

Interested in a plan which provides guaranteed inflows
from the 61st to the 75th year of the policyholder

Presenting the **Life Partner Plus** from MNYL
Endowment to Age 75 plan from Max New York Life Insurance

IRDA's guidelines on ULIPs

IRDA's guidelines will be effective from June 30th 2006 and every insurance company will be required to comply with the same.

Procedure for death benefit computation:

- ❖ Policy term 'T'
- ❖ Policy term for a whole life plan : '70 minus current age'
- ❖ 2 possibilities are single premium (SP) and annual premium (AP) or regular premium (RP)
- ❖ Minimum sum assured for a SP will be 125% of premium
- ❖ Minimum sum assured for RP / AP will be $(0.5 \times T \times AP)$ or $(5 \times AP)$ whichever is higher.
- ❖ The above regulations are not mandatory for a pension or annuity plan.

Sum assured payable on death cannot be reduced except for partial withdrawals made during the 2 year period immediately preceding death.

Term of the policy - The term should be a **minimum** of 5 years.

Guaranteed amount - Every issuer should necessarily provide a guaranteed amount on death. It will be left to the discretion of the insurance

company whether to provide such guaranteed benefits in the event of maturity.

Surrender of the policy - The insurance policy can be surrendered after the 3rd policy anniversary.

Loans - No loans can be taken against the unit linked insurance plan.

Partial withdrawals - Partial withdrawals can be made from the policy fund after the completion of 3 years of premium payment. The partial withdrawal will be subject to the conditions of the policies of the insurance company.

Payment of the premiums - Premiums will have to be necessarily paid for 3 years. In case the policyholder stops paying the premiums after a period of 3 years, then the policy shall be continued for a certain stipulated period. During this period the risk cover shall continue as before. In case the policyholder does not pay his premiums, the accumulated value of the fund gets reduced year after year.

In case the policyholder does not pay the premium for the first 3 years, the insurance cover ceases immediately. However, the policy can be revived as per the procedure.

Top ups During the policy term, the policyholder can make additional top-ups in the premium payment only when the regular premiums have been paid. As long as the premium top-ups are less than 25% of the regular premiums, the top up premium will not be required to have any insurance cover.

Settlement options IRDA has authorized the insurance companies to give settlement options to the policyholder which under no circumstance should go beyond 5 years.

Uniformity in the terminology of charges - IRDA has brought about uniformity in terms of the terminology used for the charges of insurance company. Some of the IRDA approved charges are: premium allocation charge, fund management charge, policy administration charge, surrender charge, switching charge, mortality charge, rider premium charge, withdrawal charge and miscellaneous charge. Every insurer should disclose the mode of computation at the time of entering into the insurance policy.

Requisite training - IRDA has recommended requisite training to be provided to the sales persons.



The markets kick started the fortnight with a huge gain on the indices which helped the Sensex remain firm for a week. However, it faced stiff resistance around the 11000 mark and follow through selling pressure dragged it into the red zone. There has been a series of consolidating sessions there after, with both bulls and bears trying to seize the upper hand. The volumes had been on the lower end in both Sensex and Nifty. A series of global developments and tragic domestic events also had their piece of impact on the indices during this fortnight.

Exhilarating results from the technology peer Infosys came as a

savior in midst of the tragic events during the last week. The participation levels remained low all through the fortnight as reflected in the low volumes during this period. The Sensex has a very strong support around the 10500 levels at which the short term 8 and 21 day EMAs are placed. The markets have taken support twice during this period at these levels; hence, they would prove to be strong support zone for the coming sessions. The markets are expected to remain range bound within a broad range of 10400-11000 and a breach observed either side would indicate a direction for the forthcoming sessions.

Insurance Corner - Life Partner Plus from MNYL

The Endowment to Age 75 Plan is the latest plan from the stable of MNYL. This is a conventional endowment plan up to age 75. This plan has been designed to take care of the changing needs of the individual which include asset creation, children's education, investing for retirement, marriage etc. This plan matures when the policyholder reaches 75 years of age. The key highlight of this plan is that from age 61 to age 75 (for 15 years) of life insured, the policy returns a guaranteed amount equal to 7.5% of the sum assured every year. These guaranteed payouts can be used in nature of a pension plans.

Some of the key benefits under this plan are:-

(i) On maturity - This policy matures when the policyholder reaches 75 years. On maturity, the sum assured along with the sum assured of paid up additions (if any) is paid to the policyholder.

(ii) If Living - From age 61 to age 75, a guaranteed amount of 7.5% of the sum assured is paid to the policyholder every year.

(iii) On death - In the event of the unfortunate death of the policyholder, the sum assured along with sum

assured of paid up additions is paid to the nominee without deducting the earlier payouts.

(iv) Bonuses - The bonuses, if declared, will be applicable from the 3rd year of the policy. The various bonus options are:-

❖ **Premium offset** - With the bonus, the policyholder may choose to offset his annual premiums.

❖ **Paid up additions** - Considering the fact that an individual's sum assured needs increases over the years, the policyholder may choose to purchase increased sum assured with the yearly bonuses.

❖ **Encashment of bonuses** - In case the policyholder is in need of funds, he may also exercise his option of taking the bonuses in cash.

(v) Tax benefits - This premium paid towards this plan will be eligible for a deduction under section 80C up to a maximum of Rs.1,00,000. The guaranteed payouts will once again be fully exempt from tax under section 10(10D).

Critical plan parameters - The essential plan parameters are:-

(i) Entry age - 91 days to 55 years. 20

years to 55 years for all riders except term renewable and convertible rider where the maximum entry age is 50 years)

(ii) Maturity age is 75 years

(iii) Premium payment term - 3, 7, 10, 20 years. Hence, the policyholder can select the premium paying term with which he is most comfortable.

Rider options - It is possible to enhance the utility of the plan by adding the riders like

(i) Personal accident benefit rider,

(ii) Term rider,

(iii) Dread disease rider,

(iv) Waiver of premium rider,

(v) Term renewable and convertible rider and

(vi) Payor benefit rider

Substitute to a pension plan - The key highlight of this plan is that this provides guaranteed inflows from the 61st to the 75th year of the policyholder. These inflows are exempt from tax u/s 10(10D). The annuities that are paid in a pension plan are taxable. Thus, this plan can actually be used as a substitute to pension plans.

Mutual Funds Corner - Sundaram Select Midcap Fund

Snapshot

Scheme Type	Open-ended Equity Scheme
Investment options	1) Growth 2) Dividend (Pay-out & reinvestment)
Minimum Investment	1) Rs. 5000 and subsequently in multiples of Rs. 500 thereafter. 2) For SIP- Rs. 250
Entry Load	1) For Rs. 200 lakhs or less - 2.25% Above Rs.200 lakhs- Nil, 2) For SIP- Nil
Exit Load	1) Nil 2) For SIP, 2.25% if redemption is made before 24 months.
Corpus Size (as on June 30' 06)	Rs. 844.57 Crores
NAV (as on July 11' 06)	Rs. 74.23

Sundaram Select Midcap Fund

A fund that invests primarily in mid-cap stocks, Sundaram Select Midcap has performed extremely well since its launch on July 2002. Its above average performance during the recent meltdown of the market has proved the mettle of the fund.

Investment Strategy

The fund aims to invest 95% of its investible resources in equities and equity related instruments. At any point of time, it aims to hold a minimum of 25 stocks. At present the scheme has invested in 100 diversified stocks. The fund selects the stocks by following bottom-up approach and capturing emerging stocks.

Why this fund?

The last one month or rather the period since May 10' 06 witnessed high corrections in the market giving investors a jolt, especially equity funds investors. All equity funds gave negative returns during this period. A comparison of the returns of all the mid-cap funds shows that Sundaram Select Midcap fell less hard than other comparable funds. While the average return since May 10' 06 for the mid-cap category has been - 24.18%, Sundaram Midcap has given -17.49%. Also, the fund has offered highest 1 year returns than other mid-cap funds, when the

market was going through the bull run.

The fund has also shown above average performance than the equity diversified category. While the category gave an average return of 1.60% in the last 6 months, at the same time Sundaram Select Midcap fund offered superior returns of 24.05%. The fund has been one of the best performers in the category. The fact that the fund has diversified its portfolio across various stocks and has sufficiently increased its holdings in cash & money market segment, contributes towards its feature of lower risk when compared to other mid-cap funds. (The fund is, however, more volatile when compared to other conservative equity funds like largecap funds, dividend yield funds etc.) The fund therefore, offers higher returns and its downside is also limited, as compared to other midcap funds, which makes it all the more suitable at this point of time, to be included in the portfolio.

Mutual Fund Recommendations

Recommended schemes to invest		Historical returns as on July 14 (%)			Crisil Ranking for qtr end Mar 06
		6 months (abs)	1 year	3 year (ann)	
Aggressive(Equity)	DSP ML Tiger	7.39	54.74	N.A.	-
	Tata Infrastructure	13.02	50.55	N.A.	-
	Reliance Growth	0.11	39.17	69.02	1
Moderate(Equity)	Fidelity Equity Fund	3.44	34.72	N.A.	-
	Reliance Vision	8.92	44.12	55.89	3
	SBI Magnum Contra	12.26	56.76	77.96	1
Conservative(Equity)	HDFC Top 200	6.94	51.09	53.33	3
	Sundaram India Leadership	3.04	48.42	N.A.	-
	SBI Magnum Multi Cap	8.54	N.A.	N.A.	-
ELSS	Franklin India Taxshield	2.13	34.10	48.69	3
	HDFC Tax saver	3.59	38.55	66.25	2
	SBI Magnum Tax Gain	4.94	43.64	85.21	1
Balanced	DSP ML Balanced	5.78	33.23	35.32	3
	HDFC Prudence	3.43	33.73	40.19	2
	Kotak Balance	9.59	36.49	40.90	2

Equity Corner

IPO - POWER FINANCE CORPORATION LIMITED

Key Information

Book Running & Lead Managers	Enam Financial Consultants Pvt. Ltd., ICICI Securities Ltd., Kotak Mahindra Capital Co. Ltd.
Registrars	KARVY Computershare Pvt. Ltd.
Shares On Offer	151,991,375 Equity Shares of Rs. 10 each
Issue Type	100% Book Building Issue
Issue Objective	Augment the capital base to meet future capital requirements arising out of growth in business and for other general corporate purposes.

Key Financials

EPS	Rs. 9.5
RONW	15%
Operating Margin	37%

Investment Rationale

- ❖ **Leading Power Sector NBFC**
The issuer is a leading public finance institution and a Non-Banking Financial Company providing fund and non-fund based support for the development of Indian Power Sector. It performs a major role in channelising investment into the power sector and acting as a vehicle for growth and development of this sector.
- ❖ **Respected Clientele**
The company's clients include state power utilities, central power sector utilities, power departments, private power sector utilities (including independent power producers), joint sector power utilities, power equipment manufacturers and power utilities run by local municipalities. These clients are involved in all aspects of the generation,

transmission and distribution and related activities in the power sector in India.

- ❖ **Consistent Growth and Profitability**

The company has demonstrated consistent growth in its business and profitability. The sanctions have grown by a CAGR of 27.47% and disbursements have grown at a CAGR of 22.61% from FY02- FY06. Moreover the volumes, represented by loan assets have grown at a CAGR of 21.28% to Rs 356 bn.

Risk Factors

- ❖ Risks related to late or non-recovery of loans.
- ❖ Impact from the volatility in interest rates.
- ❖ Increasing competition from public and private sector commercial banks and other financial institutions.

TECHNICAL RECOMMENDATIONS

Scrip	Action	CMP(Rs.)	Entry(Rs.)	Stop Loss(Rs.)	Target(Rs.)	Time Frame
Satyam	Buy	721.85	700-720	685.00	765-770	1-2 Weeks
Century Textiles	Buy	389.35	375-385	362.50	420-425	1-2 Weeks
VSNL	Buy	384.60	372-380	365.15	405-415	8-10 Days
I-Flex	Buy	1318.40	1300-1320	1278.80	1380-1400	1-2 Weeks

FUNDAMENTAL RECOMMENDATIONS

Scrip	Action	CMP(Rs.)	Entry(Rs.)	Stop Loss(Rs.)	Target(Rs.)	Time Frame
Bajaj Hindustan	Buy	394	-	-	470	9-12months

Bajaj Hindustan (Rs394)

Recommendation : Outperformer
Target Price : Rs 470

India's largest sugar manufacturer Bajaj Hindustan (BHL) is looking for volume growth through capacity expansion and acquisitions. The company would benefit from firm sugar prices on back of structural changes happening in the sugar industry with removal of the

European Union (EU) subsidy and diversion of cane for ethanol blending. We expect revenue to grow at CAGR of 71% to Rs 41.5 bn, net profit to grow at CAGR of 62% to Rs 5.9 bn in FY08. We initiate coverage with Outperformer having upside potential of 19%.

Volume growth to drive revenue and profitability: BHL is increasing its capacity by 42,000 TCD to 95,000 TCD

in FY07. Over next two years, BHL will have consolidated cane crushing capacity of 135,000 TCD at 13 locations in U.P.

Sugar as energy crop: Sugar is becoming an energy crop with increasing diversion of sugarcane into ethanol manufacturing. Brazil, the world's largest sugar producer is using more than 50% of its sugar cane to directly manufacture ethanol. Global sugar production is linked to crude oil dynamics leading to structural change in the cyclical sugar industry.

Attractive valuation: At the current price of Rs394, the stock is trading at 13.4x FY07 earnings and EV/EBIDTA it is trading at 8.4x FY07E. At current price BHL is valued at EV/Ton of Rs1.2 mn on FY06 while at Rs0.52 mn on FY08 estimates. The valuations are in-line with BMCL, the second largest player which is valued at Rs0.53mn on FY08E.

Tax Corner - All about PAN

What is PAN?

PAN is an acronym of Permanent Account Number. It is a 10 digit alphanumeric number that helps to identify and tracks an individual in the taxman's database. Each individual can get one PAN in his name. He will be assigned a unique number.

You just can't do without a PAN!

PAN should be produced as a proof on numerous instances. Some of them are:

- ❖ When you file your income tax return
- ❖ Opening a bank account
- ❖ Opening a stock broking account
- ❖ Investing in a mutual fund where the amount that is invested is more than Rs.50,000
- ❖ When you open a post office account with an amount of Rs.50,000 or more
- ❖ Sale or purchase of immovable property valued at Rs.5,00,000 or more
- ❖ Sale or purchase of a motor vehicle (other than a two-wheeler)
- ❖ Sale or purchase of securities of value exceeding Rs.1,00,000
- ❖ Making an application for any mutual fund for purchase of its units for an amount of Rs.50,000 or more
- ❖ Making an application for acquiring shares or debentures of a company or bonds of RBI for a value of Rs.50,000 or more.
- ❖ Permanent Account Number with

the Income Tax Department has been made mandatory for all Depository accounts holder.

PAN Card made compulsory for opening Demat account/ exiting Account

An investor intending to open a demat account will now be required to a copy of his/her PAN card along with the original, for verification at the time of opening the account. Accounts opened before April 1 2006 will have to submit their pan card details before September 30 2006 in order to keep their accounts operative.

Now it is possible to get a PAN from your own KARVY!!!!!!

Applicants can obtain the application form for PAN (Form 49A) and 'Request for New PAN Card or/and Changes or Correction in PAN data' in the format prescribed by Income Tax Department (ITD) from Karvy Consultants Ltd.

Then submit the duly filled and signed form to Karvy Consultants Ltd.

Documents and information have to be submitted along with the application for Form 49A

- a. Individual applicants will have to affix one recent, colored photograph (Stamp Size: 3.5 cms x 2.5 cms) on Form 49A;
- b. Any one document listed in Rule 114 must be supplied as proof of 'Identity' and 'Address'; and
- c. Designation and code of the concerned Assessing Officer of Income Tax department will have to be mentioned in Form 49A.

Proof of Identity a partial list

- ❖ Copy of school leaving certificate or matriculation certificate or degree of a recognized educational institution OR
- ❖ Depository account or
- ❖ Credit card or
- ❖ Bank account or
- ❖ Water bill or
- ❖ Ration card or
- ❖ Property tax assessment order or

Proof of Address a partial list

- ❖ Copy of electricity bill or
- ❖ Telephone bill or
- ❖ Depository account or
- ❖ Credit card or
- ❖ Bank account or
- ❖ Ration card or
- ❖ Employer certificate or

NOTE:

- ❖ In case the PAN applicant is a minor, any of the above documents of any of the parents or guardian of such minor shall serve as proof of Address;
- ❖ In case PAN application is made on behalf of a HUF, any of the above documents in respect of Karta of the HUF will serve as proof of Address.

FEE Payable:

Rs.60/- + Service Tax @ 12.24% (RS 67.00) for processing of PAN application. Payment can be made by cash or DD.

Disclaimer

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