

Watch list

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

COMPANY	IND. NO.	PRICE (Rs) 05.01.09	TTM YEAR	TTM EPS (Rs)	P/E
3i Infotech	28	40	200809	11.4	3.5
A B B	39	511	200809	25.2	20.3
Agro Tech Foods	83	105	200809	5.8	18.0
Areva T&D	39	213	200809	10.3	20.6
Asian Paints	63	914	200809	43.1	21.2
Astral Poly	75	66	200809	17.2	3.8
Atlas Copco (I)	25	444	200809	37.9	11.7
Axis Bank	12	559	200809	39.3	14.2
B H E L	39	1437	200809	58.9	24.4
Bajaj Electric	36	224	200809	42.7	5.2
Balmer Law. Inv.	50	70	200809	7.9	8.9
Bartronics India	101	87	200809	18.5	4.7
BASF India	22	227	200809	28.1	8.1
Bata India	58	106	200809	9.4	11.2
Bayer CropScien	68	249	200809	24.1	10.3
BEML Ltd	44	378	200809	51.8	7.3
Bharat Bijlee	39	535	200809	112.6	4.8
Bharat Electro.	43	755	200809	98.5	7.7
Bharat Forge	17	90	200809	14.5	6.2
Blue Dart Exp.	32	455	200809	35.8	12.7
Blue Star	2	163	200809	18.0	9.0
BOC India	22	129	200809	6.6	19.6
Bosch	10	3097	200809	192.9	16.1
Britannia Inds	54	1342	200809	87.2	15.4
Castrol India	22	335	200809	22.0	15.2
Century Textiles	107	187	200809	26.7	7.0
CESC	76	266	200809	32.8	8.1
Clariant Chemica	22	168	200809	23.9	7.0
Colgate Palm.	66	405	200809	18.4	22.0
CRISIL	106	2455	200809	179.3	13.7
Crompt. Greaves	39	147	200809	9.6	15.4
Dabur India	65	85	200809	3.9	21.6
Deepak Fert	49	63	200809	16.3	3.9
DIC India	77	120	200809	16.4	7.3
Divi's Lab	71	1338	200809	66.3	20.2
Eimco Elecon	44	147	200809	19.8	7.4
Elantas Beck	22	167	200809	27.4	6.1
Engineers India	45	488	200809	43.2	11.3
Esab India	41	271	200809	42.4	6.4
Everest Kanto	62	185	200809	6.3	29.5
Federal Bank	12	172	200809	22.7	7.6
G S F C	49	81	200809	42.1	1.9
G S P L	106	41	200809	2.3	18.1
GAIL (India)	106	214	200809	25.8	8.3
GEI Industrial	44	35	200809	10.0	3.5
GlaxoSmith C H L	54	555	200809	43.5	12.8
Glodyne Tech	28	240	200809	47.5	5.1
Godrej Consumer	65	140	200809	5.6	24.9
Grasim Inds	107	1232	200809	210.2	5.9
Guj Apollo Inds	44	62	200809	15.9	3.9
H D F C	51	1628	200809	76.9	21.2
H T Media	47	72	200809	5.6	12.8

TTM: Trailing 12 months

COMPANY	IND. NO.	PRICE (Rs) 05.01.09	TTM YEAR	TTM EPS (Rs)	P/E
HDFC Bank	12	1043	200809	44.5	23.4
Hero Honda	9	778	200809	53.3	14.6
Hikal	22	249	200809	32.9	7.6
Hind.Construct.	31	59	200809	4.1	14.4
Honeywell Auto	43	872	200809	85.4	10.2
I D F C	50	72	200809	5.7	12.7
Indian Bank	11	140	200809	24.4	5.7
Indian Hotels	57	47	200809	5.5	8.5
Indian Overseas	11	78	200809	21.5	3.6
Ineos ABS (India)	69	92	200809	16.7	5.5
Infosys Tech.	27	1174	200809	87.7	13.4
Jyoti Structures	102	76	200809	9.8	7.7
Kalpataru Power	102	327	200809	49.8	6.6
Kirl.Pneumatic	25	156	200809	29.4	5.3
Larsen & Toubro	45	854	200809	39.2	21.8
LIC Housing Fin.	51	246	200809	54.6	4.5
M & M	7	297	200809	31.8	9.3
Maruti Suzuki	6	556	200809	52.0	10.7
McNally Bharat	45	42	200809	7.9	5.3
MIC Electronics	43	41	200809	7.9	5.2
Monsanto India	68	1257	200809	93.8	13.4
Mphasis	27	168	200810	21.7	7.7
MRF	105	2057	200809	340.9	6.0
Nestle India	54	1475	200809	54.3	27.2
Omnitech Info	28	68	200809	26.0	2.6
Oracle Financial	27	491	200809	62.7	7.8
P & G Hygiene	66	777	200809	45.2	17.2
Paper Products	62	33	200809	4.0	8.4
Phoenix Lamps	10	68	200809	16.1	4.2
Piramal Health	70	240	200809	14.6	16.5
PVR	47	107	200809	9.0	11.8
Reliance Comm	90	264	200809	8.5	31.0
Reliance Inds.	80	1366	200809	102.4	13.3
Repro India	77	81	200809	17.3	4.7
Shanthi Gears	44	38	200809	5.8	6.6
Shree Cement	18	485	200809	80.4	6.0
Siemens	43	303	200809	15.3	19.8
South Ind. Bank	12	62	200809	15.5	4.0
St Bk of Bikaner	11	251	200809	72.5	3.5
St Bk of India	11	1361	200809	119.5	11.4
Sunil Hitech	45	89	200809	21.5	4.1
Supreme Inds.	75	125	200809	16.8	7.4
Swaraj Engines	46	113	200809	15.8	7.1
Tanla Solutions	28	90	200809	10.2	8.8
Tata Chemicals	49	172	200809	33.3	5.2
TCS	27	515	200809	47.6	10.8
Thermax	44	199	200809	22.9	8.7
TRF	44	299	200809	70.8	4.2
Triveni Engg Ind	88	51	200809	4.2	12.1
W S Inds.	39	35	200809	7.1	4.9
Wheels India	10	148	200809	29.1	5.1
Wyeth	73	437	200809	39.6	11.0

Divi's Laboratories

Focused on the outsourcing segment

One of the best players in the Indian Crams space due to its infrastructure, track record and relationships with top innovator companies

Divi's Laboratories' (Divi's) product portfolio comprises generic active pharmaceutical ingredients (APIs) and custom synthesis of APIs, intermediates and specialty ingredients for innovator pharma giants. Custom synthesis also includes peptide building blocks (protected amino acids). Business has been growing decently across both these segments (generic APIs and custom synthesis).

For the past two years, custom synthesis for innovator customers comprised 50% of the total business. Among Divi's well distributed products range, the largest product accounts for 20% of the sales and the top five products around 60%. The top five customers contributed 48% of the revenue.

Divi's is actively involved in developing alternate, patent non-infringing processes for APIs for inventors to manage late life cycle and for leading generic drug manufacturers. Divi's also supplies advanced intermediates for generic APIs that are already out of patent as also for APIs about to enter generic status. Here again, Divi's has tie-ups with both original inventors and generic API manufacturers.

Divi's has built a strong base in the manufacture of protecting reagents; peptide condensing agents; totally synthetic, natural and novel unnatural amino-acids; and oligopeptides. It has invested heavily in knowledge, equipment and manpower to expand in this technology area, which is sophisticated, challenging and, of course, rewarding. Currently, the company is a major manufacturer of protected amino acids. Divi's has also succeeded in developing multistep total synthesis of important carotenoids (pigments important in human nutrition as a source of vitamins and preventive agents for cancer and heart diseases) like betacarotene, lycopene, astaxanthin, canthaxanthin.

Over the past few years, Divi's has been focusing on custom manufacturing and contract research (Crams) for many MNC clients. With four R&D centers, two pilot plants, two large-scale manufacturing units including a current good manufacturing practice/international organisation for standardisation / Food and Drug Administration-accredited facility, Divi's

is an ideal partner for custom synthesis, process development and mass manufacturing of customer's own discovery product. Exports constituted 94% of the total turnover and exports to advanced markets comprising Europe and America accounted for 82% of the business in the fiscal ending March 2008 (FY 2008).

Divi's spent Rs 176.25 crore on capital expenditure (net of capital work-in-progress) to enhance production capacities in FY 2008. It set up new production as well as utility facilities in special economic zones and export oriented units in Visakhapatnam, Andhra Pradesh, and enhanced existing capacities at unit-1 in Hyderabad, Andhra Pradesh.

To tap the global neutraceutical market worth over US\$ 1 billion, Divi's has set up a greenfield facility for carotenoids with an investment of Rs 35 crore. The plant commenced its operation in June 2008. Going forward, the carotenoids market would offer significant upside potential to Divi's.

Divi's consolidated net sales (including other operating income) grew an impressive 37% to Rs 336.05 crore in the in quarter ended September 2008. Operating profit margin (OPM) spurted 498 bps to 47.8% boosting operating profit (OP) 53% to Rs 160.49 crore. Other income jumped 952%

to Rs 2.42 crore. The margin expansion was underpinned by an improved product mix (mainly in the CCS space) and an 18% rupee depreciation over the year.

Interest outgo fell 42% to Rs 1.84 crore and depreciation increased 53% to Rs 11.94 crore. Resultantly, profit before tax was up 58% to Rs 149.13 crore. Net profit advanced 49% to Rs 135.39 crore.

Consolidated net sales (including other operating income) grew 26% to Rs 600.14 crore in the six months ended September 2008. OPM rose 512 bps to 45.2%, taking OP up 42% to Rs 271.44 crore. Net profit spurted 47% to Rs 229.72 crore. The consolidated results include the unaudited results of the subsidiaries, Divi's Laboratories (US) Inc and Divi's Laboratories Europe AG

Through its focus on high-margin custom synthesis, Divi's OPM is expected to remain over 40% — among the highest in the industry. Further, with major capex programmes drawing to a close and a healthy balance sheet, the company's return ratios (return on capital employed and equity) can expand further from the current level of around 50%.

We expect Divi's to register consolidated EPS of Rs 71.7 in the fiscal ended March 2007. The share price trades at Rs 1338. P/E is 18.7.

Divi's: Consolidated Financials

	0603(12)	0703(12)	0803(12)	0903(12P)
Sales	381.46	725.56	1032.86	1280.75
OPM (%)	30.3	32.9	39.7	43.0
OP	115.47	238.73	409.58	550.92
Other Inc.	10.62	13.43	13.79	15.95
PBIDT	126.09	252.16	423.37	566.87
Interest	5.58	10.58	10.19	6.73
PBDT	120.51	241.58	413.18	560.14
Dep.	14.82	22.35	35.68	50.58
PBT	105.69	219.23	377.50	509.56
Tax	36.15	33.38	29.90	45.26
PAT	69.54	185.85	347.60	464.30
EPS *	10.7	28.7	53.7	71.7

* EPS on current equity of Rs 12.95 crore.
Face value: Rs 2. (P): Projections. Figures in Rs crore.
Source: Capitaline Corporate Databases

High margin, high return

Divi's OPM is expected to remain over 40% — among the highest in the pharmaceutical industry. With major capex programmes drawing to a close and a healthy balance sheet, the return ratios can expand from around 50%



One-day wonders

Events impacting prices of small-cap stocks* over the previous session in the fortnight ending **02 January 2009**

22 December 2008

■ **TAJ GVK HOTELS & RESORTS**

SECTOR: Hotels & Restaurants GROUP: GV Krishna Reddy

M-CAP: Rs 289.36 cr

HOLDING(%)

PROMOTER: 74.64 DIIs: 5.23 FIIs: 3.24 PUBLIC: 13.06

PRICE: Rs 46.15 PRICE VAR: 4.89% FV: Rs 2

VOL: 44496

The Hyderabad-based hotel opened its new premium five-star hotel, Taj Mount Road, in Chennai, Tamil Nadu.

■ **NORTHGATE TECHNOLOGIES**

SECTOR: IT - Software GROUP: Indian Private

M-CAP: Rs 248.57 cr

HOLDING(%)

PROMOTER: 32.74 DIIs: 4.64 FIIs: 41.50 PUBLIC: 13.76

PRICE: Rs 71.00 PRICE VAR: 4.95% FV: Rs 10

VOL: 5446

Swiss Finance Corporation Mauritius increased its stake to 6.43% in the Hyderabad-based software firm by acquiring 6.93 lakh shares through open-market purchases on 12 December 2008.

■ **AUROBINDO PHARMA**

SECTOR: Pharmaceuticals GROUP: Indian Private

M-CAP: Rs 848.06 cr

HOLDING(%)

PROMOTER: 55.27 DIIs: 8.38 FIIs: 24.63 PUBLIC: 8.95

PRICE: Rs 157.75 PRICE VAR: 9.43% FV: Rs 5

VOL: 84350

The Hyderabad-based pharma firm secured a tentative approval from the US Food & Drug Administration to manufacture and market abacavir sulphate/ lamivudine tablets in multiple strengths in US. The drug is used for treating human immunodeficiency virus (HIV) infections.

■ **TEXMACO**

SECTOR: Capital Goods-Non Elec Eqpt GROUP: Birla KK

M-CAP: Rs 780.70 cr

HOLDING(%)

PROMOTER: 54.05 DIIs: 19.64 FIIs: 2.25 PUBLIC: 10.74

PRICE: Rs 70.46 PRICE VAR: 6.47% FV: Re 1

VOL: 1011

The Kolkata-based engineering firm fixed 9 January 2009 as the record date for splitting one share of face value of Rs 10 into 10 shares of face value of Re 1 each.

23 December 2008

■ **CHORDIA FOOD PRODUCTS**

SECTOR: FMCG GROUP: Indian Private

M-CAP: Rs 9.88 cr

HOLDING(%)

PROMOTER: 48.70 DIIs: 1.93 FIIs: 0.00 PUBLIC: 44.61

PRICE: Rs 33.05 PRICE VAR: 4.92% FV: Rs 10

VOL: 5

The Satara, Maharashtra-based food processor received an in-principle approval from the Union Ministry of Food Processing Industries for setting up a mega food park at Shirwal, Maharashtra.

24 December 2008

■ **GEE**

SECTOR: Capital Goods-Non Elec Eqpt GROUP: Indian Private

M-CAP: Rs 53.61 cr

HOLDING(%)

PROMOTER: 52.96 DIIs: 4.52 FIIs: 0.00 PUBLIC: 15.43

PRICE: Rs 36.10 PRICE VAR: 3.74% FV: Rs 2

VOL: 3981

The Thane-based welding rods manufacturer fixed 9 January 2009 as the record date for issuing bonus shares in the ratio of 1:5.

■ **DEEP INDUSTRIES**

SECTOR: Gas Distribution GROUP: Indian Private

M-CAP: Rs 92.00 cr

HOLDING(%)

PROMOTER: 45.56 DIIs: 17.20 FIIs: 4.76 PUBLIC: 26.29

PRICE: Rs 46.00 PRICE VAR: 6.98% FV: Rs 10

VOL: 41597

A consortium of Gujarat-based companies bagged a block under the New Exploration Licensing Policy-VII. Deep Industries will hold a 70% interest in the block and all others 10% each.

■ **MAHINDRA UGINE STEEL COMPANY**

SECTOR: Steel GROUP: Mahindra

M-CAP: Rs 76.33 cr

HOLDING(%)

PROMOTER: 55.53 DIIs: 10.99 FIIs: 8.68 PUBLIC: 20.63

PRICE: Rs 23.50 PRICE VAR: -4.67% FV: Rs 10

VOL: 3183

The Mumbai-based alloy steel maker reduced working shifts at the manufacturing plants by one or two shifts instead of three shifts depending on the workload. Except the Nashik plant, all other plants of Mahindra UGINE Steel Company will

work for five days a week instead of seven days a week.

■ **PBA INFRASTRUCTURE**

SECTOR: Realty GROUP: Indian Private

M-CAP: Rs 40.10 cr

HOLDING(%)

PROMOTER: 62.95 DIIs: 0.00 FIIs: 0.00 PUBLIC: 29.28

PRICE: Rs 29.70 PRICE VAR: 4.58% FV: Rs 10

VOL: 36823

The Mumbai-based construction firm bagged two orders aggregating Rs 47.96 crore from the Maharashtra Industrial Development Corporation and the Mumbai Metropolitan Region Development Authority.

29 December 2008

■ **BINANI CEMENT**

SECTOR: Cement GROUP: Indian Private

M-CAP: Rs 653.98 cr

HOLDING(%)

PROMOTER: 64.91 DIIs: 2.10 FIIs: 3.26 PUBLIC: 3.52

PRICE: Rs 32.20 PRICE VAR: 10.84% FV: Rs 10

VOL: 127235

Privately-held Stansen Holdings of Singapore purchased the entire 9.11% stake of Ganesan Prime Holdings (Mauritius) in the Kolkata-based cement maker.

■ **KNR CONSTRUCTIONS**

SECTOR: Realty GROUP: Indian Private

M-CAP: Rs 113.32 cr

HOLDING(%)

PROMOTER: 71.52 DIIs: 12.17 FIIs: 2.02 PUBLIC: 6.23

PRICE: Rs 40.30 PRICE VAR: 9.96% FV: Rs 10

VOL: 9360

K Narasimha Reddy, a promoter, hiked his stake to 33.84% in the Hyderabad-based construction company after acquiring 22,032 shares through the open market.

30 December 2008

■ **ELECTROTHERM INDIA**

SECTOR: Capital Goods-Non Elec Eqpt GROUP: Ind Pvt

M-CAP: Rs 147.27 cr

HOLDING(%)

PROMOTER: 32.27 DIIs: 1.53 FIIs: 12.11 PUBLIC: 11.53

PRICE: Rs 128.40 PRICE VAR: 20.00% FV: Rs 10

VOL: 6735

The Ahmedabad-based engineering company's board approved to spin off its engineering business into a new entity Electrotherm Engineering & Projects. The

MarketWatch-II

board also fixed a swap ratio of one equity, share of Electrotherm Engineering & Projects for every three equity shares held in Electrotherm India for the demerger.

■ TANEJA AEROSPACE

SECTOR: Miscellaneous GROUP: Indian Seamless

M-CAP: Rs 75.82 cr

HOLDING(%)

PROMOTER: 42.51 DIIs: 0.01 FIIs: 15.11 PUBLIC: 26.12

PRICE: Rs 30.40 PRICE VAR: 7.23% FV: Rs 5

VOL: 313039

Citigroup Global Market Mauritius sold three lakh shares, or 1.20% equity, in the South-based aviation manufacturer at Rs 29 each in the open market.

31 December 2008

■ SWARAJ MAZDA

SECTOR: Automobile GROUP: Joint Sector-PJ

M-CAP: Rs 226.59 cr

HOLDING(%)

PROMOTER: 53.53 DIIs: 7.96 FIIs: 9.31 PUBLIC: 14.02

PRICE: Rs 215.80 PRICE VAR: 4.81% FV: Rs 10

VOL: 5410

Japan's Sumitomo Corporation agreed to buy a 14.04% stake in the Punjab-based automaker for Rs 40.04 crore. The deal will raise Sumitomo's holding in Swaraj Mazda to a controlling 53.52%.

■ GATI

SECTOR: Logistics GROUP: Agarwal - M K

M-CAP: Rs 347.07 cr

HOLDING(%)

PROMOTER: 48.88 DIIs: 1.67 FIIs: 6.84 PUBLIC: 18.63

PRICE: Rs 41.00 PRICE VAR: 4.99% FV: Rs 2

VOL: 4524

The Secunderabad-based logistics company reportedly identified three cargo companies in China and may be willing to buy any one of them. Gati has offices in China, Singapore, Thailand and Hong Kong. Buying a foreign company will increase Gati's overseas operations. Currently, overseas operations contribute 5% of its total revenue.

■ JAI BALAJI INDUSTRIES

SECTOR: Steel GROUP: Indian Private

M-CAP: Rs 402.02 cr

HOLDING(%)

PROMOTER: 63.93 DIIs: 2.82 FIIs: 0.22 PUBLIC: 13.91

PRICE: Rs 85.30 PRICE VAR: 4.60% FV: Rs 10

VOL: 5406

Jai Salasar Balaji Industries, a promoter group, increased its stake to 4.01% in the Kolkata-based sponge iron manufacturer after acquiring 4,626 shares through open market on 29 December 2008. The total promoter holding in Jai Balaji Industries stood at 63.93% on 30 September 2008.

■ VIP INDUSTRIES

SECTOR: Plastic products GROUP: Piramal Dilip

M-CAP: Rs 112.76 cr

HOLDING(%)

PROMOTER: 42.97 DIIs: 9.32 FIIs: 0.04 PUBLIC: 30.93

PRICE: Rs 39.90 PRICE VAR: 7.11% FV: Rs 10

VOL: 31821

The Nashik-based company's board approved sale of its closed unit at Satara, Maharashtra. The value of the unit has been estimated at Rs 4.70 crore. VIP Industries had discontinued manufacturing operations from the unit in December 2007.

1 January 2009

■ ELECON ENGINEERING COMPANY

SECTOR: Capital Goods-Non Elec Eqpt GROUP: Elecon

M-CAP: Rs 370.94 cr

HOLDING(%)

PROMOTER: 42.39 DIIs: 22.22 FIIs: 3.91 PUBLIC: 23.21

PRICE: Rs 39.95 PRICE VAR: 4.99% FV: Rs 2

VOL: 60920

The Gujarat-based company bagged a Rs 22-crore order from Adani Power of Adani Group for commissioning of material handling system at Mundra.

■ ABM KNOWLEDGEWARE

SECTOR: IT - Software GROUP: Indian Private

M-CAP: Rs 16.52 cr

HOLDING(%)

PROMOTER: 60.03 DIIs: 0.00 FIIs: 0.00 PUBLIC: 13.16

PRICE: Rs 16.52 PRICE VAR: 19.97% FV: Rs 10

VOL: 3685

The Mumbai-based software service provider secured a Rs 116-crore contract from the Municipal Corporation of Greater Mumbai (MCGM) for providing software solutions and services till 2011. The company will provide system analysis and program development (SAP) licences, and implement SAP payroll for employees and SAP management support.

■ AUSTIN ENGINEERING COMPANY

SECTOR: Auto Ancillaries GROUP: Indian Private

M-CAP: Rs 20.97 cr

HOLDING(%)

PROMOTER: 33.86 DIIs: 0.20 FIIs: 0.00 PUBLIC: 53.35

PRICE: Rs 59.40 PRICE VAR: 20.00% FV: Rs 10

VOL: 12390

The board of directors of Gujarat-based manufacturer will meet on 8 January 2009 to consider buyback of shares.

■ TALBROS AUTOMOTIVE COMPONENTS

SECTOR: Auto Ancillaries GROUP: Talwar

M-CAP: Rs 24.45 cr

HOLDING(%)

PROMOTER: 36.52 DIIs: 3.05 FIIs: 6.94 PUBLIC: 37.73

PRICE: Rs 19.80 PRICE VAR: 7.03% FV: Rs 10

VOL: 1869

The Haryana-based company entered into a license agreement with Germany-based Ahlstrom Altenkirchen GMBH for 10 years to obtain technical knowhow to manufacture beater addition jointing to international standard.

2 January 2009

■ TRANSGENE BIOTEK

SECTOR: Healthcare GROUP: Indian Private

M-CAP: Rs 32.09 cr

HOLDING(%)

PROMOTER: 38.43 DIIs: 0.00 FIIs: 0.02 PUBLIC: 50.92

PRICE: Rs 20.35 PRICE VAR: 4.90% FV: Rs 10

VOL: 2299

The Andhra Pradesh-based company received licence from the Drug Control Department of Hyderabad to manufacture four drugs: Orlistat, Lovastatin, Simvastatin and Pravastatin. These drugs are used to control cholesterol in blood.

■ PSL

SECTOR: Steel GROUP: Indian Private

M-CAP: Rs 362.39 cr

HOLDING(%)

PROMOTER: 48.38 DIIs: 15.86 FIIs: 19.47 PUBLIC: 4.73

PRICE: Rs 84.85 PRICE VAR: 3.92% FV: Rs 10

VOL: 44588

Sundaram BNP Paribas Mutual Fund hiked its stake to 5.18% in the Kachigam Gujarat-based pipe manufacturer after acquiring 10 lakh shares through the open market on 19 December 2008.

■ KOHINOOR FOODS

SECTOR: FMCG GROUP: Indian Private

M-CAP: Rs 248.22 cr

HOLDING(%)

PROMOTER: 32.58 DIIs: 4.71 FIIs: 3.42 PUBLIC: 18.31

PRICE: Rs 92.00 PRICE VAR: 3.14% FV: Rs 10

VOL: 134618

Microsec Financial Services raised its stake to 6.64% in the ready-to-eat food-product maker after acquiring 4.53 lakh shares from the open market on 22 December 2008. It held a 1.33% stake in the firm as on 30 September 2008.

* Only stocks with market cap less than Rs 1000 crore on 19 December 2008 considered. FV: Face value of the share.

— Compiled by Hitesh Dharawat and Abhishek Panchal

Interest in MMTC on currency futures foray

Market buzz on promoter's creeping acquisition, settlement of family dispute, unit's stake-sale denial, and order win

MMTC: MMTC spurted 114.02% to Rs 20,146.40 in a month to 2 January 2009 on entering into partnership to create a fourth entity for currency futures trading. On 25 December 2008, the country's largest public sector trading agency proposed to pick up to 15% equity in the United Stock Exchange of India (STOX) for Rs 22.50 crore. MMTC expects Indian foreign exchange market to grow to a great extent with the proposed exchange likely to get membership from corporate, commercial and co-operative banks, asset management companies and money transfer agents gradually.

Volumes showed an uptick as the MMTC stock rallied. Average daily traded volumes jumped to 1,023 shares in the month to 2 January 2009 compared with 637 in the quarter. State-run MMTC has a tiny 0.67% floating stock, with 99.33% owned by government of India.

MMTC's rise of 1.26% in three months to 2 January 2009 beat its gauge the BSE PSU index's slide of 13.19%. Despite the recent rally, the MMTC stock is down 51.22% from its 52-week high of Rs 41,307.10 on 7 January 2008, but off 120.78% from its 52-week low of Rs 9,125 on 3 December 2008.

Currency futures will enable importers and exporters of commodities to hedge against bank rate fluctuations. MMTC is planning to hedge its own foreign currency exposure on the exchange. A currency future is a contract to exchange one currency for another at a specified date in the future at a price (exchange rate) that is fixed on the purchase date. The price can be different from that is quoted in the spot foreign exchange markets. Investors can use these futures contracts to hedge against foreign exchange risk.

STOX is a special purpose vehicle created by the New Delhi-based Jaypee Capital Services for setting up the currency fu-

tures exchange. Jaypee Capital, formed by Jaypee Commodities, will be the single-largest shareholder in the proposed exchange. Reportedly, the proposed exchange will be set up with a networth of Rs 150 crore and 49% equity in the bourse will be with the public sector. As per Sebi guidelines, the trading member for the currency derivatives exchange should have minimum networth of Rs 1 crore (on the balance-sheet), while the clearing member should have a networth of Rs 10 crore.

Apart from MMTC, other public sector firms that are likely to hold stake in the exchange include Bank of India, Bank of Baroda, Oriental Bank of Commerce, Indian Overseas Bank and Canara Bank. Among private companies to have stake in the new currency futures player include Federal Bank, TCS, STCI and Standard Chartered Bank. As per market regulator Sebi guidelines, the currency futures exchange has to have a minimum of 50 members.

Trading on the new exchange is tipped to begin end January 2009 or latest by the end of the current financial year and is expecting in-principle approval from Sebi soon. Currency futures were first launched by the National Stock Exchange (NSE) on 29 August 2008, followed by the Bombay Stock Exchange (BSE) on 1 October 2008 and the Multi Commodity Exchange (MCX) on 7 October 2008.

MMTC (formerly Minerals and Metals Trading Corporation of India), is a leading international trading company. It trades in diverse fields like minerals, engineering, agro, marine, textiles, leather and gems & jewellery. **GMR Infrastructure:** GMR Infrastructure surged 62.98% to Rs 85.40 in a month to 2 January 2009 on sustained creeping acquisition by promoter. Promoter and holding company GMR Holdings bought 3.87 lakh equity shares of Rs 2 each in the Bangalore-based infrastructure firm through open market purchase on 24 December 2008, powering a 26.05% rally in a week to 2 January 2009. Consequent to the latest acquisition, GMR Holdings' stake in GMR Infrastructure rose to 74.06%.

Earlier GMR Holdings collectively

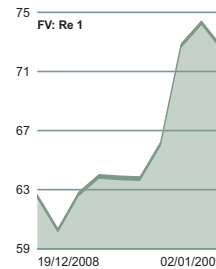
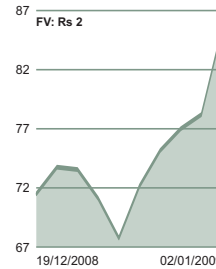
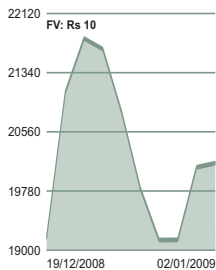
mopped up 92.07 lakh shares in GMR Infrastructure through open market purchases between 3 and 23 December 2008 respectively. GMR Infrastructure rebounded by a sharp 87.28% from its a 52-week low of Rs 45.60 on 27 October 2008 as a sustained hike in stake by promoters boosted sentiment at a time when investors appetite for risky investment including equities is waning. The stock is 67.26% off its 52-week high of Rs 260.90 on 4 January 2008.

Total promoter holding in GMR Infrastructure stood at 73.28%, of which a majority 73.25% was held by GMR Holdings end September 2008. Foreign and institutional holding in the stock stood at 8.83% and 7.89%, respectively.

The recent buying spree by promoters follows the Securities and Exchange Board of India (Sebi's) relaxation in the takeover code in October 2008, extending creeping acquisition limit from 55% to upto 75%, by buying 5% equity every year, if done on the floor of the stock exchange.

GMR Infrastructure is the holding company of the GMR group, engaged in the development of power and infrastructure projects.

Bajaj Hindusthan: Bajaj Hindusthan spurted 80.47% to Rs 72.55 in a month to 2 January 2009 on putting to an end a six-year-long family dispute. As a part of the family truce, Bajaj Group chairman Rahul Bajaj bought 3.99 crore shares, or 28.2%, of sugar producer in two block deals transacted on the BSE on 30 December 2008. Family investment firms Bachhraj Company and Jamanalal & Sons sold 3.47 crore shares at Rs 64 and 0.52 crore shares at Rs 66, respectively, as part of



inter-se transfer among the promoters.

In a separate transaction, Rahul Bajaj bought 14 lakh shares of Bajaj Hindustan through a bulk deal on the BSE, taking his total purchases to 4.13 crore shares, or 29.2%, of the company's equity.

The series of bulk deals resulted in a spike in average daily traded volumes to 1.04 crore shares in the week to 2 January 2009 from 18.36 lakh shares in three months.

On 22 December 2008, Bajaj Hindustan told the stock exchanges, Rahul Bajaj will acquire around 29.2% of the company's equity from group investment firms and other Bajaj family members at the market price as on 30 December 2008. As part of a family settlement, Rahul Bajaj would later transfer the stake along with his 0.4% stake to his brother Shishir Bajaj for zero consideration thus giving Shishir full control over the sugar firm. After the transfer, Shishir Bajaj's stake will rise to 32.47% from 2.85% currently.

The next step will involve Shishir offloading his stake in Bajaj Auto and other group companies controlled by Rahul Bajaj and his cousins, Niraj, Shekhar and Madhur. This would be between the Bajaj family members through off-market block deals.

The Bajaj Hindustan stock eroded a sharp 81.83% from its 52-week high of Rs 399.50 on 9 January 2008 as commodity prices headed south, only to rebound 89.67% from its 52-week low of Rs 38.25 on 21 November 2008.

The Bajaj family drama sprouted in June 2003, when Shishir Bajaj — who manages Bajaj Hindustan and Bajaj Consumercare — expressed a desire to offload his equity holding in other group companies, including Bajaj Auto, and consolidate his holding in the two companies managed by him. Things got murkier after a dispute over the valuation of Shishir's holding in Bajaj Auto.

Bajaj Hindustan manufactures sugar and ethanol. The company has ten sugar plants, which are all located in the northern Indian state of Uttar Pradesh (UP).

Himachal Futuristic Communications: Himachal Futuristic Communications (HFCL) jumped 45.83% to Rs 12.60 in a week to 2 January 2009 on reports the Datacom partners are working on a solution to end their corporate battle. Datacom is among the nine companies securing pan-India telecom licences in early 2008 and was supposed to launch the mobile services service on 15 August 2008. The launch, however, was delayed by a clash between the

shareholders. The Dhoots of Videocon Group have a 64% stake in Datacom, while the Nahatas of HFCL own 36%. The partners are fighting over some aspects of the joint venture agreement, investments being made by them, and the valuation of Datacom for a possible sale to strategic investors.

Riding on back of such reports the HFCL stock was frozen at the 20% upper circuit filter on 31 December 2008 and 1 January 2009. Even HFCL's denial on 1 January 2009 about entering into any agreement with Videocon on Datacom Solutions failed to put a brake on the stock's rally.

Hopes of an amicable solution soon over the promoter spat propelled an 87.50% and 15.28% surge in the HFCL stock over a month and three months respectively, to 2 January 2008, outperforming the BSE Small-Cap index's 19% rise and 30.97% fall. The stock is off 79.87% from its 52-week high of Rs 62.60 on 8 January 2008 but 111.76% above its 52-week low of Rs 5.95 on 27 October 2008.

Volumes on the counter bulged as the stock soared. Average daily traded volumes jumped to 23.11 lakh shares in the fortnight to 2 January 2009 from 11.73 lakh shares in the quarter.

Reports said that a solution to this feud might solely depend on pricing. Nahata is open to exiting Datacom if the Dhoots pay him Rs 2,116 crore for his stake. Simultaneously Nahata is also exploring the possibility of buying out the Dhoots and was looking to raise funds for the same.

Another set of reports hinted that HFCL's telecom business in the Punjab circle may be merged with Datacom even as the Dhoots are likely to agree to buy out Nahata's 36% equity stake in Datacom. Datacom was initially owned by Nahata-promoted Jumbo Techno Services. But when Videocon failed to get a licence from the Government, it picked up 64% stake in Datacom.

The dispute between the two promoters began when Nahata accused the Dhoots for failing to adhere to the investment agreement of bringing equity capital of US\$ 901 million into Datacom. Nahata also alleged that the Dhoots were trying to invest in the form of a loan and later recover the money

by selling stake to foreign players. The promoter standoff has not only delayed the launch of Datacom's cellular services by at least four months but also driven away prospective international investors from picking up a stake in the company. UAE's Etisalat and Norway's Telenor had earlier shown interest in Datacom.

Public holding in HFCL was a sizeable 68.16% end September 2008, rising from 54.31% end September 2007. During the same period, non-promoter corporate holding dipped to 27.20% from 31.19%. However, promoter holding remained unchanged at 2.10%.

HFCL provides global solutions for telecom networking, telecom solutions, optical transmission products, wireless transmission and wireless access.

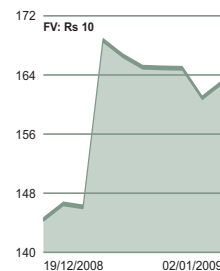
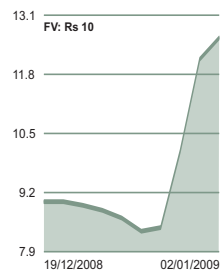
ABG Infralogistics: ABG Infralogistics galloped a little under 20% in intra-day trade on 24 December 2008 only to slide the following day as reports of a French major eyeing a 49% stake in ABG's bulk port handling business was denied.

After surging as much as 19.74% in intra-day trade to Rs 175 on 24 December 2008, the ABG Infralogistics settled with a 15.43% surge to Rs 168.70, buoyed by reports the shipping unit of diversified French conglomerate Groupe Louis Dreyfus SA is set to buy 49% in India's biggest crane rental firm's bulk port handling business for Rs 90 crore. Louis Dreyfus Armateurs SA builds and operates vessels able to load dry bulk cargoes.

Such reports propelled volumes on the counter, which surged to 9,884 shares on the counter on 24 December 2008, sharply higher than the average daily traded volumes of 3,937 shares in the three months to 2 January 2009.

However, the ABG Infralogistics stock corrected 1.24% to Rs 166.60 on 26 December 2008 after the company clarified it was not contemplating bulk port handling business stake sale. The stock eased to Rs 163 on 2 January 2009 in subsequent days. The scrip is off 80.82% from its 52-week high of Rs 849.90 on 3 January 2008 but above 54.86% from its 52-week low of Rs 105.25 on 31 October 2008.

Declining 1.21% in a month to 2 Janu-



ary 2009, the ABG Shipyard scrip underperformed the BSE Small-Cap index's 19% rise on concerns the ongoing global financial crises may impact the company's profitability. Net profit plunged 57.80% to Rs 3.26 crore in Q2 September 2008 over Q2 September 2007, after seeing rise in the previous three quarters.

In 2008, ABG Infralogistics sold an 11.8% stake in the firm to PSA International Pte, the world's second biggest container port operator owned by Temasek Holdings Pte, investment arm of the Singapore government. The Singapore firm also invested about Rs 350 crore for buying a 49% stake each in ABG Kandla Container Terminal and ABG Kolkata Container Terminal, the entities floated by ABG Infralogistics to run the two container handling facilities at Kandla and Kolkata ports, respectively.

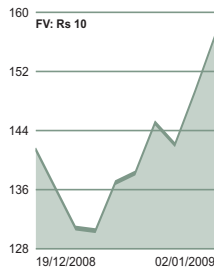
Foreign holding in ABG Infralogistics rose to 16.15% end September 2008 from 13.83% end September 2007. During the same period, public holding slipped to 8.14% from 10.20%. However promoter ownership remained unchanged at 60.15%.

ABG Infralogistics provides services for execution of turnkey projects, including plant erection; hire of cranes, ports infrastructure development, heavy goods lifting and transportation.

Accentia Technologies: Accentia Technologies jumped 57.60% to Rs 156.65 in a month to 2 January 2009 on an order win in the healthcare receivables cycle management (HRCM) arena. The software and business process outsourcing service provider was frozen in the 5% upper circuit filter on 18 December 2008 after it bagged a \$22-million order service a chain of hospitals in the US to be executed in 2009-10.

However, the rise in stock failed to lift volumes. Average daily traded volumes dipped to 10,949 shares in the month to 2 January 2009 from 14,517 in the quarter.

Despite spurring 109.71% from its 52-week low of Rs 74.70 on 27 October 2008, the Accentia Technologies stock is 41.65 away from its 52-week high of Rs 268.50 on 15 January 2008. The stock is, however, up 2.02% in three months to 2 January 2009, outperforming the BSE Small-Cap index's 30.97% fall,



after the company disclosed it is hunting for more acquisitions.

On 23 August 2008, Accentia Technologies completed the purchase of an outsourcing services provider Thunga Software in an all-cash deal. On 1 April 2008, the Mumbai-based company acquired a 51% stake in Oak Technologies Inc (OTI), US, in an all cash deal. OTI is an integrated services provider in of healthcare receivables management, operating from the US and several locations in India. The company also has strategic alliance with Bangalore-based Asscent Infoserve for using their infrastructure facilities of 7,000 square feet for BPO services.

Accentia Technologies provides business process management solutions for the healthcare, financial, and insurance sectors. It offers various business process outsource management solutions, which primarily include professional transcription to medical providers and non-medical companies globally.

ABM Knowledgeware: ABM Knowledgeware galloped 66.98% to Rs 19.82 in the week to 2 January 2009 buoyed by a large order win for supplying software solutions to the Mumbai civic body.

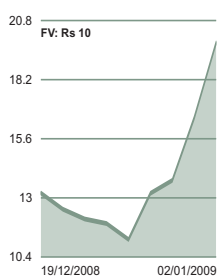
The stock galloped 20% each on 1 and 2 January 2009 on securing an e-government contract worth Rs 116 crore from the largest municipal corporation in Asia: Municipal Corporation of Greater Mumbai. The company announced the contract win after trading hours on 31 December 2008. Interestingly the stock spiraled 23.27% to Rs 13.77 in two trading sessions to 31 December 2008

as marketmen might have got a whiff of the mega order.

The Mumbai-headquartered e-governance and systems integration solutions provider would supply and implement software solutions for payroll of the municipal corporation's employees till year 2011.

Spurring 83.52% in the month to 2 January 2009, aided by the mega order win, the ABM Knowledgeware stock outperformed the BSE Small-Cap index's 19% rise. The stock is off 71.50% from its 52-week high of Rs 69.55 on 8 January 2008 but 113.12% above its 52-week low of Rs 9.30 on 2 December 2008.

Average daily traded volumes on the counter jumped to 2,362 shares in the week



to 2 January 2009 compared with 2,799 shares in the past one quarter.

Promoter holding in ABM Knowledge stood at 60.03% end September 2008 with foreign and public holding pegged at 13.40% and 13.81% respectively. **Cholamandalam DBS Finance:** Cholamandalam DBS Finance jumped 29.66% to Rs 40 in a month to 2 January 2009 after the company said promoters would subscribe to its convertible preference shares. The stock was locked at the 10% upper circuit filter to Rs 40.95 on 26 December 2008 after promoters EID Parry (India), Coromandel Fertiliser, Tube Investments of India, DBS Bank and Carborundum Universal said they would subscribe to one crore zero coupon fully convertible preference shares to raise Rs 300 crore.

Cholamandalam DBS Finance will issue 10 lakh preference shares to EID Parry (India), 10 lakh shares Coromandel Fertilisers, 26.67 lakh shares to Tube Investments of India, 5 lakh shares to DBS Bank and 3.33 lakh shares to Carborundum Uni-

versal. The preference shares of Rs 100 each at a premium of Rs 200 shall be convertible into equity shares within 18 months. The price at which the convertible preference share would be issued is at a hefty 7.5-time premium to its ruling market price. However, the conversion ratio was not disclosed. Promoters held 74.96% stake end September 2008.

The Cholamandalam DBS stock's rise was complemented by rise in average daily traded volumes as well which vaulted to 8,738 shares in the month to 2 January 2009 from 7,670 shares in three months.

Shares of the small-cap financial services provider had crashed 89.70% from its 52-week high of Rs 389.50 on 2 January 2008 on concerns the global financial crises will impact profitability. However, the stock recovered 48.18% thereafter from its 52-week low of Rs 27 on 25 November 2008.

Cholamandalam DBS Finance, a non-banking financial company, is a joint venture between Murugappa Group and DBS Bank of Singapore. It offers personal loans, vehicle finance, corporate finance, capital market finance and home equity loans.

— Hitesh Dharawat

As credit market softens, stocks harden

Stimulus packages and rate cuts lend a helping hand

Recovery in credit markets and hopes that government stimulus packages and rate cuts across the world would help revive global economies lifted global stocks. The cost of three-month loans between banks in the US and Europe dropped further as concerted government efforts to shore up confidence in the financial system and massive interest rate reductions continued to thaw previously-frozen credit markets.

US President-elect Barack Obama unveiled on 6 December 2008 an infrastructure investment programme, which may top US\$150 billion, to create 2.5 million jobs. Japan has unveiled two stimulus packages since October 2008, which include spending about 10 trillion yen (\$110 billion) on employment and aid for households.

The US Federal Reserve on 16 December 2008 slashed interest rates to a target rate of zero to 0.25% from 1%.

The Dow Jones Industrial Average rose 5.31% in the fortnight ended 2 January 2009. It fell 33.8% in calendar year 2008 — its bleakest year since 1931. The Nasdaq posted its worst year ever, with a 40.5% fall in 2008.

Japan's Nikkei rose 3.16% in the fortnight. It lost 42% in 2008, the biggest annual drop in its 58-year history. In London, the FTSE 100 index advanced 6.41% in the fortnight. It declined a record 31% in 2008

Trading for the fortnight started on a weak note as Asian stocks slipped on increasing signs the deepening global recession is hurting corporate profit. Toyota Motor Corporation, the world's biggest automaker, on 22 December 2008, forecast its first-ever group operating loss due to a relentless global slide in car sales and a crippling rise in the yen.

Japanese exports plunged at a record annual pace of nearly 27% in November 2008, hit by the fall in global demand and yen's rise against the dollar, data on 22 December 2008 showed.

The Shanghai Composite fell 4.55% on 23 December 2008 after China's central bank trimmed interest rates by 27 basis points after trading hours on 22 December 2008, disappointing some investors in a move that was smaller than expected given the aggressive actions by other central banks.

In more evidence of the deteriorating US

New year begins well

How the global indices fared

Index Name	Country	02/01/09	High / Low		Variation over (%)			
			Fortnight	52 wk	Fortnight	Month	Quarter	Year
AEX General	Netherlands	258.23	258 / 241	510 / 223	3.48	7.00	-21.94	-49.34
All Ordinaries	Australia	3655.70	3659 / 3468	6434 / 3333	3.06	5.25	-23.43	-43.18
All Share	Sri Lanka	1578.46	1578 / 1485	2681 / 1485	3.39	-2.08	-26.54	-38.34
ATX	Austria	1812.54	1813 / 1639	4532 / 1523	10.60	4.37	-31.47	-59.80
BEL-20	Belgium	1980.77	1981 / 1845	4117 / 1784	6.41	9.18	-27.74	-51.86
Bovespa	Brazil	37550.31	39536 / 36471	73153 / 29435	-5.02	8.10	-24.60	-41.00
CAC 40	France	3349.69	3350 / 3116	5496 / 2881	3.84	6.24	-15.48	-41.68
DAX	Germany	4973.07	4973 / 4629	7949 / 4127	5.88	9.74	-12.15	-37.44
DJIA	United States	9034.69	9035 / 8419	13058 / 7552	5.31	7.31	-13.81	-30.74
FTSE 100	United Kingdom	4561.79	4562 / 4217	6479 / 3777	6.41	10.65	-6.34	-28.91
Hang Seng	Hong Kong	15042.81	15128 / 14184	27616 / 11016	-0.56	12.21	-17.40	-45.42
IPC	Mexico	22380.32	22515 / 22059	32095 / 16869	0.15	14.58	-10.90	-24.23
Jakarta Composite	Indonesia	1355.41	1355 / 1337	2830 / 1111	0.53	13.77	-26.04	-50.38
KLSE Composite	Malaysia	894.36	894 / 867	1516 / 832	2.05	5.75	-12.20	-37.70
Madrid General	Spain	1006.70	1007 / 958	1608 / 848	2.20	6.69	-14.71	-38.69
MerVal	Argentina	1079.66	1116 / 1038	2249 / 829	-3.29	16.70	-32.76	-49.82
MIBTel	Italy	15505.00	15505 / 14864	29058 / 14123	1.97	3.75	-19.41	-46.64
Nasdaq	United States	1632.21	1632 / 1510	2610 / 1316	4.34	12.58	-17.43	-37.45
Nikkei 225	Japan	8859.56	8860 / 8517	14691 / 7163	3.16	12.66	-20.58	-42.12
PSE Composite	Philippines	1872.85	1904 / 1841	3617 / 1704	-1.61	-0.37	-28.32	-48.23
S&P 500	United States	931.80	932 / 863	1447 / 752	4.95	9.78	-16.38	-35.61
Seoul Composite	South Korea	1157.40	1181 / 1118	1889 / 939	-2.00	13.12	-18.47	-37.55
SET	Thailand	449.96	450 / 434	884 / 384	0.66	16.17	-24.72	-46.62
Shanghai Composite	China	1820.81	2018 / 1821	5498 / 1707	-9.79	-3.64	-20.62	-65.47
Straits Times	Singapore	1829.71	1830 / 1725	3461 / 1600	1.91	11.62	-22.59	-47.14
Swiss Market	Switzerland	5534.53	5535 / 5400	8340 / 5136	1.37	-0.06	-17.77	-34.77
TA-100	East Israel	584.81	585 / 547	1159 / 547	-2.96	1.85	-23.14	-49.55
Taiwan Weighted	Taiwan	4591.22	4695 / 4406	9295 / 4090	-2.20	5.38	-19.50	-44.84

housing market, data on 23 December 2008, showed the pace of existing home sales plunged a record 8.6% in November 2008 and new-home sales fell 2.9% last month. Another data on the same day showed, US gross domestic production (GDP) fell 0.5% in the July-September 2008 quarter.

Japan's Nikkei average posted its highest close in six weeks on 26 December 2008, as investors bet a raft of government measures will help the global economy recover next year.

Oil and commodity stocks led gains in Asian and European stocks on 29 December 2008 as crude oil prices rose due to a flare-up of violence in the Middle East. Israeli warplanes pounded the Hamas-ruled Gaza Strip for a third consecutive day as the Jewish state prepared to launch a possible invasion amid the intensifying clashes between the two sides.

US stocks rose on 31 December 2008 as fresh efforts to stem the recession from Washington boosted sentiments. On 30 December 2008, the US Federal Reserve provided clarity on its plan to reduce mortgage costs and set a goal to buy \$500 billion in mortgage-backed securities by mid-2009. By buying back the securities more quickly than expected, investors hope mortgage rates will fall at a faster pace and stimulate the beleaguered housing market.

US stocks started the new year with a big jump as investors looked beyond yet another piece of grim economic data on hopes that a recovery is on the horizon after a disastrous 2008. The Dow Jones industrial average rose 258.30, or 2.94% to 9,034.69 on 2 January 2009, the first trading day of the new calendar year.

— Sameer Purohit

MarketSnapshot

The fortnight in the market (19 Dec 2008 - 02 Jan 2009)

	02-Jan-09	19-Dec-08	Var(%)
BSE Sensex	9958.22	10099.91	-1.40
Nifty	3046.75	3077.50	-1.00
BSE 200	1197.04	1196.84	0.02
BSE 500	3725.38	3714.08	0.30
BSE Mid-Cap	3391.18	3263.99	3.90
BSE Small-Cap	3870.45	3744.02	3.38
BSE IT	2284.2	2346.97	-2.67
BSE Consumer	2004.13	1998.76	0.27
BSE Capital	7286.83	7196.28	1.26
BSE FMCG	2006.61	2054.54	-2.33
BSE PSU	5482.39	5394.11	1.64
BSE Healthcare	2993.74	2960.67	1.12
BANKEX	5674.31	5631.22	0.77
BSE Metal	5561.24	5434.85	2.33
BSE Oil	6241.43	6443.81	-3.14
BSE Auto	2521.09	2561.63	-1.58
BSE-Teck	1989.57	1997.55	-0.40
BSE-Power	1908.15	1863.67	2.39
BSE-Realty	2472.51	2525.34	-2.09
FII-Equity	-207.60	299.70	-169.27
FII-Debt	1830.90	-280.00	753.89
MF-Equity	879.80	4317.90	-79.62
MF-Debt	-14.90	6576.40	-100.23

Figures Rs cr

WORLD INDICES			
Nasdaq	1611.13	1573.56	2.39
Dow Jones	8936.72	1573.56	467.93
S&P 500	920.56	894.27	2.94
FTSE 100	4561.79	4286.93	6.41
Nikkei 225	8859.56	8588.52	3.16
Hang Seng	15042.81	15127.51	-0.56
Seoul Composite	1157.40	1180.97	-2.00
Strait Times	1829.71	1795.47	1.91

TOP 10 BSE VOLUMES GAINERS		
GROUP	AVG. VOLUMES	
Unitech	A	28681623.90
Reliance Natural	A	21241476.00
Suzlon Energy	A	18522151.70
Satyam Computer	A	17937098.90
GVK Power Infra	A	11969514.20
Reliance Petro	A	9930144.60
H D I L	A	9881848.40
Cals Refineries	B	9184172.70
Bajaj Hindusthan	A	5973561.20
DLF	A	5882669.70

TOP 10 NSE VOLUMES GAINERS		
GROUP	AVG. VOLUMES	
Unitech	A	83077757.60
Suzlon Energy	A	41932754.50
Satyam Computer	A	39726967.80
Reliance Natural	A	37652278.90
GVK Power Infra	A	26339391.10
H D I L	A	21262767.60
Reliance Petro	A	18278871.80
Jaiprakash Assoc	A	18221627.40
IFCI	A	15765071.10
DLF	A	14125521.60

NEW 52-WEEK HIGH		
	NEW HIGH	PRV.HIGH
P & G Hygiene	838.00	820.00
Jaybharat Text	483.65	264.95
Visagar Polytex	341.35	237.30
Hind. Unilever	267.00	265.00
M & P Pumps	250.00	246.90
Khaitan Weaving	240.75	195.40
Kanani Indus	185.95	132.30
Godrej Consumer	146.00	144.72
Binayaka Tex Pr	85.75	64.10
Veer Energy	69.90	52.30
Oregon Commercia	63.45	54.90
Kwality Dairy	55.85	51.20
K Z Leasing	52.00	41.20
Karma Ispat	42.50	38.75
Sanket Intl.	38.35	36.55
Oxford Inds	21.55	20.50
TRC Financial	16.65	15.94
Munoth Capital	10.98	7.45
VMF Soft Tech	9.64	8.40
Westlife Develop	0.78	0.63

NEW 52-WEEK LOW		
	NEW LOW	PRV. LOW
St Bk of Mysore	4251.25	4518.80
Koutons Retail	380.50	461.00
Bhushan Steel	290.00	313.00
Hikal	229.00	252.70
Jindal Saw	217.45	230.00
Bajaj Holdings	217.25	224.00
Kaira Can	201.00	209.25
Kothari Products	178.00	190.00
Suashish Diamond	157.00	187.00
SE Investments	150.50	197.10
Maytas Infra	149.55	310.65
Borosil Glass	134.00	139.10
Temptation Foods	121.05	144.90
Satyam Computer	114.65	153.80
Subhkam Capital	114.00	120.10
Foods & Inns	113.00	113.35
HEG	104.25	108.20
Rolta India	103.55	121.70
Intl. Conveyors	101.00	101.55
Strides Arcolab	88.00	90.00
Tata Elxsi	86.00	86.10
Keynote Corp.	82.60	84.85
Rain Commodities	82.10	82.35

Figures in Rs

NEW 52-WEEK LOW		
	NEW LOW	PRV. LOW
Bharat Forge	78.00	78.10
Maithan Alloys	77.50	90.00
Jai Corp	77.10	78.55
Usher Agro	75.90	87.30
Money Matters	73.75	82.35
Amani Trad.& Exp	73.30	88.35
PSL	72.10	72.20
Bio Green Indust	70.25	116.95
Thirumalai Chem.	66.30	67.50
Cranes Software	65.00	72.00
Ratnabali Cap.	64.00	66.70
Karnataka Bank	64.00	68.00
Techno Electric	56.25	61.00
J Kumar Infra	56.00	56.15
Guj Apollo Inds	54.10	58.00
Jay Ushin	47.10	48.00
Piramal Life	47.00	56.05
Brady & Morris	45.50	50.00
SCIL Ventures	43.75	44.55
Nucleus Software	43.00	45.20
Splash Mediawork	42.40	45.15
Indus Fila	40.45	43.75
Fortune Fin.Ser.	40.45	44.20
Kamat Hotels	39.60	40.50
Ramkrishna Forg.	37.70	39.05
Mold-Tek Technol	37.55	38.70
Terai Tea Co	36.70	37.00
Prec. Wires (I)	36.00	37.00
Navneet Publicat	35.00	35.10
Aries Agro Ltd	34.75	35.10
Kiduja India	34.20	35.65
Bhatia Industrie	33.50	36.10
Bombay Swadeshi	33.10	39.50
Phillips Carbon	32.55	33.70
Brilliant Secur.	30.95	33.35
Amines & Plast.	30.95	31.55
L T Foods	30.50	31.45
Vyapar Inds.	29.00	34.60
GTL Infrastruc	28.35	30.00
Financial Eyes	26.65	42.05
JBF Inds.	26.25	29.55
Dhanus Technolog	25.50	27.20
Assoc. Stone Ind	24.70	25.55
Time Technoplast	23.05	25.50
Shervani Indl Sy	22.85	24.80
Innovative Foods	22.35	22.65

Figures in Rs

GROUP	02-JAN-09	19-DEC-08	VAR (%)
ADVANCES & DECLINES			
BSE			
Advances	1447	1949	-25.76
Declines	826	338	144.38
Unchanged	28	14	100.00
NSE			
Advances	780	1082	-27.91
Declines	397	109	264.22
Unchanged	23	9	155.56
A			
Advances	132	180	-26.67
Declines	67	20	235.00
Unchanged	1	0	-
B			
Advances	985	1300	-24.23
Declines	527	220	139.55
Unchanged	18	10	80.00
S			
Advances	238	327	-27.22
Declines	143	56	155.36
Unchanged	4	2	100.00
T			
Advances	45	80	-43.75
Declines	54	19	184.21
Unchanged	2	2	0.00
BSE'S PE RATIO			
BSE 30	12.73	12.9	-1.32
BSE 100	14.80	14.78	0.14
BSE 200	13.64	13.55	0.66
BSE'S PRICE TO BOOK VALUE			
BSE 30	2.66	2.69	-1.12
BSE 100	2.55	2.54	0.39
BSE 200	2.40	2.38	0.84
BSE'S DIVIDEND YIELD (%)			
BSE 30	1.79	1.76	1.70
BSE 100	1.65	1.65	0.00
BSE 200	1.68	1.69	-0.59
VOLUMES			
A	291137860	320329664	-9.11
B	153985411	83052509	85.41
S	8783789	8539317	2.86
T	2474839	3506749	-29.43
TS	320111	254904	25.58
MARKET CAP			
A	2793324.14	2774833.16	0.67
B	375691.89	353790.76	6.19
S	53791.43	53198.29	1.11
T	5975.95	5874.16	1.73
TS	1021.94	1070.18	-4.51

Market Cap Gainers & Losers

A			TOP LOSERS		
TOP GAINERS	02-JAN-09	VAR (%)	02-JAN-09	VAR (%)	
Bajaj Finserv	2285.94	42.09	Jai Corp	1527.96	-21.36
India Infoline	1943.03	34.55	H D I L	3940.88	-14.50
G S P L	2079.70	25.85	HCL Technologies	8179.77	-12.34
Areva T&D	5189.67	23.57	M & M	7432.59	-10.51
KSK Energy	6556.86	22.82	Deccan Chronicle	1137.56	-10.33
Uni.Brew.(Hold.)	800.17	22.01	Phoenix Mills	1084.20	-6.85
GMR Infra.	15548.35	19.44	Educomp Solution	4400.78	-6.79
Gammon India	753.82	19.14	Hind. Unilever	54679.03	-6.78
Triveni Engg Ind	1324.32	17.78	GTL Infrastruc	2539.74	-6.49
Nag. Constructn	1934.50	16.94	Rohta India	1922.31	-6.06
Bajaj Hindusthan	1025.86	15.99	B P C L	13143.79	-5.61
Reliance Comm	51672.74	15.90	EIH	5014.04	-5.55
Petronet LNG	3097.50	15.69	Financial Tech	2361.78	-5.53
Shree Renuka Sug	2041.02	15.37	Century Textiles	1682.63	-5.49
Ranbaxy Labs.	10519.51	15.14	Thermax	2206.66	-5.29
B			TOP LOSERS		
TOP GAINERS	02-JAN-09	VAR (%)	02-JAN-09	VAR (%)	
JIK Inds.	29.38	184.69	Pyramid Saimira	114.11	-46.49
Golkunda Diamond	7.28	124.00	Bio Green Indust	56.20	-36.80
Jaybharat Text	12252.15	90.14	Sugal & Damani	6.98	-36.02
Hardcastle &Waud	18.61	54.95	Usher Agro	161.36	-34.12
IST	46.03	54.83	Maytas Infra	969.26	-33.74
Geekay Finance	23.31	54.06	Amraworld Agrico	8.90	-33.33
Karma Ispat	12.75	53.99	DGP Securities	40.62	-30.16
Pioneer Invest.	27.76	53.97	Financial Eyes	8.46	-29.44
Well Pack Papers	12.39	53.91	Ludlow Jute	11.04	-29.32
Gulshan Chemfill	9.68	53.90	RLF	3.52	-29.18
Market Creators	4.44	53.10	Aviva Industries	1.35	-28.57
Diana Tea	37.43	51.23	Panchsheel Organ	3.44	-27.73
TPL Plastech	30.46	50.20	Sharyans Resour.	85.35	-27.44
ABM Knowledge	19.82	50.04	PVP Ventures	476.02	-26.61
India Securities	42.62	49.81	Amrapali Inds.	3.68	-24.74
S			TOP LOSERS		
TOP GAINERS	02-JAN-09	VAR (%)	02-JAN-09	VAR (%)	
Winsome Textile	15.32	68.54	Ranklin Solution	19.66	-32.74
Riga Sugar	14.50	55.08	Enkei Castalloy	16.83	-31.39
Bajaj Hind Sugar	230.10	54.27	Royal Cush. Vin.	9.80	-26.20
HFCL Infotel	688.43	44.59	Intra Infotech	249.35	-24.57
Madhucon Project	350.92	35.86	Bihar Tubes	91.95	-23.02
Zicom Electronic	143.13	35.37	Silktex	7.49	-19.03
Srinivasa Hatch.	30.72	34.21	KSL and Indus	1352.57	-18.45
M K Exim (India)	5.94	31.42	Sagar Cements	210.00	-17.50
Filatex India	29.58	30.25	Man Inds.	209.92	-16.17
VXL Instruments	7.63	27.17	Emmsons Intl.	38.01	-16.13
Bharat Immunol.	57.60	26.32	Shiv-Vani OilGas	604.20	-16.12
Nitta Gelatin	42.88	25.42	Z F Steering	86.21	-15.75
Permanent Mag.	9.85	24.53	Ganesh Housing	184.64	-15.22
Goa Carbon	53.91	24.53	Murli Industries	121.50	-15.03
Parker Agrochem	7.29	24.40	Auto.Corp.of Goa	92.83	-14.36

Figures in Rs cr

Market Capitalisation

INDUSTRIES			TOP LOSERS		
TOP GAINERS	02-JAN-09	VAR (%)	TOP LOSERS	02-JAN-09	VAR (%)
Textiles - Processing	14493.35	68.47	Moulded Luggage	117.87	-9.04
Diversified - Medium / Small	18230.47	17.56	Automobiles - Tractors	10976.09	-8.72
Sugar	9935.47	13.85	Steel - Medium / Small	5667.77	-7.45
Transport - Airlines	3376.50	13.45	Personal Care - Multinational	65237.55	-5.72
Chlor Alkali / Soda Ash	1366.17	13.37	Automobiles - Motorcycles / Mopeds	16443.10	-3.88
Petrochemicals	3871.27	11.51	Paper	2821.56	-3.81
Engines	5851.38	8.93	Computers - Software - Converts	1177.44	-3.46
Computers - Hardware	4647.64	8.57	Computers - Education	5839.44	-3.44
Finance - Term-Lending Institutions	24257.70	8.22	Breweries & Distilleries	13837.21	-3.29
Ceramics - Tiles / Sanitaryware	945.54	7.90	Glass & Glass Products	2324.70	-2.96
Mining / Minerals / Metals	132130.43	7.41	Computers - Software - Large	182131.58	-2.90
Tea	6011.29	7.36	Refineries	337974.07	-2.86
Aluminium and Aluminium Products	23831.58	7.05	Cables - Power	739.49	-2.30
Food - Processing - MNC	19763.83	6.93	Travel Agencies	1088.18	-2.26
Finance & Investments	60031.75	6.39	Cigarettes	67014.31	-2.22

Figures in Rs cr

Figures in Rs cr

IPO PERFORMANCE												
COMPANY	ISSUE	TIMES	OFFER	LIST	LIST	LIST	LIST	LIST	PRICE	HIGH/LOW	VAR. (%)	VAR. (%)
	CLOSE	OVER	PRICE	PRICE	PRICE	PRICE	PRICE	DATE	02/JAN/09	FRM DATE	FRM OFFER	FRM LIST
		SUBSCB		OPEN	CLOSE	HIGH	LOW			OF LISTING	PRICE	PRICE
Alkali Metal	15/10/2008	1	103	90	173	179	90	06/11/2008	164	204/90	59	82
Chemcel Biotech	12/09/2008	2	16	16	5	16	5	13/10/2008	3	16/2	-82	-82
20 Microns	11/09/2008	4	55	50	33	96	32	06/10/2008	18	96/14	-66	-63
Austral Coke	13/08/2008	1	196	206	225	309	206	04/09/2008	107	309/60	-46	-48
Resurgere Mines	13/08/2008	1	270	272	524	563	272	01/09/2008	72	740/50	-73	-73
Nu Tek India Ltd	01/08/2008	2	192	201	199	225	194	27/08/2008	50	225/37	-74	-75
Vishal Inform	24/07/2008	1	150	150	194	197	145	11/08/2008	296	363/145	97	97
Birla Cotsyn	09/07/2008	1	14	15	9	18	9	30/07/2008	5	18/3	-68	-69
Somi Conveyor	27/06/2008	2	35	38	26	38	25	24/07/2008	12	38/7	-66	-69
KSK Energy	25/06/2008	1	240	220	191	235	176	14/07/2008	189	245/107	-21	-14
Lotus Eye Care	20/06/2008	1	38	35	36	39	32	11/07/2008	29	48/10	-24	-18
First Winner	17/06/2008	1	125	125	90	125	81	08/07/2008	22	162/13	-82	-82
Archidply Inds	17/06/2008	1	74	75	50	75	49	04/07/2008	23	75/21	-69	-69
Avon Corporation	12/06/2008	32	10	14	12	20	11	03/07/2008	5	20/3	-48	-62
Sejal Archit	12/06/2008	9	115	110	82	140	78	01/07/2008	28	140/18	-76	-75
Bafna Pharm	30/05/2008	5	40	44	39	47	37	27/06/2008	19	47/9	-54	-58
Niraj Cement	30/05/2008	2	190	185	190	198	170	19/06/2008	20	240/15	-89	-89
Gokul Refoils	13/05/2008	4	195	203	181	222	176	04/06/2008	210	346/162	8	3
Anu's Laborat	15/05/2008	8	210	260	268	288	257	04/06/2008	290	469/217	38	12
Aishwarya Tele	17/04/2008	19	35	50	91	93	50	07/05/2008	13	136/10	-63	-74
Kiri Dyes	02/04/2008	1	150	151	159	204	151	22/04/2008	105	204/65	-30	-30
Titagarh Wagons	27/03/2008	7	540	550	707	734	550	21/04/2008	353	908/260	-35	-36
Sita Shree Food	14/03/2008	2	30	30	44	47	30	07/04/2008	8	67/6	-74	-74
Gammon Infra	13/03/2008	3	167	180	158	180	148	03/04/2008	89	180/35	-47	-51
V-Guard Indus	21/02/2008	2	82	82	73	99	71	13/03/2008	46	99/37	-44	-44
Rural Elec Corpn	22/02/2008	27	105	125	121	128	119	12/03/2008	78	128/54	-26	-38
GSS America	15/02/2008	1	400	400	501	508	400	07/03/2008	132	865/104	-67	-67
Manjushree Extr.	06/02/2008	1	45	48	53	66	47	28/02/2008	12	66/10	-73	-74
Tulsi Extrusions	05/02/2008	2	85	93	140	143	93	25/02/2008	17	146/13	-80	-82
IRB Infra	05/02/2008	4	185	170	189	209	167	25/02/2008	137	222/65	-26	-19

Price in Rs. Var (%) From Offer Price & List Price is over Price 02/01/2009

The recent interest-rate cut has made the greenback vulnerable and ensured that crude oil maintains a slow but steady path north

Taxation

Services without tax

The list of exemptions granted to exporters has been expanded since the four services excluded on 17 September 2007

Exemption from service tax was initially granted on 17 September 2007 for four services received by an exporter of goods who used certain specified services during the course of exports. Later, this was superseded by another notification dated 6 October 2007 to extend the benefit of exemption to seven services including the four services covered earlier, subject to certain conditions. Still later, notifications were issued on 29 November 2007, 19 February 2008, 1 April 2008 and 10 May 2008 to grant similar exemption to some more services.

The service provider must collect the service tax from the service receiver and remit it to the government account. Thereafter, the service receiver can claim refund of tax so paid. The one exceptional situation to this requirement is if the service receiver is the person liable to pay service tax (as in the case of transport of goods by road service where the consignor or consignee is one of persons specified). Here, the service receiver must directly pay the tax to the government account and thereafter apply for refund.

Under notifications issued on 17 September 2007 and on 6 October 2007, exemption from service tax was available to exporters on the following services: General insurance service, and other port services including port services, technical inspection and certification



service, technical testing and analysis service, transport of goods by road and transport of goods in containers by rail from inland container depot to the port of export.

To claim exemption under this notification, the exporter should have actually paid service tax on the specified services to the service provider.

From 19 February 2008, an exporter may claim exemption for transport of export goods directly from the place of removal, to inland container depot or port or airport from where the goods are exported.

Conditions to be satisfied for claiming exemption include:

- Export goods are transported directly from the place of removal to inland container depot or port or airport from where the goods

are exported. • Invoice issued by the exporter for export goods should indicate the name of the inland container depot or port or airport from where the goods are exported. • Details of exporter's invoice on export goods are specifically mentioned in the lorry receipt and the corresponding shipping bill. • Declaration in the refund claim if such service has been received from the said service provider for purposes other than for export.

Cenvat credit can be used to pay excise duty if any payable at the time of export or to pay service tax on output service. On the other hand, refund can be claimed for the service tax paid on specified services provided no Cenvat credit is taken. Rule 5 states where Cenvat credit cannot be claimed, refund can be claimed as per notification.

The claim for refund has to be filed on a quarterly basis, within 60 days from the end of the relevant quarter during which the said goods have been exported. The goods are deemed to have been exported on the date on which the proper officer of customs makes an order permitting clearance and loading of the goods for export under Section 51 of the Customs Act, 1962. A quarter means the period 1 January to 31 March, or 1 April to 30 June, or 1 July to 30 September, or 1 October to 31 December of a financial year.

— TK Doctor

Investment Strategy

What is the traffic signal showing?

F&O data can be used to gauge the market undertone. However, do not rely on one indicator, rather look at them in relation to each other

A lot of information is disseminated on stock and index derivatives by stock exchanges daily. A good amount of information is also available on the websites of stock exchanges. For instance, the National Stock Exchange (NSE) regularly provides information on trading in the futures and options (F&O) segment including quotes or prices, number of contracts traded, open interest, top contracts by volume and value, put-call ratio and so on. This information is made available through various channels including *bhav copy* and daily market activity report. Apart from these reports, investors can scan business newspapers for a quick glance at the F&O trend. Business newspapers also provide ratios and commentary on the F&O segment.

Generally, trends in the F&O market are not studied by investors in detail or not much importance is accorded to the F&O data. However, F&O numbers can reveal broader trends in the cash market that can be used while transacting in equities. Investors can look at various parameters and ratios to gauge the mood of the market and determine in the investment strategy. F&O numbers give a hint about the short-term market movement. A note of caution: investors should use the F&O trends as one of the tools in the decision-making process and not completely rely on them for investment calls.

This is because the F&O market is still not sufficiently liquid. Liquidity is necessary for better price discovery. Liquidity or trading is concentrated in the Nifty index and in 20 to 25 stocks in the F&O segment. A few stocks go without trading for many days.

Among index futures, the Nifty futures account for over 90% of trading. Around 250 stocks are traded regularly in the futures segment. The top 10 contracts contribute to over 35% of the total traded volume in individual stocks in the futures segment. The Nifty options comprise around 98% of trading in options. Of the 265 stocks eligible for the derivatives trading, less than 100 stocks are traded regularly in the op-



tions segment. The top 10 stocks account for over one-third of trading in the options market. Stock futures are more liquid than stock options. Thus, investors have to ensure that the stocks they are examining in the F&O segment have good volume to decipher the trend in the cash market.

Premium or discount to the cash market: First, inspect if the stocks or indices are trading at a premium or discount in the derivatives market compared with their underlying to predict whether the market mood is bullish, bearish or indecisive. Suppose stock futures or index futures are trading at a premium compared with the underlying stock or index. This points to a bullish trend in the cash market. But a stock or an index trading at a discount in the futures market indicates a bearish market.

Investors can also look at the quantum of premium or discount to understand the magnitude of the bullishness or bearishness. If a particular index is trading continuously at a premium, it would indicate buoyant market sentiments. However, if the pre-

mium turns negative (discount) to the underlying stock or index, it would mean the stock or the market is weakening or likely to weaken in future. Of late, select real-estate and banking stocks have started trading at a discount in the futures market compared with the cash market. This indicates bearishness. This can be attributed to the overall negative sentiments towards the real-estate industry on account of tight liquidity situation, slowing down of the economy, and falling real-estate prices.

Put-call ratio: This ratio is also known as the put-call volume ratio. It is widely used to understand the sentiments prevailing in the cash market. The put-call ratio is calculated by dividing the daily or weekly traded volume of put options by the daily or weekly traded volume of call options. This ratio is not only easy to calculate but also simple to interpret. Higher the number of call options traded higher are the chances of the market turning bullish in future. If put options are more popular, bears could dominate the market.

Spotting the trend

A change in open interest along with other bits of information in the F&O segment is a popular way of predicting future market movement

Different scenarios in the F&O segment to determine the future of a stock or an index in the cash market

	Price	Volume	Open Interest	Market Outlook
Scenario I	Increasing	Increasing	Increasing	Bullish
Scenario II	Increasing	Declining	Declining	Bearish
Scenario III	Declining	Increasing	Increasing	Bearish
Scenario IV	Declining	Declining	Declining	Bullish

A change in open interest along with other bits of information in the futures & options (F&O) market is a popular way of predicting future market movement. It is also used by technical analysts to determine the future market outlook.

Here are four scenarios of what open interest and other parameters in the F&O segment indicate about the future outlook of a stock or an index in the cash market.

Scenario I: Rise in open interest in a stock/index along with rise in price and volume indicate inflow of fresh money in the market. The new buyers create fresh position, which is reflected in the rise in open interest. This signifies that a bullish trend is likely to continue as the new buyer would keep the momentum going by



taking fresh long positions.

Scenario II: Though the stock/index is going up, it is not supported by either traded volume or open interest. Such a situation occurs when short sellers cover their positions, taking prices up. It points to weakening of the stock/index in future.

Scenario III: This is typically a sign of downtrend: open interest and volume going up, but the stock/index declining as fresh short positions are created by new entrants.

Scenario IV: Decline in price, volume and open interest in a stock/index implies bullish future outlook or consolidation. This situation indicates offloading of long positions. The stock/index would witness trend reversal once offloading of long positions is complete.

An increasing ratio over a period of time means investors are putting more money in put options, implying the broad market outlook is bearish. Thus, the market can be expected to move south or witness a sell-off. This could also be the case of investors trying to hedge their portfolios. On the other hand, a declining put-call ratio indicates investors are showing more interest in buying call options and the market is likely to move up in the near future.

Interestingly, extreme values point to a trend reversal in the coming days. This can also be termed as a contrarian indicator. An increase in the ratio to unjustifiably high levels is considered a buying opportunity as traders start covering their short positions. On the contrary, too many call options or a low put-call volume ratio signifies the market has reached an overbought level and a correction is likely. In short, a very high put-call ratio indicates the bear phase is likely to end, while a very

low ratio means bulls could lose the grip over the market and a market correction is likely.

Put-call open-interest ratio: The put-call open-interest ratio is also one of the key indicators of possible futures movement in the spot market. The put-call open-interest ratio is calculated by dividing the total open interest of put options by the total open interest of call options. For instance, if the open interest for put options is nine and the same figure for the call options is 10, the put-call open-interest ratio would be 0.90. A put-call open-interest ratio of more than one means put options have a higher open interest compared with the call options and, thus, the future price trend is likely to be bearish. A low put-call open-interest ratio means bullish sentiments are likely to continue in future. Investors can monitor periodical changes in the put-call open-interest ratio to gauge future market outlook.

Cost of carry: The concept of cost of carry attempts to explain the relationship between the cash market price (underlying) and its price in the futures market. It means expenses incurred while a position is being held, interest on securities bought on margin and storage cost less income earned on the asset. Suppose Reliance Industries is trading at Rs 1150 in the cash market. Assuming the investor can borrow money at an interest rate of 15%, the fair value of the one-month futures contract should be Rs 1164.46. The formula is as follows.

Cost of carry = Price of the underlying in the cash market * e (2.71828) ^ (Cost of financing * Time till expiration in years)

Cost of carry can be negative or positive. If the cost of carry is substantially positive or negative, it offers arbitrage opportunities for traders. If the cost of carry is positive, traders can sell futures and buy the underlying in the cash market to effect arbitrage. If the cost of carry is negative, traders can buy futures and sell the underlying to make riskless profit. The cost of carry ensures that the futures price stay in tune with the spot price.

Now what does the cost of carry indicate about the future? Generally, negative cost of carry indicates bearish sentiments, while positive cost of carry points to a bullish market undertone. At the same time, a very high negative cost of carry signifies building up of huge short positions on the counter. Any subsequent profit booking could lead to a downturn in the stock. Though a higher positive cost

of carry indicates bullish undertone, it could also lead to trend reversal once profit booking sets in. Investors can find the cost of carry for stocks eligible for derivatives trading on the NSE website.

Daily volatility: Investors love a bullish market and perceive it safe as well. On the contrary, a bearish market is considered risky. Therefore, increase in daily volatility is considered bearish, while lower or moderate volatility is taken as a sign of a bullish market. Daily volatility represents volatility of the future contracts on a particular underlying stock or index. These figures are available on the NSE website.

Rollover: The near-month F&O contract expires on the last Thursday of the month. At the time of expiry or close to expiry, investors will find news articles discussing rollover. Rollover is applicable to future contracts and not options. If an investor is holding a position in futures, he will close his position in the near month or in the current month and take a fresh position in the next-month contract. Rollover helps investors to carry his position for a longer period of time. Suppose an investor is long on, say, 10 contracts of Nifty futures in December. To roll over, he will have to sell these 10 contracts and simultaneously buy 10 contracts with expiry in January 2009. There is an indirect cost attached to it. If the Nifty futures expiring in December 2009 are trading at 2,650, the investor will find the Nifty futures with expiry in January 2009 trading at a slight premium: above 2,650. Suppose, the Nifty futures expiring in January 2009 are trading at 2,660, he will have to bear the difference: 10. Further, the investor will have to bear transaction-related expenses such as brokerage.

The percentage of outstanding positions rolled over to the next month is used to gauge market sentiments. A higher percentage of rollover symbolises bullish undertone, while a lower rollover indicates bearishness. It is difficult to comment on the market mood by just looking at the rollover figures. Investors have to use other numbers to deduce the right conclusion. Every buy side has a sell side to it. As a rule of thumb, if the market is in a bull phase, a high percentage of rollover could mean the market would remain firm or move up in the near future. In an extremely bearish market, a high rollover could spell trouble as it could denote that the bears are convinced the market would fall in the future.



Open interest and change in open interest: Open interest in the F&O market along with price movement and traded volume is also used by traders to predict future trends. Open interest is basically the total number of contracts — futures or options — that remain open at the end of the day. It can also be defined as the number of contracts that are still to be closed or to be delivered at the end of the day. It can be also termed as the number of 'buy' contracts that are still open. For instance, the open interest in Reliance Industries 1,300 with January 2009 expiry call option is, say, 100. It means these many contracts still need to be closed.

Many investors get confused with open interest and volume of trade and assume that both are same. However, volume of trade and open interest are different. Suppose, an investor buys 100 contracts of Reliance Industries 1,300 call. Volume for the day will be 100. If he sells 50 contracts next day to another investor Mr B, the volume will be 50, but open interest will remain the same at 100 as these many contracts are still open: 50 positions are open with the investor and another 50 with Mr B. Now suppose Mr C bought 25 contracts from Mr D on the third day, volume will be 25 and open interest will be 125: 100 existing plus 25 new contracts. Open interest goes up as and when new positions are created.

Analysing open interest on a standalone basis could be misleading. Here, investors need to use information about open interest in conjunction with two other bits of infor-

mation: price and traded volume.

Volatility index: Volatility is the prime factor that reflects risk. Volatility Index (VI) is a measure of the market's expectation of volatility over the near term. Volatility is defined as the rate and magnitude of changes in prices. VI measures the amount by which an underlying index is expected to fluctuate in the near term. VI is based on the order book of the underlying index options and is calculated as annualised volatility denoted in percentage. In the domestic market, the India VIX developed by the NSE is a volatility index based on the Nifty 50 index option prices. From the best bid-ask prices of Nifty 50 options contracts, a volatility figure is calculated, indicating the expected market volatility over the next 30 calendar days.

VI indicates expected stock market volatility over a specified time period. An investor can get a sense of market volatility by simply looking at one number: VI. A rising VI means increase in volatility and vice versa. As the volatility index is calculated on a real-time basis and is continuously disseminated throughout the trading session, it can aid 'buy' or 'sell' decisions.

The F&O segment throws up a lot of information that certainly helps to understand the future market outlook. However, the data need to be used with caution and in conjunction with other F&O indicators to attain better accuracy.

— Sachin Khedekar

Scoreboard

Top five performers in different categories as on 06 January 2009

SCHEME/INDEX NAME	N.A.V. (RS)	CORPUS DEC-2008	EXIT LOAD	EXPENSE RATIO	ABSOLUTE (%)			CAGR (%)	
					3 MON	6 MON	1 YEAR	3 YEARS	5 YEARS
Equity									
Diversified									
HDFC Top 200 Fund (G)	97.5740	2024.15	1	1.87	-7.69	-18.19	-43.65	6.10	18.44
Pru ICICI Dynamic Plan	53.6642	1082.86	0	1.95	-4.17	-19.56	-43.72	7.61	18.73
Reliance Equity Fund (G)	10.2605	1794.70	1	1.82	-5.10	-13.66	-44.30	N.A	N.A
Franklin India Bluechip Fund - (G)	105.9510	1534.76	1	1.9	-8.18	-19.06	-45.89	4.16	14.68
Franklin India Prima Plus - (G)	117.0713	1090.40	1	1.97	-7.15	-17.76	-46.07	7.06	18.35
Pure Midcap Funds									
HDFC Mid-Cap Opportunities Fund (G)	6.6350	767.07	0	1.87	-9.58	-21.52	-50.54	N.A	N.A
Sundaram BNP Paribas Select Midcap - (G)	67.7307	973.35	1	1.89	-4.28	-23.95	-56.25	4.28	21.08
Franklin India Prima Fund - (G)	125.0811	530.56	1	2.12	-11.59	-27.14	-61.40	-11.54	9.34
Magnum Global Fund (G)	24.3500	636.90	1	2.5	-15.39	-35.46	-65.39	-5.87	N.A
Tax Plans									
Sundaram BNP Paribas Tax Saver (G)	26.0583	498.94	0	2.33	-3.43	-14.79	-46.10	6.43	N.A
Franklin India Taxshield - (G)	104.7288	376.72	0	2.25	-7.16	-20.13	-47.56	0.83	15.11
Fidelity Tax Advantage Fund (G)	10.2080	689.70	0	2.02	-8.67	-21.51	-48.53	N.A	N.A
HDFC Tax Saver Fund (G)	103.6130	982.36	0	2.08	-12.08	-20.48	-50.21	-2.49	19.85
Reliance Tax Saver (ELSS) Fund - (G)	10.3722	1325.32	0	1.91	-5.89	-17.49	-51.26	-2.84	N.A
Balanced Funds									
Birla Balance (G)	27.0300	79.33	1	2.46	4.36	-3.57	-27.71	5.80	11.82
HDFC Balanced Fund (G)	27.0040	83.37	1	2.21	-6.38	-15.00	-35.67	1.34	9.05
FT India Balanced Fund - (G)	29.9589	217.11	1	2.34	-4.29	-13.25	-36.26	5.86	12.64
DSP BR Balanced Fund - (G)	37.0050	422.92	1	2.09	-5.89	-16.08	-38.07	7.39	14.93
UTI-Balanced Fund (G)	46.5400	682.90	1	1.99	-2.98	-14.67	-39.64	0.43	8.46
Index									
Sensex	10335.9300	N.A			-8.76	-25.78	-50.04	2.35	11.69
Nifty	3112.8000	N.A			-11.41	-25.21	-50.39	2.22	10.06
CNX 500	2431.2500	N.A			-9.75	-26.85	-55.82	-1.41	8.89
CNX Midcap	3921.8500	N.A			-6.68	-26.85	-59.30	-2.28	10.05
SCHEME/INDEX NAME	N.A.V. (RS)	CORPUS DEC-2008	EXIT LOAD	EXPENSE RATIO	ANNUALISED (%)			CAGR (%)	
Debt									
Income Funds									
Canara Robeco Income (Growth)	18.2358	84.94	1	1.25	46.55	51.18	30.38	17.86	13.29
IDFC SSIF - Invest - A (G)	23.1021	363.70	0.5	1.35	81.31	46.75	25.46	17.36	12.92
Birla Income Plus - Retail (G)	42.3360	534.45	1	1.58	87.48	44.98	22.76	17.98	13.66
Birla Sun Life Income Fund (G)	35.7790	135.55	1	1.74	81.48	42.40	22.30	17.98	14.42
Kotak Bond - Regular Plan (G)	26.1963	391.77	0	2.25	80.63	44.18	22.03	15.78	12.75
Gilt Funds									
ICICI Pru Gilt Fund - Treasury (G)	23.2595	131.41	0	1.15	60.52	36.35	20.55	13.88	11.36
Magnum Gilt Fund - Short Term (G)	18.8129	104.89	0.15	0.7	49.34	28.63	16.45	13.45	10.13
UTI-G-Sec Fund - STP (G)	13.7540	49.71	0	0.75	27.50	19.34	11.61	9.02	7.93
HDFC Gilt Fund Short Term Plan (G)	15.4689	67.44	0	0.65	12.70	14.64	7.51	6.78	6.03
Kotak Gilt - Savings Plan (G)	20.4858	694.02	0	1	6.22	8.82	7.16	6.57	6.22
Gilt Funds-Long Term Plans									
ICICI Pru Gilt Fund - Investment (G)	33.5297	716.08	1	1.1	101.66	79.19	35.77	21.82	16.98
JM G-Sec Fund - Regular Plan (G)	29.8308	15.82	0.75	1.35	85.92	70.87	35.19	18.87	13.62
DSP ML G-Sec Fund - A (G)	33.1808	201.79	0	1.25	105.87	73.47	34.04	19.34	14.27
Canara Robeco Gilt (PGS)-(G)	26.6217	72.86	1	0.5	64.64	59.89	33.76	20.40	14.45
UTI-Gilt Advantage Fund - LTP (G)	21.3387	67.99	0	1.24	100.10	69.25	31.38	18.21	13.85
Gilt Funds Long Term PF Plans									
IDFC G Sec Fund - PF Inst (G)	15.8933	25.77	0	1.53	96.15	59.54	32.09	19.41	15.18
IDFC G Sec Fund - PF (G)	15.8536	25.77	0	1.49	96.02	59.47	32.05	19.43	15.24

SCHEME/INDEX NAME	N.A.V. (RS)	CORPUS DEC-2008	EXIT LOAD	EXPENSE RATIO	ANNUALISED (%)			CAGR (%)	
					3 MON	6 MON	1 YEAR	2 YEARS	3 YEARS
UTI-Gilt Advantage Fund - PF Plan (G)	15.8596	67.99	1	1.24	99.86	69.12	31.32	18.18	13.83
Kotak Gilt Invest - PF & Trust Plan (G)	33.0846	177.82	1	1.65	93.31	58.17	28.60	16.85	12.87
Templeton India G-Sec Fund - PF Plan (G)	14.1422	188.75	0.35	1.25	56.23	42.16	24.64	15.23	11.57
Monthly Income Plans									
Birla MIP - Savings 5 (G)	16.0520	21.11	0	0.4	56.65	45.13	27.84	18.00	13.91
Reliance Monthly Income Plan (G)	16.7022	170.72	1	2	65.32	33.92	10.61	9.64	10.99
DBS Chola Monthly Income Plan (G)	16.6613	20.43	0.5	2.25	9.84	0.90	5.94	11.89	10.34
Tata Monthly Income Fund - (App)	16.7738	21.92	1	2	33.96	14.63	4.55	8.08	6.87
DSP BR Savings Plus Fund Conservative (G)	13.0213	3.59	0.5	2.24	4.39	4.90	1.46	4.15	5.26
Monthly Income plans - Long Term									
Reliance Monthly Income Plan (G)	16.7022	170.72	1	2	65.32	33.92	10.61	9.64	10.99
HSBC Monthly Income Plan - Savings (G)	15.5531	121.58	1	1.95	36.83	12.32	-2.66	8.42	9.18
DSP BR Savings Plus Fund Aggressive (G)	15.2900	68.33	1	2.21	6.56	4.85	-2.92	5.68	7.86
UTI-MIS Advantage Plan (G)	15.6989	93.70	0.5	1.59	27.19	7.81	-5.95	5.52	7.73
Principal Monthly Income Plus - (G)	15.0600	77.85	1	2.08	20.44	3.53	-6.72	8.80	8.24
Arbitrage Funds									
HDFC Arbitrage Fund - WP (G)	11.0410	217.19	0.5	0.81	9.01	9.00	8.73	N.A	N.A
HDFC Arbitrage Fund (G)	11.0070	217.19	0.5	0.81	8.73	8.74	8.45	N.A	N.A
ICICI Pru Blended - Plan A (G)	13.3351	132.43	0.5	1.5	14.98	8.83	8.33	8.74	8.61
Kotak Cash Plus (G)	12.8550	182.36	0.6	1.1	7.47	8.03	7.59	8.52	8.09
ICICI Pru Blended - Plan B (G)	13.0459	11.10	0.5	1.48	7.10	7.26	7.36	8.57	7.98
Dynamic / Flexi Debt Funds									
IDFC Dynamic Bond Fund - A (G)	18.9113	381.14	0	1.13	86.34	49.24	28.08	18.67	14.39
Fortis Flexi Debt Fund (G)	15.2026	113.96	2	1.36	62.97	37.09	22.87	15.59	13.19
Birla Dynamic Bond Fund - Retail (G)	14.2535	56.59	0.5	0.15	27.65	19.39	15.14	12.20	10.16
Tata Dynamic Bond Fund - Plan B (App)	14.2481	2.40	0.5	0.21	14.31	12.33	10.87	9.55	8.05
ICICI Pru Flexible Income Plan (G)	16.0210	9490.48	0.25	0.25	9.62	9.66	9.42	9.04	8.06
Children Gift Funds - Savings plan									
HDFC Children's Gift Fund-Savings Plan	16.3140	50.09	3	2.24	12.48	1.38	-5.61	4.87	3.27
ICICI Pru Child Care Plan-Study Plan	21.3665	26.45	1	1.5	15.54	1.04	-6.97	4.63	7.21
SCHEME/INDEX NAME	N.A.V. (RS)	CORPUS DEC-2008	EXIT LOAD	EXPENSE RATIO	ANNUALISED (%)				
					7 DAYS	30 DAYS	90 DAYS	180 DAYS	1 YEAR
Short Term Plans									
JM Short Term Fund - (G)	16.8392	14.12	0	0.82	8.37	32.64	38.17	25.85	16.86
ICICI Pru Short Term Plan (G)	17.9388	515.38	0	1.1	49.24	64.99	48.01	27.79	16.82
Tata Short Term Bond Fund - (G)	16.6952	111.81	0	0.89	15.51	63.12	39.18	25.29	16.16
HDFC Short Term Plan (G)	16.4499	124.52	0.5	0.4	50.21	50.98	32.58	20.60	13.95
IDFC SSIF - STP - (G)	18.1259	55.95	0	0.77	27.82	68.98	36.54	22.31	13.15
Liquid Funds									
LICMF Liquid Fund - (G)	15.7964	7158.54	0	0.4	8.40	9.27	9.80	9.79	9.45
Canara Robeco Liquid (G)	15.8151	2230.90	0	0.4	7.99	8.25	9.48	9.69	9.33
JM High Liquidity Fund - (G)	23.6793	1127.81	0	0.19	7.72	8.33	9.25	9.38	9.02
HDFC Cash Mgmt - Savings (G)	18.0867	3387.43	0	0.59	8.35	8.17	8.74	9.18	8.97
DWS Insta Cash Plus Fund (G)	14.5389	2324.51	0	0.65	8.15	8.64	9.22	9.38	8.97
Floating Rate Income Fund									
LICMF Floating Rate Fund - STP (G)	14.0594	636.76	0	0.5	9.59	9.76	10.11	10.26	10.18
UTI-Floating Rate Fund - STP (G)	1403.5106	142.70	0.75	0.2	8.85	9.27	9.87	9.96	9.83
Canara Robeco Floating - STP (G)	13.3277	9.66	0	0.4	9.60	9.49	10.17	9.86	9.38
ING Vysya Floating Rate (G)	13.4038	102.05	0	0.55	9.16	9.12	9.07	9.51	9.27
DWS Floating Rate Fund (G)	14.0638	344.40	0	0.5	9.55	9.67	9.00	9.37	9.27
Floating Rate Income Fund - Long Term									
Tata Floating Rate Fund - LTP (G)	13.1772	3.08	0.5	0.1	8.72	10.76	11.85	10.61	9.82
Birla Floating Rate - Long Term (G)	14.3771	52.88	0.1	0.45	8.43	7.91	8.32	9.08	9.26
Kotak Floater Long Term (G)	13.6581	684.64	0.5	1	9.41	9.67	10.53	9.95	9.14
HSBC Floating Rate - LT (G)	13.3679	237.56	0.5	0.8	11.88	8.43	8.63	9.19	9.06
Templeton Floating Rate Income - LT (G)	15.6294	324.16	0	1	16.10	12.74	10.38	9.83	8.93

Returns are calculated for the respective period ended 06 January 2009.

Source: www.navindia.com

Commodity Watch

Bounce in the step

A moderate rebound in crude oil looks to be in the offing after Opec announced its largest output cut

Crude oil futures touched US\$ 35.13 per barrel on 24 December 2008 — their four-year low before witnessing a rebound to US\$ 40 plus level. The worst-ever global recession is far from being over and the demand destruction across the globe is hurting oil demand. However, a moderate rebound looks to be in the offing in the commodity after the Organisation of Petroleum Exporting Countries (Opec) announced its largest output cut.

The output cut of two million barrels will be imposed from 1 January 2009. The winter season in the US and Europe has started. This, in many ways, is a ray of hope for increasing demand for heating oil in the days to come. All in all, oil is turning out to be a suitable asset to play on the bounce and investors can buy the commodity with a target of US\$ 50-US 55 a barrel.

Worries of inflation

The first half of 2008 brought worries on account of inflation. This was the period when crude prices on the New York Mercantile Exchange (Nymex) were spiraling at US\$ 147 per barrel. The scenario was transformed quickly in the second half (July onwards) with the sub-prime crisis spreading to the financial and then the auto sectors in the US. As the demand slackened, crude oil prices tested new lows of US\$ 35 per barrel in December 2008.

Following the global economic slowdown, crude prices tapered 53% in 2008. Billions of dollars of bailout packages and large reduction in interest rates have been provided so far to recoup the economies. The US Federal Reserve's lending rates are now at 0-0.25%, and this has helped the other major currencies to rise against the dollar. Yen touched a 13-year high of 87.11 against the greenback on 17 December 2008, while the euro was at two-month high of 1.4718 on 18 December 2008. A falling dollar brings with it a rise in demand for dollar-driven commodities such as crude.

After being bogged down to low levels, crude oil can see swing northward. The recent report from the Energy Information Administration (EIA) highlights the fact



that the lack of investment and demand will cause a supply crunch in 2009. The EIA projects crude oil will trade at an average of US\$ 51 a barrel in 2009.

Worried by the falling prices, Opec announced in December 2008 that it would cut production by 2.2 million barrels from 1 January 2009 on top of the two million barrels reduced in September 2008. Thus, the total cut is 4.2 million barrels. This is the largest reduction in its history. The supply cut also brought the cartel's daily supply target quota down to 24.85 million barrels a

day. Opec officials have also decided to meet before the scheduled March 2009 conference if prices continue to fall. The affects of supply cuts are yet to be seen on the prices as the 2.2 million barrels cut imposed by Opec was scheduled from 1 January 2008.

Geopolitical tensions have always played a vital role in reviving crude-oil prices. The recent tensions between Israel and Hamas in the Gaza strip supported prices from falling further in the international markets as there were concerns of supply disruptions. The Nymex light sweet crude oil futures ended the year at US\$ 42.42 per barrel. With a fall of 53%, the price is at a four-year low.

Comparing the last six years' price data, an interesting picture emerges. Crude-oil prices have a tendency to move higher in the first quarter of the fiscal (Januray-March). This is due to the fact that the winter season in the US and Europe starts prevails at that time and it increases the heating-oil demand in the western world. This increases consumption, boosting crude-oil prices. Although the recession this time is the worst in several years, expectations are that demand will recoup in the coming months.

Outlook

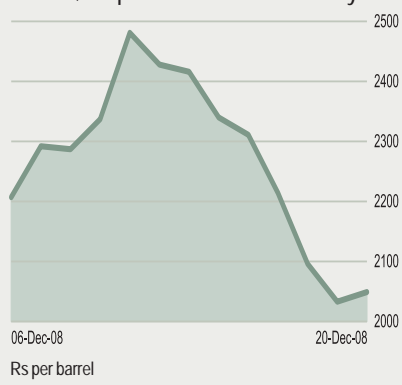
Crude-oil supplies declined 3.1 million barrels to 318.2 million barrels in the US on 19 December 2008 as per the recent estimates by the EIA. The agency expects non-Organisation For Economic Cooperation and Development (OECD) countries to drive demand for crude oil, and recession in OECD countries will remain in focus. Technically, the charts for crude oil are at breakouts. From here, a move towards US\$ 50-US\$ 55 per barrel on Nymex and Rs 2400 per barrel on the Multi Commodity Exchange, respectively, seems likely.

The US dollar is also expected to provide support for crude prices. The recent interest-rate cut by the Federal Reserve to 0-0.25% has made the greenback vulnerable against the euro, pound and yen. Therefore, dollar losses will ensure that crude oil maintains a slow but steady path north.

— Abhishek Sharma

Signs of heating

Crude-oil supplies declined to 318.2 million barrels in the US on 19 December 2008. From here, a move towards US\$ 50-US\$ 55 per barrel on seems likely



Tax Matters

Can I claim deduction from my home loan repayment though I am not staying there?

by T K Doctor & Zankhana P Mehta

Can I claim deduction of interest and principal component from the repayment of housing loan taken to purchase an apartment in Mumbai? I am not residing there as the company has provided me with a furnished accommodation in the same city. I do not have any other property.

— Anand Sheik, e-mail

If a property could not be occupied throughout the previous year on account of employment, business or profession being carried on at any other place and if such property has not been let out and no benefit is derived from it, then income from such property shall be computed as if it is a self-occupied property. One can claim deduction of interest and principal from the repayment of housing loan against such property.

We are manufacturing, supplying and installing prestressed concrete pipes/high density polyethylene (HDPE) pipes on a turnkey basis under works contracts from the state government/zilla parishad, municipality or village panchayat. These contracts are for drinking water projects and not intended for commerce or industry.

— Chandrakand Muni, e-mail

As per the explanation to Section 65(105)(zzzzz) of the Finance Act, 1994, a works contract is one in which transfer of goods involved attracts sales tax and such a contract is for carrying out specified activities mentioned under it.

Activity of installation of concrete pipes and ducts is covered under the first sub-category of work contract services. Under the category, there is no mention as to whether the end use should only be for commerce and industry. The category of commercial or industrial construction includes such end-use.

For engineering procurement and construction (EPC) contracts on a turnkey basis, the same logic applies as there is no mention of specific end-use. The definition clearly explains that the taxable service is the service provided or to be provided to



any person by any other person for the execution of a works contract excluding works contracts for roads, airports, railways, transport terminals, bridges, tunnels, and dams. Therefore, manufacture, supply and installation of pipes undertaken as turnkey contract, whether for government or any other person, is covered under the works contract service.

Job work is undertaken by us to provide partition, false ceiling, flooring, and fixtures in offices and business establishments. The job is executed based on works contracts given by business process outsourcing (BPOs) and public and private sector companies. Value-added tax is levied by the state government.

— Namdev Chiplunkar, e-mail

Prior to 1 June 2007, fixing partitions and other fixtures for offices was covered under commercial or industrial construction ser-

vice. The definition given under Section 65(25b) of the Finance Act, 1994, talks about completion and finishing services needed for building or civil structure. It also mentions several activities — plastering, painting, and wall covering — undertaken in new construction or as part of repair work of existing construction. As the activity of putting partition and false ceiling is in an existing building and it is not in the nature of repair or renovation, this is not covered here. By execution of such activity, there is no ‘finishing’ or ‘completion’ provided to the premises. It is to enhance functional utility of the space and improve aesthetics

A similar view can be taken to determine whether the activities of putting partitions and false ceiling are liable under the categories of works contract services. Such activities do not fall under the five specified categories of works contract services.

This activity is also not covered under interior decorator service as it includes advice, consultancy or technical assistance and not actual provision of goods.

I had purchased a flat for Rs 4.50 lakh in December 2001. I sold it for Rs 7.75 lakh in November 2008. The profit is Rs 3.25 lakh. I am planning to keep the profit gained in a fixed deposit in a nationalised bank. I have paid Rs 56280 as society charges (Rs 670 x 84 months), Rs 8500 for no-objection certificate (NOC), Rs 2500 for new water connections, and Rs 10000 for miscellaneous charges. Hence, expenses of Rs 77280 were incurred by me on the flat during the tenure of my possession. How much capital gain tax do I have to pay? What are the ways to gain exemption? There was outstanding

If a property is not occupied or let-out in the previous year, deduction can be claimed from repayment of housing loan

bank loan of Rs 296000, which is now cleared. I have paid Rs 275000 as interest against my loan amount of Rs 4 lakh during these seven years.

— Rajmohan Menon, e-mail

Interest paid on borrowed capital for purchasing a residential house property is available as deduction under Section 24(b) of the Income Tax Act, 1961. Expenditure incurred wholly and exclusively in connection with transfer of capital asset is deductible from full value of consideration under Section 48. Payment to co-operative society to get NOC, if necessary for transfer, is allowed under Section 48. [Damodar G Nagalia v Commissioner of Income Tax (CIT) [2007] 12 SOT 600]. Society charges and miscellaneous charges would not contribute towards the cost of asset. Whether new water connections comes under the ambit of cost of improvement is a debatable issue.

On the basis of the above explanations, your capital gain tax liability is calculated as follows:

Sale consideration	:	Rs 775000
Less: Expenditure under Section 48	:	Rs 8,500
Net sale consideration	:	Rs 7,66,500
Less: Indexed cost of acquisition 450000 x 582/ 426	:	Rs 614789
Long-term capital gain	:	Rs 151711
Long-term capital gains tax liability will be 151711x 20%	:	Rs 30343

You can claim deduction under Section 54EC of the Income Tax Act, 1961 by investing in Rural Electrification Bonds or bond issued by the National Highway Authority of India. An investment of Rs 151711 in such specified bonds with a lock-in period of three years will enable you to save the tax of Rs 30343 calculated above.

I sold a family property (land plus house in a co-operative housing society) in Chennai in November 2008. This was in my father's name and was purchased by him in 1954. The purchase cost was around Rs 13000. He bought it with his own earning. We are three brothers and we shared the Rs 4.50-crore sales proceed equally among us. Two of my brothers are 65 year of age. I am 60 years. What will be the long-term capital gain tax? Do we have to pay separately? Are capital gain bonds available to invest? Can we invest our share in a bank fixed deposit of three years to save on capital gain tax? If

The long-term capital gain stands reduced by exemptions claimed under Sections 54 and 54EC. The balance will be taxed at 20%

we each invest Rs 50 lakh in bonds (maximum amount allowed), if we are unable to purchase any residential house, what will be the tax that we have to pay on the balance amount? Before which date is the tax to be paid?

— M V Balakrishna, e-mail

An asset acquired under a will or inheritance will not be treated as transfer under Section. 47(iii) of the Income Tax Act, 1961. For calculation of capital gain, you need to ascertain the fair market value as on 1 April 1981. In the absence of information, we assume it to be Rs 1 lakh as on 1 April 1981 and calculate the long-term capital gain.

Sale consideration	Rs 45000000
Less: Indexed cost of acquisition Rs 100000 x 582 / 100	Rs 582000
Less: Expenses like brokerage or which one directly related to sale of property Long-term capital gain	Rs 44418000

The above calculated gain will be divided equally among the three brothers, where each brother's share comes to Rs 14806000, assuming all of you have inherited it in your individual capacity. You can claim exemption under Section. 54, which provides exemption from capital gain arising from transfer of residential house.

As per the provisions of this section, only an individual or Hindu undivided family (HUF) can avail exemption. To claim exemption, the tax payer will have to purchase a residential house property (old or new) or construct a residential house property. The time limit is given below:

Time limit	
Purchasing a new residential property	It should be purchased within one year before or within two years after the date of transfer of the residential house property.
For constructing a new residential property	The construction should be completed within three years from the date of transfer of residential house property.

If the amount is not utilised for purchase/construction of the new property till the due date of submission of return of in-

come, then it should be deposited in the capital gain deposit account scheme. The proof of deposit should be submitted along with the return of income.

You can also claim exemption under Section 54EC, which specifies investment in certain bonds as per the following conditions:

- The asset transferred should be long term. From assessment year (AY) 2006-07, the amount should be invested in bonds issued by the National Highway Authority of India and Rural Electricity Corporation and such bonds are redeemable after three years.
- The amount of exemption will be lower of the capital gain generated on transfer or the amount invested in such bonds.
- The investment made on or after 1 April 2007 in the bonds specified above cannot exceed Rs 50 lakh in any financial year.

The long-term capital gain will be reduced by exemptions claimed under Section 54 and under Section 54EC. The balance, if any, in each account can be further reduced by the unutilised basic exemption limit as per the individual slab rates. The balance, if any, will be taxed at a flat rate of 20%. For payment of taxes you can refer the due dates of payment of advance tax.

It is obligatory to pay advance tax in every case where advance tax is payable is Rs 5000 or more.

You can refer the following schedule of payment of advance tax

For non-corporate assessee	
On or before September 15 of the previous year	Up to 30% of advance tax payable
On or before December 15 of the previous year	Up to 60% of advance tax payable
On or before March 15 of the previous year	Up to 100% of advance tax payable.

The replies are only in the nature of guidelines. The tax counsellors and the publication are not responsible for any decision taken by readers on the basis of the same. Readers may address their queries on direct taxation to:

T K Doctor, C/o Capital Market, 101, Swastik Chambers, Sion-Trombay Road, Chembur, Mumbai-400 071
E-mail: tax-matters@capitalmarket.com

Colgate Palmolive (India)

Count on it for consistent growth

The leader in the oral-care category is positioned to capitalise on underpenetrated market segments through strong brands

A 51% subsidiary of Colgate US, Colgate Palmolive (India) (CPIL) is a market leader in the Indian oralcare industry since decades. The company has products across variants and price points in toothpaste, toothpowder, and toothbrushes, and has leadership in each of these. CPIL's two brands of toothpastes — Colgate and Cibaca — are targeted at the urban and rural markets, respectively.

CPIL's toothpaste sales volume increased 11% and toothbrush 41% in the September 2008 quarter, expanding its overall market share to 37.7% in the January-August 2008 period. The company boosted the toothpowder market share to 48.6% in the January-August 2008 period. These increases were driven by tight focus on getting closer to consumers everywhere, strengthening partnerships with the dental profession and customers in the trade and fostering innovation in all areas of business. The launch of innovative products such as Colgate Active Salt, Colgate Maxfresh and Colgate 360° toothbrush also contributed to the growth of the market share.

Penetration of modern oral-care products below 55% is low in India as many people in rural India still clean their teeth with traditional products like twigs of neem tree, salt, ash, and other herbal items. Per capita consumption of toothpaste in India is among the lowest globally. While India's per capita consumption of toothpaste is 92 grams, even countries like China and Malaysia consume much at 219 grams and 285 grams, respectively. Also, just 7% of the population here brushes twice a day as compared with 61% in China. Increasing awareness on the benefits of oral care and brushing twice daily would work in favour of CPIL.

In the current scenario of economic slowdown, there may be a reduction in demand for premium products and higher demand for value-for-money products. CPIL will be at a significant competitive advantage as it has one of the strongest brands in the lower priced toothpaste segment. The company has improved its presence in the value-for-money segment through an increase in market share

of Cibaca from 5% in the year ended March 2005 (FY 2005) to 7.3% in FY 2008.

The markets for advanced oral products like mouth wash, dental floss and teeth whitening products are at a nascent stage in India. These products find limited usage with consumer concentration in urban areas. CPIL caters to these products and has an upper hand in the development of this market as they evolve in future. The company has also made attempts to widen its product basket through entry into shower gels and body washes and has been steadily expanding its offerings in the Palmolive Naturals as well as Palmolive Thermal Spa range.

To make effective use of capital, address overcapitalisation and reward shareholders, CPIL cut its share capital from Rs 136 crore to Rs 13.6 crore in the fiscal ended March 2008 (FY 2008). Though the number of shares outstanding and the shareholding structure have remained unchanged, this reduction has substantially improved the return ratios like return on capital employed (RoCE) and return on equity (RoE). RoCE spurted to 129.95% in FY 2008 from 90.01% in FY 2007. RoNW improved to 104.67% from 71.23%.

CPIL aims at margin gains through efficient supply-chain management and bring-

ing down cost of operations. It has expanded its Baddi (tax-efficient zone), Himachal Pradesh, capacity to 66,000 tonnes in FY 2009 from 40,000 tonnes in FY 2007. This plant enjoys excise and income-tax exemption. These benefits will boost margin.

With most commodity prices falling, CPIL's raw material, packing and transport costs will also come down, helping it to increase margin as also expand ad budgets to boost volume growth.

Net sales increased 16% to Rs 863.06 crore in the half year ended September 2008. Operating profit margin declined 96 basis points to 18.9% and operating profit grew 10% to Rs 162.95 crore. Total tax outgo fell 11% to Rs 28 crore, which lifted net profit 17% to Rs 135.40 crore.

We expect CPIL to register EPS of Rs 19.7 in FY 2009. The share price trades at Rs 405. P/E is 20.6.



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FOR MORE DETAILS FLIP TO PAGE 90

CPIL: Financials

	0503 (12)	0603 (12)	0703 (12)	0803 (12)	0903 (12P)
Sales	964.22	1124.19	1295.14	1536.71	1753.54
OPM (%)	18.0	15.5	16.1	19.1	18.2
OP	173.83	173.81	208.87	294.05	319.14
Other inc.	34.23	46.09	67.00	20.28	24.83
PBIDT	208.06	219.90	275.87	314.33	343.96
PBDT	206.90	219.31	274.89	312.89	342.62
PBT	190.72	187.88	259.63	293.05	319.48
PBT after EO	178.14	187.88	201.61	292.05	319.48
Tax	64.85	50.28	41.44	60.34	51.41
PAT	113.29	137.60	160.17	231.71	268.07
EPS (Rs) *	8.9	10.1	15.2	17.1	19.7

* Annualised on paid-up capital of Rs 136 crore.
Face value: Re 1 per share. (P): Projections.
EPS is calculated after excluding EO and relevant tax.
Figures in Rs crore. Source: Capitaline Corporate Databases

Keep smiling

With most commodity prices falling, CPIL's raw material, packing and transport costs will also come down, boosting margin ad budgets and, thus, spurring volume growth. Per capita consumption of toothpaste in India is among the lowest globally

