Jammu & Kashmir Bank Ltd.	201003	758.75	2.90	105.69	10	7.18	201006	5396.69	111.32	6.82	916.00	540.00
Bank Of Maharashtra	201003	71.60	2.79	10.21	10	7.01	201006	4562.17	10.60	6.76	74.50	40.00
Orient Paper & Inds. Ltd.	201003	54.70	2.74	8.26	1	6.62	201006	1599.94	8.30	6.59	66.35	42.70
Corporation Bank	201003	612.40	2.69	81.58	10	7.51	201006	12427.84	86.64	7.07	649.80	371.95
Syndicate Bank	201003	115.50	2.60	15.58	10	7.41	201006	8171.18	15.65	7.38	122.80	77.00
Jindal Saw Ltd.	201003	209.60	0.60	26.43	2	8.04	201006	7382.88	26.73	7.84	227.10	107.61
Indian Bank	201003	259.50	2.50	36.18	10	7.36	201006	15914.74	37.03	7.01	260.80	132.05
Nesco Ltd.	201003	607.90	0.25	78.07	10	7.79	201006	556.07	39.46	15.41	777.45	330.50
Allahabad Bank	201003	225.05	2.44	27.01	10	8.33	201006	12506.08	28.00	8.04	226.25	89.85
3I Infotech Ltd.	201003	61.55	2.44	7.88	10	8.20	201006	1058.40	5.51	11.16	103.00	57.30
Peninsula Land Ltd.	201003	61.75	2.43	11.82	2	5.22	201006	3390.67	12.14	5.08	100.90	59.50
Nava Bharat Ventures Ltd.	201003	370.85	2.43	65.18	2	5.67	201006	4678.39	61.26	6.05	462.40	325.00
Century Enka Ltd.	201003	249.10	2.41	48.04	10	5.19	201006	864.00	39.54	6.30	330.90	144.00
IDBI Bank Ltd	201003	128.20	2.34	14.23	10	9.01	201006	11101.94	15.31	8.37	140.00	100.90
Rain Commodities Ltd.	200912	160.65	2.30	21.83	10	7.36	201006	1124.35	15.87	10.12	255.70	131.80

Rs. in million

Company Name	Net Sales		Change In Sales	% Change in Sales	Net Profit		Change In Net Profit	% Change in Net Profit
	201006 Qtr	200906 Qtr			201006	200906		
Dhunseri Petrochem	3567.97	246.34	3321.63	1348.39	235.73	78.7	157.03	199.53
IL&FS Transportation	2345.7	229.45	2116.25	922.314	737.2	92.6	644.6	696.112
Baba Arts	402.13	69.66	332.47	477.275	9.08	4.95	4.13	83.4343
Ausom Enterprises	718.8	124.82	593.98	475.869	3.99	1.9	2.09	110
Hind Oil Exploration	834.35	150.23	684.12	455.382	209.24	124.89	84.35	67.5394
XL Energy	305.38	56.03	249.35	445.029	-533.06	-2372.06	1839	-
Mobile Tele Commun.	355.89	65.72	290.17	441.525	10.72	3.59	7.13	198.607
Mukta Arts	333.38	73.13	260.25	355.873	14.46	-99.94	114.4	-
GMR Infrastructure	766.9	174.8	592.1	338.73	-69.6	35.6	-105.2	-
Aadi Industries	300.04	70.64	229.4	324.745	8.37	2.24	6.13	273.661
Subhkam Capital	368.19	89.22	278.97	312.677	39.49	0.65	38.84	5975.38
Nile	685.59	167.5	518.09	309.307	-34.86	-6.47	-28.39	-
Syncom Formulations	229.09	61.98	167.11	269.619	7.88	-6.68	14.56	-
UTV Software	1229.34	336.2	893.14	265.657	430.31	-18.3	448.61	-
Nitin Fire Protectn	271.68	75.62	196.06	259.27	32.86	12.82	20.04	156.318
Tips Inds.	195.43	56.6	138.83	245.283	-123.25	12.75	-136	-
Lancor Holdings	263.44	76.44	187	244.636	48.32	5.26	43.06	818.631
Nirlon	248.13	73.27	174.86	238.652	-78.68	-0.39	-78.29	-
Vard.Pol	1563.74	465.87	1097.87	235.66	30.76	-42.61	73.37	-
Indo Count Inds	1475.8	448.6	1027.2	228.979	34.7	-95.3	130	-
SREI Infra Fin	1836.3	559.3	1277	228.321	441.2	340.3	100.9	29.6503
Bhatia Inds & Infra	466.15	143.8	322.35	224.166	5.74	7.48	-1.74	-23.262
KCL Infra Projects	270.96	85.41	185.55	217.246	0.61	1.13	-0.52	-
Urja Global	219.82	69.83	149.99	214.793	2.49	0.93	1.56	167.742
Uttam Sugar Mills	1290.6	410.2	880.4	214.627	13.5	-91.1	104.6	-
Sumeet Inds	1680.55	537.35	1143.2	212.748	60.41	25.82	34.59	133.966
Ganesh Housing Corp	350.16	112.53	237.63	211.17	118.44	15.52	102.92	663.144
Vijay Shanathi	265.57	86.33	179.24	207.622	17.21	4.11	13.1	318.735
DharamsiMorarji Chem	182.35	59.46	122.89	206.677	-115.81	-88.52	-27.29	30.8292
Cerebra Integ. Tech	153.37	50.16	103.21	205.762	4.4	4.97	-0.57	-
Man Aluminium	329.9	108.2	221.7	204.898	3	1.3	1.7	130.769
Salzer Electronics	451.79	148.55	303.24	204.133	15.96	11.97	3.99	33.3333
Shilchar Tech	221.5	73.13	148.37	202.885	6.46	-0.47	6.93	-
Auto.Axle	1961.72	659.03	1302.69	197.668	145.48	26.8	118.68	442.836
BGR Energy	9066.68	3110.66	5956.02	191.471	605.36	202.36	403	199.15
WI Shipyard	293.7	101.82	191.88	188.45	58.03	-97.46	155.49	-
Polyplex Corp	1630.5	565.8	1064.7	188.176	185.4	396.4	-211	-53.2291
Asahi Infra	577.28	205.65	371.63	180.71	82.28	4.02	78.26	1946.77
Surat Textile Mills	959.05	342	617.05	180.424	12.01	20.6	-8.59	-41.699
Manappuram Gen Fin	1860.67	671.33	1189.34	177.162	461.51	142.16	319.35	224.641
Cronimet Alloys	462.06	169.43	292.63	172.714	48.93	-9.16	58.09	-
Honda Siel Power	1127.7	418.1	709.6	169.72	127.4	1.7	125.7	7394.12
Prism Cement	7238.2	2720.6	4517.6	166.052	559	742.5	-183.5	-24.7138
Amit Spg	236.64	89.35	147.29	164.846	3.78	-28.68	32.46	-
Golkunda Diamonds	212.11	80.33	131.78	164.048	0.58	2.82	-2.24	-79.4326
Automobile Corp	780.21	296.24	483.97	163.371	32.01	-39.73	71.74	-
Chemplast Sanmar	4048.23	1557.14	2491.09	159.979	-219.51	-156.25	-63.26	-
Asahi Songwon	447.1	172.68	274.42	158.918	41.76	0.89	40.87	4592.13
Simp.Proj	2066.14	801.61	1264.53	157.749	108.65	46.76	61.89	132.357
JSW Energy	8990.2	3488.2	5502	157.732	3272	1327.3	1944.7	146.515

Company Name	Year End	Price (03/09) Rs.	EPS	FV	PE
Essar Oil Ltd.	201003	125.70	0.23	10	512.67
Jindal South West Holdings Ltd.	201003	1737.60	3.95	10	440.02
GVK Power & Infrastructure Ltd.	201003	46.95	0.14	1	341.87
Hindustan Copper Ltd.	201003	456.05	1.67	5	272.78
Radico Khaitan Ltd.	200903	168.70	0.64	2	264.45
Bajaj Finserv Ltd	201003	518.95	2.35	5	220.96
Karuturi Global Ltd	200903	21.50	0.11	1	192.77
Mercator Lines Ltd.	201003	50.50	0.27	1	186.34
Adani Power Ltd.	201003	133.85	0.78	10	170.84
Fortis Healthcare Ltd.	201003	159.50	0.96	10	166.42
IRB Infrastructure Developers Ltd	200903	281.90	1.73	10	163.36
Reliance Power Ltd	200903	156.45	1.04	10	150.65
Aptech Ltd.	200812	151.15	1.02	10	148.00
Adani Enterprises Ltd.	201003	649.50	5.11	1	127.14
Bombay Dyeing & Manufacturing Co Ltd.	201003	599.25	4.49	10	125.09
United Breweries Ltd.	201003	459.10	4.04	1	123.05
Religare Enterprises Ltd	201003	480.20	4.34	10	121.11
Kiri Dyes and Chemicals Ltd	200903	620.50	5.65	10	109.91
EIH Ltd.	201003	150.85	1.46	2	103.58
Future Capital Holdings Ltd	201003	274.95	2.73	10	100.86
Jubilant FoodWorks Ltd.	201003	507.15	5.18	10	97.86
Reliance Natural Resources Ltd.	200903	38.90	0.43	5	90.92
Arshiya International Ltd.	200903	276.75	3.15	2	87.96
Raymond Ltd.	201003	356.60	4.30	10	83.02
Godrej Industries Ltd.	201003	210.95	2.55	1	82.79
Jai Corp Ltd.	201003	259.75	3.42	1	75.92
Cox & Kings (India) Ltd.	201003	595.30	7.96	10	74.82
Jain Irrigation Systems Ltd.	200903	1205.35	16.66	10	74.25
Essar Shipping Ports & Logistics Ltd.	201003	101.90	1.46	10	69.72
Thomas Cook (India) Ltd.	200912	69.90	1.05	1	66.93
Thermax Ltd.	201003	783.50	11.87	2	66.00
Entertainment Network (India) Ltd.	201003	244.10	3.75	10	65.13
Bharat Forge Ltd.	201003	365.70	5.71	2	64.09
Future Value Retail Ltd	200906	469.80	7.39	2	63.60
National Fertilizers Ltd.	200903	125.95	1.99	10	63.40
IVRCL Infrastructures & Projects Ltd.	201003	158.05	2.63	2	60.10
Reliance Industrial Infrastructure Ltd.	201003	854.20	14.55	10	58.69
Gujarat NRE Coke Ltd.	201003	59.90	1.04	10	57.53
Hindustan Oil Exploration Company Ltd.	200903	234.10	4.10	10	57.03
Trent Ltd.	201003	1131.05	20.07	10	56.34
Gujarat State Petronet Ltd.	200903	118.05	2.20	10	53.77

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

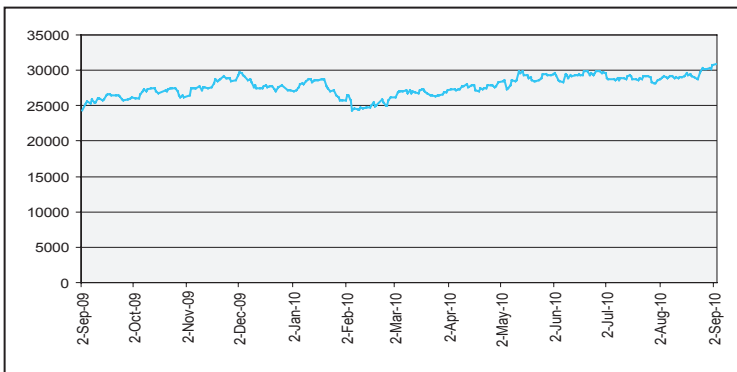
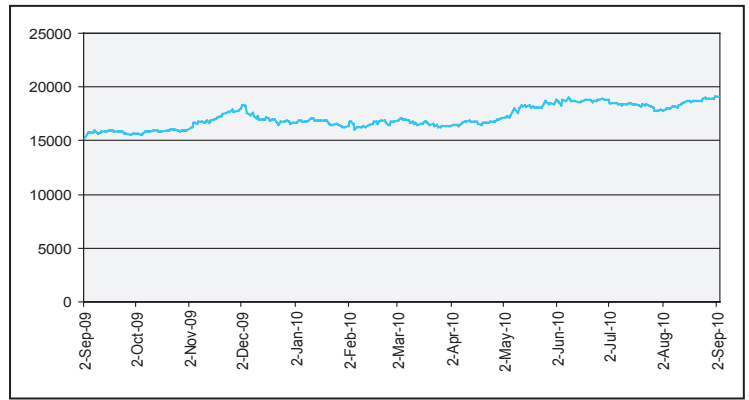
Company Name	Year End	Price (03/09) Rs.	EPS	FV	PE
JK Lakshmi Cement Ltd.	201003	61.35	19.71	5	3.11
Emco Ltd.	201003	67.85	21.61	2	3.14
Orchid Chemicals & Pharmaceuticals Ltd.	201003	186.40	47.04	10	3.96
JK Tyre & Inds. Ltd.	201003	163.85	39.81	10	4.12
SRF Ltd.	201003	239.10	51.14	10	4.68
State Bank Of Travancore	201003	641.95	136.85	10	4.69
Century Enka Ltd.	201003	225.80	48.04	10	4.70
Birla Corporation Ltd.	201003	359.60	72.36	10	4.97
UCO Bank	201003	92.75	18.42	10	5.03
JSL Ltd	201003	103.95	20.39	2	5.10
ICSA (India) Ltd.	201003	132.45	25.77	2	5.14
JK Cement Ltd.	201003	168.65	32.32	10	5.22
Dena Bank	201003	98.85	17.82	10	5.55
Kesoram Industries Ltd.	201003	294.00	51.88	10	5.67
Peninsula Land Ltd.	201003	68.40	11.82	2	5.79
Binani Cement Ltd.	201003	81.80	13.88	10	5.89
Nava Bharat Ventures Ltd.	201003	399.40	65.18	2	6.11
MIC Electronics Ltd.	200906	38.30	6.17	2	6.20
Bank Of Maharashtra	201003	64.85	10.21	10	6.35
Indian Bank	201003	224.35	36.18	10	6.36
Rain Commodities Ltd.	200912	140.20	21.83	10	6.42
Canara Bank	201003	478.45	73.69	10	6.49
Orient Paper & Inds. Ltd.	201003	53.70	8.26	1	6.50
Gujarat Fluorochemicals Ltd.	201003	199.55	30.41	1	6.56
Lakshmi Energy & Foods Ltd.	200909	95.70	14.39	2	6.60
Andhra Bank	201003	143.20	21.56	10	6.64
Vijaya Bank Ltd	201003	72.50	11.70	10	6.66
Central Bank Of India	201003	167.25	26.18	10	6.72
Syndicate Bank	201003	104.90	15.58	10	6.73
HCL Infosystems Ltd.	200906	102.50	15.21	2	6.74
Madras Cements Ltd.	201003	102.15	14.86	1	6.87
Corporation Bank	201003	571.15	81.58	10	7.00
Graphite India Ltd.	201003	95.15	13.54	2	7.03
Sasken Communication Technologies Ltd.	201003	198.20	28.04	10	7.07
Allahabad Bank	201003	191.90	27.01	10	7.11
Orbit Corporation Ltd.	201003	126.25	17.46	10	7.23
Infotech Enterprises Ltd.	201003	166.05	22.84	5	7.27
Jammu & Kashmir Bank Ltd.	201003	770.55	105.69	10	7.29
Rolta India Ltd.	200906	169.30	23.12	10	7.32
Mastek Ltd.	200906	263.70	35.56	5	7.42
Apollo Tyres Ltd.	201003	63.90	8.23	1	7.76

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

FV Latest Face values of equity Shares (Rs)

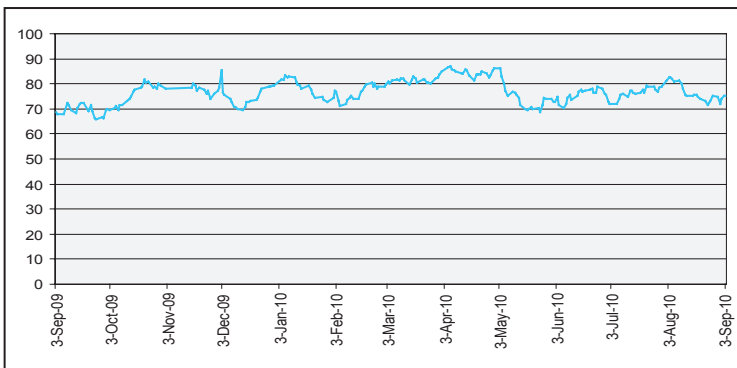
PE Market Price / Trailing Twelve Months Earning Per Shares

Date	Price Rs.
3-Sep-10	19060.00
3-Aug-10	17905.00
3-Jul-10	18520.00
3-Jun-10	18565.00
3-May-10	17180.00
3-Apr-10	16510.00
3-Mar-10	17030.00
3-Feb-10	16718.75
2-Jan-10	16677.00
3-Dec-09	18272.10
3-Nov-09	16250.00
3-Oct-09	15645.00
2-Sep-09	15250.00



Date	Price Rs.
3-Sep-10	30888.00
3-Aug-10	29071.35
3-Jul-10	28759.50
3-Jun-10	29304.00
3-May-10	28437.75
3-Apr-10	27348.75
3-Mar-10	26950.00
3-Feb-10	26500.00
2-Jan-10	27050.00
3-Dec-09	29630.70
3-Nov-09	26400.00
3-Oct-09	26050.00
2-Sep-09	24261.50

Date	Price Rs
3-Sep-10	46.52
3-Aug-10	46.15
2-Jul-10	46.80
3-Jun-10	46.74
3-May-10	44.49
2-Apr-10	44.63
3-Mar-10	45.68
3-Feb-10	45.98
4-Jan-10	46.29
3-Dec-09	46.11
3-Nov-09	47.16
2-Oct-09	47.62
3-Sep-09	48.84



Date	Price \$
3-Sep-10	75.02
3-Aug-10	82.55
2-Jul-10	72.14
3-Jun-10	74.61
3-May-10	86.19
1-Apr-10	84.87
3-Mar-10	80.87
3-Feb-10	76.98
4-Jan-10	81.51
3-Dec-09	76.46
2-Nov-09	78.04
2-Oct-09	69.58
3-Sep-09	68.50

Reliance Banking (G)

Reliance Banking (Growth) is a Reliance Capital Asset Management managed open-ended, Equity - global scheme.

The fund was launched on November 12, 2008 and its current net asset as on July 31, 2010 was Rs 1232.40 crore.

The benchmark index of the fund is CNX Bank and the custodian of the fund is Deutsche Bank A.G.

The current net asset value (NAV) of the fund as on September 3, 2010 was Rs 102.41; while the 52 week high NAV was Rs 103.07 on August 23, 2010 and the 52 week low NAV for the scheme was Rs 62.86 on September 02, 2010.

The minimum investment to the fund is Rs 5000 and additional investments can be made in multiples of Rs 1000.

The investment objective of the scheme is to seek to generate continuous returns by actively investing in equity and equity-related or fixed-income securities of companies in the Banking Sector.

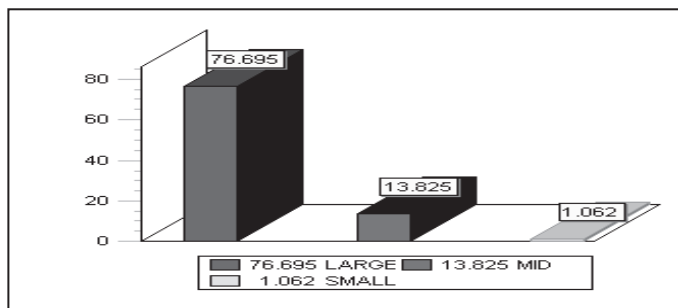
The top five holdings of the fund are:

Company	SBI	ICICI Bank	Canara Bank	BoB	Oriental Bank of Commerce
% Holding	13.21	10.53	9.02	8.86	7.86

As far as market capitalization-wise companies are concerned, the scheme's portfolio consists of 76.70% from Large-cap, 13.82% from Mid-cap companies and 1.06% from Small cap.

The fund has given a return of 37.66% since inception and a return of 62.27% in last one year, while the category average in the same period has been 37.17% and 51.99% respectively.

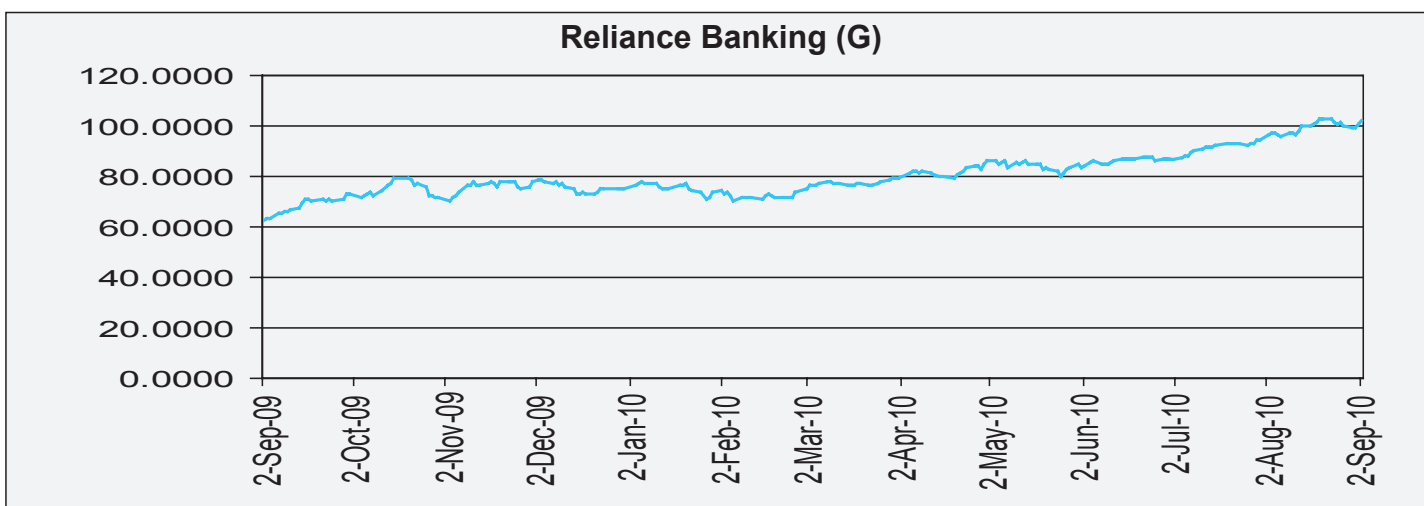
As on July 31, 2009 the major companies included in the scheme was Karur Vysya Bank with holding of 1.03%, while the major companies that have been excluded from the portfolio of the fund were Shriram Transport Finance 2.47% and J&K Bank with a holding of 1.51%.



Market cap-wise Allocation Style	
Average Mkt Cap (Rs Cr)	32934.76
Market Capitalization	% of Portfolio
Large	76.69
Mid	13.82
Small	1.06
Note: Large-Cap = 5000 Crs. and above, Mid-Cap = 2000 Crs. to 5000 Crs. and Small-Cap = less than 2000 Crs.	

Outlook

Reliance Banking (Growth) is an open ended Equity - Banks & Financial Services scheme of Reliance Capital Asset Management company being managed by Sunil Singhania. The fund is one of the top performers in the banking sector schemes, having given a good return since inception and as well as in last couple of years. The good thing about the fund is that it invests in equity securities whenever the equity market and shares from the banking sector are expected to do well. However, whenever the equity market is not expected to do well, the fund shifts its focus in debt, which in extreme cases of bearish equity market can go upto 100%. The banking sector has been a good performer since the markets started showing sign of recovery and has been a consistent performer with having prospects of further betterment. Banking sector fund can be opted if one is going for higher bet then diversified and Reliance Banking growth scheme presents the better opportunity.



Last one year NAV Graph

Duration	1 Week %	1 Mth %	3 Mth %	6 Mth %	1 Year %	3 Year %	5 Year %	Since Inc. %
Scheme Return %	2.73	5.59	19.81	33.71	62.27	27.35	27.03	37.66
Category Avg %	2.19	5.13	22.57	30.45	51.99	13.93	25.08	37.17

Returns as of 3rd September, 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
Equity - Diversified										
Birla SL India Opportunities(G)	53.78	21-Jan-95	15.22	0.07	5.49	6.94	26.87	1.02	9.71	17.04
Birla SL Special Situations(G)	10.65	15-Jan-08	291.40	4.80	13.53	11.41	23.69	-	-	2.51
DSPBR Opportunities(G)	88.84	10-Apr-00	395.34	4.36	13.85	20.61	36.21	11.49	21.89	23.61
Fidelity Equity(G)	35.28	19-Apr-05	1555.17	2.07	10.78	18.22	38.95	12.40	22.68	26.83
ICICI Pru Dynamic(G)	103.14	18-Oct-02	1426.74	0.69	6.67	11.30	32.64	12.27	22.77	34.63
Kotak Opportunities(G)	48.21	25-Aug-04	691.05	3.95	12.69	15.74	30.82	13.03	22.18	30.05
SBI Magnum Comma(G)	25.21	25-Jul-05	330.16	3.53	9.66	6.87	27.19	10.42	19.56	19.83
SBI Magnum Multicap(G)	18.52	16-Sep-05	329.15	0.98	7.61	6.74	21.44	2.59	-	13.21
Reliance Equity Oppor-Ret(G)	36.74	7-Mar-05	1369.92	5.53	16.67	25.39	60.35	15.96	24.15	27.03
Reliance Natural Resources(G)	10.42	30-Jan-08	2639.43	3.05	11.27	4.84	11.24	-	-	1.64
Equity - ELSS										
Birla SL Tax Relief '96(D)	88.48	29-Mar-96	968.23	2.55	10.21	12.26	31.08	6.99	18.77	32.37
DSPBR Tax Saver(G)	17.60	26-Dec-06	555.43	2.24	10.53	17.73	35.96	12.36	-	16.86
Fidelity Tax Advantage(G)	21.97	31-Jan-06	777.70	2.64	11.61	19.95	41.61	14.06	-	19.03
Franklin India Taxshield(G)	202.73	10-Apr-99	415.28	2.63	10.33	12.40	32.48	11.74	18.56	30.18
HDFC Long Term Adv(G)	135.81	27-Dec-00	559.31	3.27	12.29	17.99	36.91	9.45	15.98	30.95
Principal Personal Tax saver(G)	99.14	1-Jan-96	657.77	2.25	9.90	12.79	27.27	3.48	16.04	26.38
Reliance Tax Saver (ELSS)(G)	21.86	23-Aug-05	1343.30	5.34	15.57	19.96	42.86	11.38	-	17.11
Sundaram Tax saver(G)	45.39	31-Jan-05	724.46	2.59	12.30	11.17	21.38	13.81	21.09	26.01
Equity - Large-cap										
Birla SL Equity(G)	279.54	27-Aug-98	651.93	3.98	12.20	13.82	32.10	8.36	20.61	32.06
Birla SL Frontline Equity(G)	87.48	30-Aug-02	1373.91	1.87	9.38	11.26	28.35	13.37	24.14	31.41
DSPBR Equity(D)	54.21	15-Apr-97	1407.47	6.30	15.37	19.68	37.76	17.13	25.98	26.04
DSPBR Top 100 Equity(G)	97.83	21-Feb-03	1343.57	2.55	8.00	10.04	23.07	13.54	24.81	35.59
JM Large Cap(G)	18.79	9-Jun-04	1.65	0.09	4.81	10.62	13.67	3.14	4.98	10.74
Kotak 30(G)	102.40	21-Dec-98	592.72	1.16	8.74	10.90	24.55	9.19	20.17	32.69
Magnum Equity(D)	32.82	30-Nov-90	327.99	1.67	9.80	13.68	28.43	10.12	22.14	13.65
Reliance Equity-Ret(G)	15.23	7-Mar-06	1098.31	0.20	5.09	2.95	9.42	4.93	-	9.80
Reliance Vision-Ret(G)	277.35	7-Oct-95	1818.30	2.64	9.68	12.23	29.83	8.79	21.39	24.95
Sundaram BNPP Growth(G)	95.20	15-Feb-97	63.71	3.63	13.42	13.80	24.63	7.79	18.37	21.21
Equity - Mid-cap										
Birla SL Midcap(G)	118.44	1-Oct-02	982.81	4.98	13.21	16.23	37.79	13.88	23.42	36.80
ICICI Pru Emerging S.T.A.R.(G)	36.12	25-Sep-04	255.23	3.44	10.46	16.14	45.82	3.15	15.25	24.54
JM Mid Cap(G)	28.48	9-Jun-04	4.48	5.73	12.00	14.39	24.07	10.20	11.96	18.45
Kotak Midcap(G)	27.50	28-Jan-05	113.15	5.96	17.91	28.60	53.06	6.07	14.76	20.09
Reliance Growth-Ret(G)	489.68	7-Oct-95	4318.15	3.23	9.97	14.51	35.29	15.67	23.92	29.49
Reliance Reg Savings-Equity(G)	31.87	10-Jun-05	2352.10	3.69	12.02	13.89	34.91	21.27	25.97	24.78
Sundaram BNPP S.M.I.L.E(G)	35.59	21-Jan-05	390.31	3.20	13.48	16.83	29.92	18.93	21.86	25.35
Sundaram BNPP Select Midcap(G)	159.34	19-Jul-02	1131.63	6.78	18.26	19.44	42.15	16.31	25.78	40.56
Equity - Pharma & HC										
Franklin Pharma(G)	58.42	31-Mar-99	45.97	1.32	3.24	16.45	61.83	26.73	20.31	16.69
Reliance Pharma(G)	52.40	26-May-04	237.15	-0.19	4.12	17.13	64.24	27.82	26.83	30.35

Returns as of 3rd September, 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
Equity - Service Inds										
ICICI Pru Services Inds(G)	17.67	18-Nov-05	167.52	1.55	10.09	11.55	27.95	0.25	-	12.70
Principal Services Inds(G)	14.81	31-Jan-06	63.61	1.58	7.87	8.34	19.63	4.36	-	9.12
Tata Service Inds(G)	25.30	10-Mar-05	84.39	1.60	7.39	8.79	20.98	4.99	14.97	18.43
Equity - Sensex Linked Index										
Franklin India Index-BSE Sensex(G)	51.35	27-Aug-01	34.39	0.67	7.61	7.74	18.38	6.18	17.94	19.88
HDFC Index-Sensex Plus(G)	222.39	10-Jul-02	57.01	1.72	8.45	11.14	26.20	10.16	20.80	26.83
HDFC Index-Sensex(G)	152.20	10-Jul-02	46.94	0.76	7.59	7.11	18.01	2.66	15.29	21.05
UTI-SUNDER	580.01	11-Jul-03	0.68	0.90	7.71	8.66	20.45	8.03	18.69	28.28
Equity - Nifty Linked Index										
Birla SL Index(G)	54.68	17-Sep-02	17.39	0.80	7.76	8.16	19.00	6.18	17.03	23.78
SBI Magnum Index(G)	46.80	16-Jan-02	19.70	0.95	7.85	8.09	19.19	5.10	16.08	19.57
Nifty BeES	553.06	18-Dec-01	420.51	0.85	7.82	8.41	20.09	6.89	17.75	21.16
Reliance Banking ETF	1126.89	30-May-08	13.34	4.54	17.89	22.36	50.01	-	-	38.53
Balanced - Equity Oriented										
Kotak Balance	23.76	25-Nov-99	63.30	3.55	9.13	1.55	7.09	-0.81	9.22	15.10
Sundaram BNPP Balanced(G)	48.13	25-May-00	15.56	1.85	8.71	9.71	24.75	9.78	15.91	16.61
Balanced - Debt-Oriented										
HDFC Children's Gift - Savings	21.60	2-Feb-01	61.89	1.08	3.36	7.72	16.29	11.77	8.39	8.43
ICICI Pru Child Care Plan-Study Plan	28.92	6-Aug-01	32.82	1.47	5.25	10.33	17.96	11.24	12.38	12.50
Commodities - Gold										
Gold BeES	1866.45	23-Feb-07	1106.56	6.55	2.66	11.23	20.75	27.55	-	21.59
Kotak GOLD ETF	1864.91	4-Jul-07	166.61	6.56	2.66	11.23	20.79	27.40	-	27.35
DSPBR World Gold-Reg(G)	16.90	23-Aug-07	780.06	8.07	8.75	14.90	18.55	-	-	19.32
Reliance Gold ETF	1813.98	1-Nov-07	287.13	6.54	2.66	11.24	20.75	-	-	22.68
UTI-Gold ETF(G)	1865.47	16-Mar-07	366.92	6.57	2.67	11.25	20.84	27.47	-	22.13
Liquid Funds										
Birla SL Cash Mgr-Ret(G)	22.91	14-May-98	28.84	0.47	1.29	2.38	4.32	6.46	6.56	6.97
Birla SL Cash Plus-Ret(G)	24.93	13-Jun-97	118.91	0.38	1.13	2.07	3.84	6.22	6.44	7.15
Kotak Liquid(G)	18.17	6-Oct-00	27.69	0.40	1.12	2.05	3.80	6.03	6.12	6.21
LICMF Liquid(G)	17.22	13-Mar-02	4245.07	0.44	1.35	2.43	4.72	7.02	7.09	6.62
Magnum InstaCash-Cash(G)	20.89	19-May-99	1561.36	0.47	1.37	2.52	4.34	6.44	6.53	6.74
Reliance Liquid-Cash(G)	15.27	4-Dec-01	11.83	0.39	1.17	1.98	3.27	4.56	5.06	4.96
UTI-Money Mkt(G)	2620.73	23-Apr-97	121.66	0.41	1.17	2.23	4.12	6.51	6.63	7.47
Monthly Income Plans										
Birla SL MIP II-Savings 5(G)	17.00	30-Apr-04	622.76	0.95	2.02	3.47	6.13	11.87	9.82	8.80
Birla SL MIP II-Wealth 25(G)	17.62	30-Apr-04	154.02	1.73	4.01	5.65	10.67	7.10	8.84	9.42
Birla SL MIP(G)	25.80	10-Nov-00	-	0.96	2.76	4.86	9.56	7.73	8.73	10.16
Birla SL Monthly Income(G)	35.61	14-Jul-99	291.37	1.38	3.12	5.01	9.96	9.42	10.10	12.15
L&T MIP(G)	19.24	1-Aug-98	40.90	0.68	1.78	3.22	6.16	12.57	10.00	4.61
DSPBR Savings Mgr-Agg(G)	18.45	20-May-04	84.64	0.18	0.37	1.20	6.51	7.79	9.94	10.32
ICICI Pru Income Multiplier(G)	18.89	5-Mar-04	314.85	0.56	2.39	4.96	9.70	7.86	9.65	10.28
Magnum Income Plus-Savings(G)	10.98	22-Oct-03	1.43	0.27	0.91	1.94	3.91	1.29	1.14	1.37
UTI-MIS(G)	19.22	11-Oct-02	214.01	0.76	1.88	3.91	10.81	9.60	9.36	8.62

Troubles for domestic IT industry not looking like ending very soon

Despite lots of political pressure from Indian government, the US Senate, on August 12, passed the border security bill with unanimous consent. The Senate interrupted its August recess to convene for a special session to pass the bill. The US President Barack Obama, on very next day i.e. on August 13, signed into law the said bill that provides for deployment of additional 1,500 agents and unmanned aerial vehicles to enhance border security while offsetting the cost for the same by charging more fees from the companies those offshore high-paying American jobs.

Though all senators were not present on the day of passing the bill, their consent had already been sought. The session will also be remembered for a long period as the co-sponsor of the original bill, Senator Chuck Schumer, called Infosys -- the blue-chip Indian IT company -- as a 'chop shop' in his remarks.

The \$600 million bill asks for raising the fees for H-1B (for temporary skilled workers) and L visas (given for intra-company transfers) to fund US-Mexico border security programme. The move is likely to hamper Indian IT industry the most as leading software exporters of the country like Tata Consultancy Services (TCS), Infosys Technologies, Wipro and Patni Computers uses H-1B visas for sending thousands of workers in the US to work on the temporary projects.

The legislation includes the following funding:

- \$176 million for 1,000 new Border Patrol agents to form a "strike force" to be deployed at most-needed areas
- \$50 million for 250 new ICE personnel, including special agents, intelligence analysts and support personnel
- \$68 million for Customs and Border Protection to keep the current levels of officers and for 260 new officers at ports of entry
- \$71 million for Alcohol, Tobacco and Firearms and Drug Enforcement Administration agents along the border
- \$32 million to deploy unmanned aerial vehicle surveillance drones
- \$30 million for border interdiction by Immigration and Customs Enforcement
- \$32 million for FBI agents and US Marshals along the border
- \$21 million for Interagency Crime and Drug Law enforcement along the border
- \$20 million for the federal prison system to detain immigrant criminals
- \$14 million for communication equipment for new officers
- \$13 million for US attorneys and other legal expenses
- \$10 million for federal judiciary resources for an anticipated higher caseload
- \$10 million for investigators to stop corruption in the

Border Patrol and Customs and Border Protection

- \$8 million for the Federal Law Enforcement Training Center
- \$7 million for border processing of apprehended drug dealers and human traffickers
- \$6 million to deploy forward operating bases along the border (as opposed to using current bases that are 100 miles away)
- \$2.1 million for expediting administrative review and appeals along the border

As per the proposals in the bill, the Indian companies will be charged fees of around \$4,500 for new H-1B visas against the current fees of \$2,000 and the renewals will cost \$4,000. While the bill weighs against the Indian IT firms, it tacitly protects US tech companies.

The IT industry body Nasscom had slammed the bill by calling the legislation as 'indirect protectionism' and 'discriminatory'. "We would like to reiterate that Indian companies only take a fraction (under 12%) of the total H-1B visas and US companies, who also use these visas in large numbers will remain unaffected by this bill, thus unfairly reducing the competitiveness of Indian firms" Nasscom had said in its statement when the bill was first passed by the Senate. This bill is indirect protectionism and contrary to the Obama administration's repeated pleas to the international community to avoid taking such actions, it had added. As per Nasscom's estimates, the move is expected to increase the cost burden on Indian IT companies by around \$200-250 million per annum.

The US, however, has shown willingness to address the Indian IT industry's concerns to get the matter resolved before the President Obama's forthcoming visit to India in November this year. As a bargain chip, the Indian government is now considering getting relaxation in payments towards social security schemes by temporary Indian workers. This will help reduce some cost for Indian companies and will also help increase disposable income of Indian working in the US.

Some post-facto thinking from the Obama administration comes close on the heels of Indian government threatening to take the matter to the world trade organisation (WTO) as the higher visa fee seems inconstant with the rules of the global trade body.

In the meantime, when the local IT industry has not been able to recover from the shock of the border security bill, the US is getting ready for another discriminatory bill named as 'Comprehensive Immigration Reforms Bill'. The main objective of the bill, which may come up for discussion in November, is to control illegal immigration in the US. And it also proposes curbing issuance of H-1B and L1 visas to foreign companies not having at least 50% American employees at their US-based developments. Indian IT industry may be in a deeper trouble in next few months if this bill also gets the US Senate's approval.

Discussing the entry of new private sector banks

In a view to promote financial inclusion, and ultimately support inclusive economic growth, the Reserve Bank of India (RBI) has floated a discussion paper on the "Entry of new banks in the private sector". The discussion paper follows Finance Minister Pranab Mukherjee's announcement in the Budget speech that RBI may give more banking licences to private sector companies, earlier 10 new banks were set up in the private sector after the 1993 guidelines and 2 new banks after the 2001 revised guidelines. The Reserve Bank this time is considering providing licenses to a limited number of new banks which would create more competition among private sector banks and in turn can enhance their efficiency and reach of banking services along with reducing the cost and improving quality of services. As majority of the population specially the semi-urban and rural mass are not getting access to various financial services availed by people residing in urban areas.

The key highlights of this discussion paper floated by RBI includes the following:-

- Minimum capital requirements for new banks and promoters contribution
- Minimum and maximum caps on promoter shareholding and other shareholders
- Foreign shareholding in the new banks
- Eligible Promoters:-

A) Whether industrial and business houses could be allowed to promote banks

B) Should Non-Banking Financial Companies be allowed conversion into banks or to promote a bank

- Business model for new banks

Digging deeper into the matter we can consider the main issue like;

I) Minimum capital requirements for new banks and promoters contribution:- The guidelines issued in 1993 for licensing of new banks in the private sector had prescribed Rs 100 crore as minimum capital and the 2001 guidelines raised this bar to Rs 200 crore to be increased to Rs 300 crore over three years from commencement of business.

With this new discussion paper floated, RBI has invited suggestion on banks having low minimum capital requirement i.e. more than Rs 300 crore or having a high minimum capital requirement for new banks i.e. up to Rs 1000 crore either having a minimum capital prescribed at Rs 500 crore with a condition to raise the amount, to say Rs 1000 crore within a period of 5 years.

With this new guideline, having initial minimum capital prescribed at Rs 500 crore with a condition to raise the amount to say Rs 1000 crore within a period of say 5 years

will be more feasible as usually the promoters with higher minimum capital requirement will not be more seriously committed to financial inclusion as they are likely to be focused on more profitable large ticket size commercial banking. However, allowing setting up of a low capital requirement will allow companies with limited ability to invest in technology to enter banking sector, which could be disadvantageous as investment in technology is a major requirement for financial inclusion.

II) Minimum and maximum caps on promoter shareholding and other shareholders: - To avoid problems arising out of possible conflict of interests, such as connected lending, the 1993 and 2001 guidelines on entry of new private sector banks sought to reduce the control of functions of banks by the promoters.

As in India, the promoters have been allowed to bring in higher stake (minimum of 40 percent of the paid-up capital of the bank) at the time of licensing of banks with a lock-in period of 5 years. The main intention was to have a stable capital base, and strong professional management, but without any interference or control of management by the promoters.

In the discussion paper following are the possible option i.e.

a) Retaining the current approach of requiring promoters to bring in a minimum of 40 percent of capital with lock-in clause for 5 years and the threshold for other significant shareholders to be restricted to maximum of 10 per cent with the requirement to seek acknowledgement from Reserve Bank of India on reaching 5 percent threshold and above. Further, with the promoters too diluting their stake to the extent required in a time bound manner say, 5 years after the lock in period or b) Retain the general threshold for the shareholders at 5 percent of the capital but raise the threshold for promoters and other significant shareholders to say 20 per cent in the long run. Higher shareholding could be considered exceptionally subject to increasingly stringent criteria. (c) Allow promoters to hold their initial shareholding of 40 per cent.

The option of retaining the current approach of requiring promoters to bring in a minimum of 40 percent of capital with lock-in clause for 5 years is more suggestable as raising the threshold for promoters and other significant shareholders to say 20 per cent in the long run would not be so feasible as both promoters and other shareholders may not consider the level of shareholding significant enough for committing resources and energies and further allowing promoters to hold their initial shareholding of 40 per cent would lead to concentrated shareholding in banks, which in the Indian context is found to be detrimental to depositors' interests in the long run.

III) Foreign shareholding in the new banks –

The 2001 guidelines on entry of new banks permitted NRIs to participate in the primary equity of a new bank to

the maximum extent of 40 percent. However, the equity participation was restricted to 20 percent within the above ceiling of 40 percent, in the case of a foreign banking company or finance company (including multilateral institutions) acting as a technical collaborator or a co-promoter.

Subsequently, based on the March 5, 2004 Press Note 2 of the Government of India's (Ministry of Commerce and Industry), the aggregate foreign investment from all sources (FDI, FII, NRI) in private sector banks was not to exceed 74 per cent of the paid-up capital of the bank, under the automatic route. This included FDI, investment under Portfolio Investment Scheme (PIS) by FIIs and NRIs, and also included IPOs, Private Placements, GDRs/ADRs and acquisition of shares from existing shareholders.

However, the Press Notes 2, 3 & 4 issued by Government of India in February 2009 indicate that banks with foreign shareholding of more than 50 percent would be treated as nonresident owned banks. In the event of the foreign shareholders having the right to appoint majority of directors on the Board, the bank would be treated as nonresident controlled bank. Since the objective is to create strong domestic banking entities and a diversified banking sector which includes public sector banks, domestically owned private banks and foreign owned banks, aggregate non-resident investment including FDI, NRI and FII in these banks could be capped at a suitable level below 50 percent and locked at that level for the initial 10 years, is the suggestion which is open for discussion in the discussion paper.

However, suggestion by the Reserve Bank of India (RBI) that foreign shareholding in new private sector banks be capped at 50 per cent with a lock-in of 10 years has led to some consternation among banks in which a majority share is held by overseas investors.

On the other hand, RBI probably wants to ensure that domestic banks are sufficiently strong before it flings the doors wide open to overseas lenders. Also New banks will not face any shortage of capital even if the overseas investment is capped at 50 per cent as these banks can also borrow in instruments such as subordinated debt, which will not affect the ownership pattern.

IV) Eligible Promoters:-

1) Whether industrial and business houses should be allowed to promote banks: - The 2001 licensing guidelines prohibited promotion of new banks by industrial houses. However, individual companies, directly or indirectly connected with large industrial houses were permitted to acquire by way of strategic investment shares not exceeding 10 per cent of the paid-up capital of the bank, subject to RBI's prior approval.

So, the RBI in its discussion paper has suggested the following options- a) Industrial and business houses may be permitted to promote banks:-As industrial and business

houses can be an important source of capital and can provide management expertise and strategic direction to banks as they have done to a broad range of non-banking companies and other financial companies. Further, many of the largest private sector companies in other financial services sectors, such as insurance companies, asset management companies and other non-banking finance companies including loan and leasing companies are fully or partially owned by industrial and business houses. Thus, the industrial and business houses with their presence in the above sectors are already competing with banks both on the assets and liabilities side.

However, on the concern side, allowing industrial and business houses to promote banks creates conflicts of interest through self dealing at the expense of bank clients. Conflicts of interest could also arise from transactions between the bank and its affiliates. A bank affiliated to a commercial firm may deny loans to its affiliate's competitors, and instead favour its commercial affiliates in granting loans on preferential terms.

Even though Industrial and business houses are already permitted in other areas of financial services, banks are special as they are highly leveraged fiduciary entities central to the monetary and payment system. There are several deep rooted fears in allowing industrial and business houses to own banks. Mainly these relate to the fact that such an affiliation tends to undermine the independence and neutrality of banks as arbiters of the allocation of credit to the real sectors of economy.

b) Industrial and business houses that have predominant presence and experience in the financial sector could be allowed to set up banks subject to other due diligence process -This could be useful as track record of the industrial and business houses in the financial sector, available from other regulators and authorities would ensure that only those with sufficiently long and sound track record promote banks.

c) As an intermediate step, industrial and business houses could be allowed to take over RRB's, before considering allowing them to set up banks - As this will give industrial and business houses an opportunity to prove their suitability for promoting banks and also this would provide an immediate impetus to financial inclusion and revitalize RRBs especially those in under banked regions.

2) Should Non-Banking Financial Companies be allowed conversion into banks or to promote a bank: -

As more players enter the banking space, intense competition among the banks might benefit the consumers. Banks will focus on reducing their operational cost which in turn will result in charging lower interest rates to consumer in the long run. If NBCFs are given the preference to run a bank, then rural and semi-urban consumers will be most benefitted.

So, the RBI in the discussion paper floated gave following

option to invite comments on. They are as under

a) Permitting conversion of NBFCs into banks -NBFC can better leverage their competence by converting to banks and having access to low cost funds as some of the sectoral credit issues, such as infrastructure and microfinance, could be better addressed by NBFCs specializing in the specified sectors.

On the concern side, the initial capital requirement for NBFCs is a miniscule Rs 2 crore and the due diligence and 'fit & proper' assessment exercise of promoters/directors is minimal both in terms of scope and rigour, as compared to banks.

b) Permitting standalone (i.e. those not promoted by Industrial / Business Houses) NBFCs (including those regulated by SEBI, IRDA & NHB) to promote banks - Promoting standalone NBFCs could retain their niche space and yet contribute to the financial sector through the bank that they would set up as NBFCs already being regulated would have a verifiable track record for 'fit and proper' assessment.

On the concern side, NBFC's experience in the financial sector would not be adequate enough to be a source of strength in promoting banks. Further, also due to maturity differences of the assets and liabilities of the NBFCs and banks, there may be possibilities of the bank funds being utilized to meet the NBFC liabilities and also of indulgence in regulatory arbitrage.

However, on positive side, when banking license will be awarded to NBFCs, their cost of deposit will be substantially reduced as the benefit of which may trickle down to the customers in semi-urban and rural areas, as NBFCs cost of funds are high as compared to other banks as they cannot take demand deposits. Further, more strategic tie ups can be seen with micro-finance institutions which may help to broaden the reach of banking in several villages. SMEs and small borrowers operating in Semi-urban or rural areas might get access to cheaper loans as more and more banks expand their network in the face of intense competition.

v) Business model for new banks:-

The 2001 guidelines on entry of new banks stipulated that the applicants should also furnish a project report covering business potential and viability of the proposed bank, the business focus, the product lines, proposed regional or locational spread, level of information technology capability and any other information that they consider relevant. As business plan is required to address the adequate and appropriate risk management and internal control systems, compliance processes and systems, information and accounting systems, external and internal audit arrangements, and sensitivity analysis showing the results of changes in key assumptions under the worst case scenario.

As far as the business model is concerned following

options are available a) maintaining Status- quo, where new banks could be licensed under the usual conditions which would let uniform norms be applied to all banks, old and new, for their compliance or b) Considering the thrust on financial inclusion, a business model oriented towards this objective could be preferred. The business model could be required to clearly articulate the strategy and the targets for achieving significant outreach to clientele in Tier 3 to 6 centers (i.e. in populations less than 50000) especially in the under banked regions of the country either through branches or branchless models.

In a view to encourage financial inclusion as majority of the population specially the semi-urban and rural mass are not getting access to various financial services availed by people residing in urban areas the bank should adopt business model oriented towards this objective as this would induce new banks to participate in financial inclusion in a big way and would also encourage them to adopt latest and innovative methods and leverage information technology, BC / BF models in reaching the unreached. However, business model heavily oriented towards financial inclusion may not be able to provide commensurate returns to banks to enable them to compete with other private sector banks in the country and would also create uneven playing field vis-à-vis the existing banks with its attendant negative consequences for such banks.

Concluding Remarks

Thus to put it in a nutshell the option of banks having initial minimum capital requirement prescribed at Rs 500 crore with a condition to raise the amount to say Rs 1000 crore within a period of say 5 years appears reasonable. Further, the current approach of requiring promoters to bring in minimum of 40 per cent of capital with the lock in period of 5 years and then diluting it to the extent required in time bound manner will also ensure commitment of the newcomers. Finally, capping foreign shareholding in new private sector banks at 50 per cent with a lock-in of 10 years option will ensure a local majority character of the banks that will be helpful in accelerating financial inclusion.

Further, banks option as an intermediary step ,for allowing industrial and business houses to take over RRB's, before considering allowing them to set up banks along with NBFC being given the license to enter the banking space may be more ideal one out of all the options.

Overall, there seems to be a positive impact on consumers especially in semi-urban and rural areas if a few private players are granted banking license. Consumers in urban areas will also be benefitted when more and more private banks will try to woo the customers with attractive services. Thus, the central bank which has stayed away from taking any position on the profile of the new entities that could be given licenses to run such banks will set policies after receiving feedback from different stakeholders by September 30.

Monsoon rains abundant in August, boost crop outlook

India's monsoon rains in the current month are likely to exceed the long period average (LPA) despite the initial hiccups. According to the Indian meteorological department (IMD), total rains in the month are likely to be more than 3% of the normal levels and the trend is likely to be continued into the next month as well. The start of the monsoon this year was again poor with rainfall being 20% deficient compared with the LPA in June. However, it was better compared with last year when rains were over 50% deficient in the first month of the season, and despite some improvement towards end of the season, the country suffered the worst rain shortfall in nearly three decades. It also resulted in sharp decline in Kharif (summer sown) crop.

However, rainfall this year improved over time. In fact the IMD had stated in July itself that the rains will be much better in the second half of the June-September season and the overall rainfall will be 2% above the normal. The prediction of the weather department now seems to be holding true with substantial rains seen in most parts of the country over last few weeks. Monsoon rains are critical for kharif crops such as paddy, cotton, pulses and oilseeds as nearly 60% of the country's arable land is rain dependent. With the good rains seen in last few weeks, outlook for paddy and oil seeds - two crops that saw significant decline in production last year - has improved considerably. India had to ban the export of most varieties of rice and turned into largest importer of edible oils following the deficient rains last year.

The government is also hoping that with jump in farm output owing to good rains, availability of food commodities in the country will increase substantially and help bring down the soaring food-inflation that has remained above the 10% level for nearly a year now. According to the latest available data, food inflation in the country stood at 10.05% for the week ended August 14.

Future trading may not be linked to spot price hike: RBI

There has been a tendency in the Indian policy arena often to blame future trading in commodities for rise in spot prices. The increases in food and essential commodity prices in 2009-10 has further brought to the fore the debate on the role of commodity futures market in influencing spot price trends, even as the share of agricultural commodities in overall futures trading declines reflecting imposition of bans on trading of several commodities. However, the Reserve Bank of India (RBI) in its latest annual report has observed that there is no evidence to conclusively suggest that future trading impacts the spot prices. The RBI stated in its annual report that while speculation in commodity futures was seen in some quarters as a factor behind the high food inflation during 2009-10, crucial questions like whether the activities in commodity futures

market reflect genuine needs of hedging or speculation, and whether such activities systematically influence the commodity prices and lead to increased price volatility, largely remain unsettled in academic and policy discussions. In an argument that speaks against the practice of banning commodity future trading whenever the price of a commodity shows an uptick, the central bank said that several commodities which were not traded in the commodities exchange, such as fruits and milk, also exhibited price increases during the last one year. Moreover, it added that, certain commodities that were banned for trading in 2007, such as rice, wheat, tur and urad, also exhibited price increases subsequently.

Government may allow sugar futures trading in October

As the overall sugar production outlook improves, the government is likely to consider lifting the ban on trading in sugar futures. Union Farm and Agriculture Minister Sharad Pawar said that the centre government would consider lifting the ban on sugar futures trading in the first week of September, after taking a stock of monsoon performance and potential sugar output in next season. The government had banned the trading in sugar futures in May 2009 after domestic prices surged sharply in response to decline in production for two consecutive years. However, after hitting a record high levels in January this year, sugar prices have crashed in both Indian and international markets owing to better-than-anticipated production in India in current season and strong production outlook for next season for both India and Brazil, the two top producers of sugar in world. 'I will get to know the sugar production situation in September. I will take a view on it (lifting ban on sugar futures) in the first week of September,' said Pawar when asked if the government would consider removing ban on sugar futures in view of expected surge in supply. Pawar was speaking on sidelines of a National Cooperative Consumers' Federation (NCCF) function. The centre has in fact taken a number of steps recently to ease the controls on the sugar sector that were imposed after prices of the sweetener increased nearly 100% due to tight supply conditions in both India and international markets last year.

Rubber imports to surge on higher demand, tight supply

Despite the high international prices and relatively high import duty, India's rubber exports are likely to remain high in the current fiscal too. The country may end up importing 1,10,000 tonne of natural rubber in 2010-11 amidst soaring prices in both Indian and international markets. While the figure is lower than import of 1,71,000 tonne of rubber last year, it is much higher than initial estimates by the rubber board of India which were pegged at 70,000 tonne. Further, it should be noted that last year's imports were primarily lower international prices while this year prices have nearly doubled in both Indian and global markets. "According

to the data compiled by the rubber board, the country has already by the end of first week of August imported 57,872 tonne of natural rubber. Most of the imports have been from Thailand, Malaysia and Indonesia. With tight domestic supply and surging prices, the trend is unlikely to reverse any time soon and final figure therefore be much higher for the full fiscal. Rubber prices have been surging for several months due to tight global scenario and local prices are likely to remain somewhat higher compared with global prices. According to the Association of Natural Rubber Producing Countries (ANRPC), rubber supplies from key producing countries including Indonesia are still low as unfavourable weather was disrupting production, and the balance of the market forces will therefore continue to support producers in the near term.

Further, according to the data released by the Rubber Board of India, consumption of the commodity has been increasing in the country on account of rising production of tyres. The production of truck and bus tyres registered a growth of 15% and 21% in the last fiscal in wake of surge in auto sales in the country. As a result, tyre producers are being forced to import amidst high prices and a high import duty.

Electricity futures trading banned by FMC on poor volumes

Owing to poor volumes of trade and murky performance from traders for the contract, Commodity market regulator, Forward Markets Commission (FMC) has decided to stop all futures trading in electricity derivatives, which were traded on the only exchange, Multi-Commodity Exchange (MCX) on monthly basis. The ban has been made effective from August 23 for an indefinite period. However, the ban would not extend to spot trading in electricity, which is done by Power Exchange of India and regulated by the Central Electricity Regulatory Commission (CERC).

As per the FMC directive issued to the exchanges "The electricity contracts did not attract significant trading interest. Accordingly, no futures contracts would be permitted to be traded in electricity futures for the time being". The "in principle" decision for this ban was taken by India's Union ministry of consumer affairs, in consultation with the Forward Markets Commission (FMC). In this backdrop, the FMC will further evaluate this ban at a suitable time, by taking feedback from the ministry and market players.

Meanwhile, futures trade in electricity was being opposed by Power Ministry since its launch in 2006, citing acute shortage of power, with availability of coal and water being the major limiting factor which affects the trading set-up, particularly in the futures market. However, the ministry of consumer affairs first wanted to test the response to this trading.

Volume on the commodity exchanges spikes up 63% in second half of July

Volume on the commodity exchanges spiked up by 63% in

second half of July. Total turnover on the local commodity bourses during the July 16-31 period stood at Rs 5,01,046 crore against Rs 3,07,829 crore in the year ago period, as per the latest data from the Forward Markets Commission (FMC). Rise in volume can be attributed to heightened activity in metals and bullion. During the period under consideration, total turnover in metal (excluding bullion) and bullion increased by 61% and 123% compared to the same period of the last year to Rs 116,060 crore and Rs 202,110 crore, respectively. Similarly, volume in agri-commodity segment grew by 42% to Rs 76,496 crore during the fortnight from Rs 54,019 crore for July 16-31 period of 2009. With this, the total turnover on the commodity bourses in the current fiscal till July 31 have gone up by 59% to Rs 33,72,249 crore from Rs 21,23,637 crore for the same period of the previous fiscal.

Pepper prices likely to slip further in the near term

Pepper prices are expected to witness some more correction in the near term on the back of sluggish demand in the domestic as well as international markets. Late last month pepper prices in the country had touched their 10-year high of Rs 220 per kg but from there the prices have now slipped more than 10% to breach the level of Rs 200 a kg. Within India, prices prevailing at different locations are showing sharp divergence. For e.g. prices (excluding transportation cost) for 1 kg of pepper in Karnataka are in the range Rs 195-200 while the same quantity is available at around Rs 202-207 (including transportation cost) in the northern markets of the country. Besides this, decline in demand from United States (US) and Europe, which are the leading importers of pepper from India, is also likely to weigh down on the prices in next few weeks. Further, cheap exports from other countries like Indonesia, Vietnam and Sri Lanka may also have adverse impact on the India's exports of pepper. Experts believe that pepper prices in the country may correct by around Rs 15 per kg in days to come before witnessing another round of up-move by mid October.

Natural rubber production grows 6.5% in first four months of FY11

India's natural rubber production has gone up by 6.5% during the first four months of this financial year to 223,250 tonnes from 209,825 tonnes in the corresponding period of the previous fiscal. During the first two months of monsoon i.e. June and July, the output increased by 9.6% to 114,500 tonnes from 104,505 tonnes in June-July 2009. Last month, the production of natural rubber stood at 57,500 tonnes, up 14.43% over 50,250 tonnes in July 2009. Double digit growth in production in July 2010 was mainly on the back of increase in area tapped under rubber cultivation. Improvement in soil moisture led by good monsoon also aided the production rise. Since the beginning of this fiscal till July 2010, natural rubber consumption of the country has gone up by 3.3%

compared to year ago level. The domestic consumption during FY10 had jumped by 6.8% compared to FY09 while the consumption is likely to remain around 978,000 tonnes in FY11. As per the consumption forecasts for the current financial year, the demand-supply mismatch can be pegged at around 85,000 tonnes but this may not create any major problems as the country had opening stock of 253,975 tonnes at the beginning of this fiscal. India imported 53,139 tonnes of natural rubber during April-July 2010 period against 70,328 tonnes in the corresponding period of the last fiscal. Higher prices in the international markets were one of the major reasons for year-on-year drop in imports during the period under review. On the other hand, exports in the current fiscal till July 31 have soared to 4,335 tonnes from 878 tonnes in April-July 2009 period.

India's Coffee export surge 53% in Jan-July period

Coffee exports from India, the fifth-largest coffee producer in the world and the third-largest in Asia, surged by 53% to 1.78 lakh tonne in the first seven months of this year, compared with 1.16 lakh tonne in the same period last year. The countries which account for most of the coffee exports from India are countries such as Italy, Russia, Germany and Belgium. Further, the country's coffee output has increased to 2.89 lakh tonne in the current year against 2.62 lakh tonne in the previous year. The surge in the export was witnessed on the back of higher domestic output along with strong global demand. "There is very good demand from our traditional buyers this year," said HN Devaraj, a member of the Coffee Board and a large trader from Diwan Gudda Estate in Hassan district of Karnataka, the country's biggest coffee producing state. During January-July, realization from exports stood at about Rs 1,798.85 crore against Rs 1,254.41 crore in the year-ago period. The unit per value realization stood at Rs 1,00,911 per tonne. Out of the total exports, shipment of robusta variety rose to 97,650 tonne from 65,393 tonne, while arabica coffee increased to 35,131 tonne from 22,757 tonne. Though the World coffee production is falling on unfavorable climatic conditions that are believed to hamper plantations across the world, back home in India the crop situation is seen reversed. Agriculture experts anticipate further increase in the coffee output this year, mainly on the back of improved rains and better planting. However, strengthening of rupee and hike in ocean freight rates may hit shipments adversely despite higher domestic supplies.

Tea production drops 16% in North India due to pest attack

According to the state-run Tea Board, tea production in India, the world's second biggest producer, dropped 16% in June after pest attacks damaged the crop in

the Northern India, the largest tea growing region in the country. The output in north India, which accounts for more than two-thirds of the total production, dropped 16.43% in June to 76.8 million kilograms (kg) from 91.9 million kg a year ago though, the production grew 4.5% to 212.3 million kg in the six months ended on June 30. The production of crop in Assam accounts for more than half of India's total production, it may drop to the extent of 40% during the second flush (refers to the second picking season of the year), according to the tea board Chairman Basudeb Banerjee. The crop in the north eastern state reduced by 20% in June to 50.7 million kilograms from a year ago, data from the board show. The second flush pickings are typically the best-quality leaves that fetch a premium from buyers overseas. Consequently, in the weekly tea auction, prices in the northeast states jumped to the extent of Rs15 a kilogram in the first two weeks of July because of the damage. According to the tea board, the countrywide production was 104 million kg in June, as against 118 million kg last year, declining about 12%. The report further added that the output in the January-June period increased to 339 million kg from 333.9 million kg a year earlier, up by 1.53%. Exports climbed to 83.9 million kg, valued at Rs 1040 crore.

In Jan-June, the country's tea exports stood at 83.9 million kg, 12.6% higher on year. However, average realization during the period fell by 6.4% to Rs 123.48 per kg. Tea prices in India have been rising for the past one month due to lower crop in June. Now the North Indian tea are fetching an average Rs100 per kilograms, compared with Rs 95.60 a year ago.

Earlier, India's total exports in 2009 fell 5.7% to 191.5 million kg, but the trend reversed in December when it rose 36.9% to 22.24 million kg for the month. During the Jan-April period, total exports jumped 20% to 60 million kg compared to 49.8 million kg in the same period last year and various industry estimates indicated that exports during 2010 could cross 205 million kg.

India's spices exports rise 12% in first four months of FY11

India's spices exports grew by 12% to 1,93,875 tonnes in April-July 2010 period from 1,72,510 tonnes in April-July 2009 period. In value terms total exports for the first four months of this fiscal stood at Rs 2,084.96 crore as compared to Rs 1,775.39 crore for the corresponding period of last fiscal, up 17%. Garlic exports witnessed a whopping 1184% jump during the period under review to 10,975 tonnes from just 855 tonnes in the year ago period. Export of ginger saw 128% growth in April-July 2010 to 3,025 tonnes compared to 1,325 tonnes in April-July 2009 period. Similarly, chilli exports for the period stood at 77,750 tonnes against 62,800 tonnes for the April-July 2009 period, up 24%.

ICICI Pru Assure Pension

A retirement plan provides an income to enjoy a comfortable lifestyle even after one stops working. ICICI Prudential Assure Pension is an innovative pension product especially designed to help systematically saving towards a joyful and carefree retirement. Moreover, this product provides with a unique LifeCycle based Portfolio Strategy that regularly re-distributes money across various asset classes based on your life stage, eventually providing you with a customized retirement solution.

Key benefits

Guaranteed Addition (GA): 120% to 170% of one annual premium is allocated to Fund Value at the beginning of the 15 Policy year.

Additional allocation of units: More than 100% allocation to funds on premium payment from the 6 Policy year onwards

LifeCycle based Portfolio Strategy: A unique and personalized strategy to create an ideal balance between equity and debt, based on your age

Five pension options: Flexibility to choose a pension plan as per the needs

Tax benefits: Avail tax benefits on premiums paid and receive tax free commutation on vesting (retirement) date, as per the prevailing Income Tax laws.

Other benefits

Flexible Retirement Date

One can start receiving pension anytime after the age of 50 years. However, in view of market conditions or due to any other reason, one can choose to defer this date any number of times till the age of 80 years.

You may also choose to start receiving your pension at an earlier date (preponement of vesting) by surrendering the Policy and taking a pension, subject to fulfillment of both the following conditions:

- Age of the Life Assured, as on the date of surrender, is at least 50 years
- Completion of at least 15 Policy years

Death benefit

In the unfortunate event of death of the Life Assured, the nominee receives

Sum Assured PLUS Fund Value.

Where the spouse is the nominee, this may be taken as a lump sum or may be used to purchase an annuity from the Company. Alternatively, a portion of it (up to one-third as per prevailing tax laws) can be taken as a lump sum and the balance applied to provide an annuity under the Immediate Annuity plan of our Company then available for this purpose.

However, where the spouse is not the nominee, the benefits will be paid in lump sum to the nominee.

Cover Continuance Option

This option ensures that the Policy and all its benefits continue in case one is unable to pay premiums, any time after payment of the first five years' premiums. All applicable charges will be automatically deducted.

Fixed Portfolio Strategy

If one wishes to manage in investment actively, the plan has a Fixed Portfolio Strategy. Under this strategy, one must choose his own asset allocation from any of the seven funds options. One can switch between these funds using the switch option. The details of the funds are given in the table below:

Five different pension options to choose from:

On vesting, you have the flexibility to choose from the various annuity (pension) options. Currently the following options are available:

- Life Annuity
- Life Annuity with Return of Purchase Price
- Life Annuity Guaranteed for 5/10/15 years & life thereafter
- Joint Life, Last Survivor without Return of Purchase Price
- Joint Life, Last Survivor with Return of Purchase Price

The investment in the units is subject to the following risks:

- ICICI Pru Assure Pension is a Unit-Linked Insurance Policy (ULIP) and is different from traditional products. Investments in ULIP's are subject to investment risks.
- ICICI Prudential Life Insurance Company Limited, ICICI Pru Assure Pension, Pension Opportunities Fund, Pension Multi Cap Growth Fund, Pension Bluechip Fund, Pension Dynamic P/E Fund, Pension Multi Cap Balanced Fund, Pension Income Fund and Pension Money Market Fund are only names of the Company, Policy and funds respectively and do not in any way indicate the quality of the Policy, funds or their future prospects or returns.
- The investments in the funds are subject to market and other risks and there can be no assurance that the objectives of any of the Funds will be achieved.
- The premium paid in unit linked insurance policies are subject to investment risks associated with capital markets and debt markets and the NAVs of the units may go up or down based on the performance of fund and factors influencing the capital market and the insured is responsible for his/her decisions.
- The past performance of other funds of the Company is not necessarily indicative of the future performance of any of these funds.
- The funds do not offer a guaranteed or assured return.

This pension plan works in two phases:

- I) Accumulation Phase: In this phase, you pay premiums towards the Policy and accumulate savings for your retirement.
- II) Annuity or Pension Phase: In this phase, you start receiving pension from the accumulated amount, as per your chosen pension option.

Fund Name & Its Objective Profile	Asset Allocation	(Min)	(Max)	Risk-Reward
Pension Opportunities Fund: To generate superior long-term returns from a diversified portfolio of equity and equity related instruments of companies operating in four important types of industries viz., Resources, Investment-related, Consumption-related and Human Capital leveraged industries.	Equity & Equity Related Securities Debt, Money Market & Cash	80% 0%	100% 20%	High
Pension Multi Cap Growth Fund: To generate superior long-term returns from a diversified portfolio of equity and equity related instruments of large, mid and small cap companies.	Debt, Money Market & Cash	0%	20%	
Pension Bluechip Fund: To provide long-term capital appreciation from equity portfolio predominantly invested in NIFTY scrips.	Equity & Equity Related Securities Debt, Money Market & Cash	80% 0%	100% 20%	High
Pension Multi Cap Balanced Fund: To achieve a balance between capital appreciation and stable returns by investing in a mix of equity and equity related instruments of large, mid and small cap companies and debt and debt related instruments.	Equity & Equity Related Securities Debt, Money Market & Cash	0% 40%	60% 100%	Moderate
Pension Income Fund: To provide accumulation of income through investment in various fixed income securities. The fund seeks to provide capital appreciation while maintaining a suitable balance between return, safety and liquidity.	Debt Instruments Money Market & Cash	100%	100%	Low
Pension Money Market Fund: To provide suitable returns through low risk investments in debt and money market instruments while attempting to protect the capital deployed in the fund.	Debt Instruments, Money Market & Cash	0% 50%	50% 100%	Low

Fund Name & Its Objective	P / E Range	Allocation in Equity and Equity related securities	Risk-Reward Profile
Pension Dynamic P/E Fund: To provide long term capital appreciation through dynamic asset allocation between equity and debt. The allocation in equity and equity related 2 securities is determined by reference to the P/E multiple on the NIFTY 50 ; the remainder is to be invested in debt instruments, money market and cash.	<14	90% to 100%	High
	14-16	80% to 100%	
	16-18	60% to 100%	
	18-20	40% to 80%	
	>20	0% to 40%	