

**A Fund which will invest in
equities across all market capitalisations**

Tata Capital Builder Fund from Tata Mutual Fund

Why Financial Planning is a Necessity ?



There are few reasons for this:

- ❖ **Increased earning potential:** Earlier it was only the old business families who generated a lot of wealth. However, there are various profiles of individuals like senior executive, professionals, entrepreneurs and business families who are creating more and more wealth in the economy.
- ❖ **High demand on time :** successful people are not able to devote time to their investments. They prefer to spend that time in their profession. It is easier for them to create wealth than managing it. Keeping in mind the said parameters, it is essential for individuals to make their financial plan and arrive at the strategic asset allocation for their financial needs.
- ❖ **Higher uncertainties :** Today if one is doing well in their respective professions, it is no guarantee for them to do well through out. One needs to plan for these uncertainties of life.
- ❖ **Guaranteed return-A fairy tale :** Earlier the products linked in the market were very limited and more of fixed returns. While in today's scenario, the quality and choice of these products have improved but they are more market linked. Investor's need to spend sometime in understanding these products or need advice on these products from advisors who could understand them.

Individuals could either do it themselves or hire the services of a certified financial planner who could make sure that their client's investments happen as per their desired financial plan.

Market Meter



Sensex



Nifty

The markets swung both ways during this fortnight between a broad range. They started the fortnight on a weak note and slipped to find support around the 10000 and 2900 mark on Sensex and Nifty respectively. However, the markets pulled back with greater pace and the volumes started to improve during the up move from the lower levels. The settlement of F&O July contracts induced high volatility into the trades and the up move was further fuelled by short covering in the indices. The improving global sentiments had their share of impact on our markets too.

Sensex and Nifty are trading within a broad range and the direction can

only be predicted after a breach on either side of the range. The results season is on the verge for an end and any positive triggers would be missing which could result in a sideways movement in both the indices. Technically the strong supports for Sensex and Nifty are placed around the 9800 and 2880 levels respectively. A sustained upper breach around the 3200 and 11000 mark would bring in fresh buying interest into the markets which could guide them to higher levels of 11700-12000 in Sensex and 3450-3500 levels in Nifty. The coming fortnight would be interestingly poised with both bulls and bears attempting to emerge as the winners.

Insurance Corner - Cholamandalam's Health Insurance policy

In the era of rapidly rising medical costs, a sudden illness or a bodily injury many times causes a financial setback that is greater than the physical trauma and pain caused by these.

The Health Insurance policy from Cholamandalam MS General Insurance Co. Ltd. is a comprehensive medical insurance policy that nullifies such a financial setback.

Basic cover (Plan A) provided includes:

Cash free hospitalization : Policy provides the facility of cash free hospitalization in more than 1400 hospitals across India.

Hospitalization expenses : Policy reimburses the following hospitalization expenses: room and board, doctors fees, intensive care unit charges, nursing expenses, surgical fees, operating theatre expenses, anesthesia and oxygen and their administration, physical therapy, drugs and medicines consumed on premises, hospital miscellaneous services (laboratory, x-ray, diagnostic test, etc.), dressing, ordinary splints and plaster casts, costs of prosthetic devices if implanted during a surgical procedure, radiotherapy, chemotherapy, organ transplantation including the treatment costs of the donor but excluding the cost of the organ.

Pre and post hospitalization expenses : Medical expense incurred 60 days prior to hospitalization are reimbursed. Also, once the insured is discharged from hospital, the policy will pay for medical expenses related to the hospitalization, for a period of 90 days after discharge.

Day Care Procedure : Policy covers over 130 minor surgeries that require less than 24 hours hospitalization, and reimburses the costs incurred in relation to these under the unique Day Care Procedure.

Local ambulance service : In case of an emergency, the expenses incurred on ambulance services to the nearest hospital where emergency health facilities are available, are reimbursed.

Plan B, is available for a nominal increased premium, and includes the basic cover under Plan A as well as the following value added services:

General Health and Eye Examination : Expenses incurred towards general health and eye examination will be reimbursed.

Hospital Daily Allowance : In addition to hospital expenses, a daily hospital allowance will be paid during the period of hospital

Policy Exclusions : The usual exclusions of a health insurance policy are also applicable to this policy.

The maximum entry age is 55 years for the proposer and 69 years for the dependant parents.

The benefits and actual cover could vary depending on an individual's height, weight, and blood pressure, etc.

On the basis of its tie-up with Paramount Healthcare Management Ltd. (PHM), (a joint venture with Munich Re), Cholamandalam MS General Insurance also offers:

- ❖ 24-hour Emergency Assistance
- ❖ 24-hour help-line service for instant information on any of the services offered.
- ❖ Complete guidance on hospitalization procedure within 1400 plus hospital-network.
- ❖ Hassle-free claim guidance & reimbursement of hospitalization expenses.
- ❖ Value-added services such as Medical Identity card to avail cash-free services at all network hospitals.

Mutual Funds Corner - Tata Capital Builder Fund:

Snapshot

Offer period	July 18, 2006 to August 18, 2006
Offer price	Rs.10
Benchmark index	BSE Sensex
Scheme type	Equity
Minimum investment	Rs. 5,000
Plans offered	Growth and dividend
Entry load (during NFO period)	Nil
Exit load (during NFO period)	Nil*
Fund Manager	Mr. M Venugopal
Liquidity	Once in a week*

Source: **Tata Mutual Fund**

Tata Capital Builder Fund is a close-ended equity oriented scheme which will invest in equities across all market capitalisations. The fund will be a 3-year close-ended scheme. It will automatically be converted into an open-ended scheme at the end of three years.

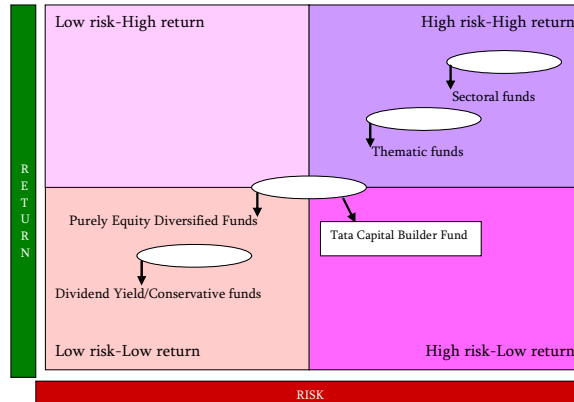
*An early exit charge equivalent to the unamortized NFO expenses will be recovered from the investor in case of redemption before expiry of 3 years from the date of allotment.

Proposed asset allocation:

Equity and equity related securities	70-100%
Debt market instruments	0-30%

Source: **Tata Mutual Fund**

Risk-return profile:



NFO - Corner

Tata Capital Builder Fund

- ❖ Open till August 18, 2006.
- ❖ 3 year close-ended scheme.

ING Vysya C.U.B. Fund

- ❖ Open till August 21, 2006.
- ❖ 3-year close-ended scheme.

Analyst's view: The fund will diversify its investment across all market caps which will reduce its risk towards any specific market cap. The fund is close-ended, which will result in low redemption pressure; thereby giving the fund manager the flexibility to take long-term calls. The fund may take exposure to any specific sector depending on the opportunities. The fund house is bullish on engineering, capital goods, IT, FMCG, pharmaceuticals and textile sector due to the clear visibility of order books. Due to its multi cap structure, the fund is placed in the moderate risk-return category (refer risk-return profile on page 4). Hence, an investor aiming for market linked returns over a period of 3 years can opt for this fund.

Mutual Fund Recommendations

Recommended schemes to invest		Historical returns as on July 28 (%)			Crisil Ranking for qtr end Mar 06
		6 months (abs)	1 year	3 year (ann)	
Aggressive(Equity)	DSP ML Tiger	-0.30	44.88	N.A.	-
	Tata Infrastructure	3.17	44.23	N.A.	-
	Sundaram Select Midcap	15.14	57.59	73.09	1
Moderate(Equity)	Fidelity Equity Fund	-0.12	28.99	N.A.	-
	HDFC Core & Satellite	-1.19	37.99	N.A.	-
	SBI Magnum Contra	4.81	43.97	76.48	1
Conservative(Equity)	HDFC Top 200	2.43	42.87	53.56	3
	Sundaram India Leadership	-4.50	40.25	N.A.	-
	SBI Magnum Multi Cap	2.36	N.A.	N.A.	-
ELSS	Franklin India Taxshield	-3.89	27.24	48.13	3
	HDFC Tax saver	-3.48	28.65	65.33	2
	SBI Magnum Tax Gain	0.77	34.53	84.30	1
Balanced	DSP ML Balanced	2.95	28.64	35.07	3
	HDFC Prudence	1.05	26.74	40.09	2
	Kotak Balance	4.11	29.16	40.02	2

Equity Corner - IPO - GMR Infrastructure Ltd.

Key Information on the Issue	
Book Running & Lead Managers	JM Morgan Stanley Pvt. Ltd., Enam Financial Consultants Pvt. Ltd., DSP Merrill Lynch Ltd.,
Registrars	KARVY Computershare Pvt. Ltd.
Shares On Offer	38,136,980 Equity Shares of Rs 10 each
Issue Type	100% Book Building Issue
Issue Objective	Investment in various Infrastructure SPVs of the company, Repayment of Unsecured Loans and for general corporate purposes.
Application Details for Retail Investors	Price Band Rs 210-250, Minimum 25 equity shares per application and in multiples of 25 with total application value not more than Rs 1 lakh with option of 50% on application and rest on allotment and also 5% discount to retail investors.
Issue open	31st Jul'06 to 4th Aug'06

Investment Rationale

Major Player in Power & Infrastructure

The issuer is a major player in the Infrastructure Business having experience in Development and Operation of Power Plants and Road Projects. It is currently concentrated into power and road business. However, recently it has forayed into developing international airports at Hyderabad & Delhi.

Strategic Alliances

The issuer has got distinguished international corporates as partners in various projects.

- ❖ Power and Energy - General Electric, Korea Electric Power Corp and Hyundai Heavy Industries.
- ❖ Roads - United Engineers Berhad.
- ❖ Airports Malaysia Airport Holdings Berhad, Fraport AG,

India Development Fund, Airports Authority of India, Govt. of Andhra Pradesh.

Robust Earnings Guidance

The issuer has extensive experience in developing infrastructure & power projects and has stable predictable revenues guaranteed by state or central govt. Moreover it has 6 road projects and 2 Airport projects in hand, majority of which are designated to complete in 2008, leading to a great surge in the companies revenues.

Risk Factors

- ❖ Revenues dependent upon small no. of customers
- ❖ Development of new projects is subject to construction, financing & operational risks.
- ❖ Fluctuations in price and availability of fuel could adversely affect power operations.

Equity Recommendations

TECHNICAL RECOMMENDATIONS

Scrip	Action	CMP(Rs.)	Entry(Rs.)	Stop Loss(Rs.)	Target(Rs.)	Time Frame
BEML	Buy	924.60	900-920	875.00	980-1000	5-7 Days
ING Vysya	Buy	129.65	125-130	117.20	144-148	5-6 Days
Finolex Cables	Buy	283.50	278-284	271.10	308-310	5-6 Days
Nagarjuna Const.	Buy	250.40	248-254	239.70	275-280	7-8 Days

FUNDAMENTAL RECOMMENDATIONS

Scrip	Action	CMP(Rs.)	Entry(Rs.)	Stop Loss(Rs.)	Target(Rs.)	Time Frame
ACC Ltd	Buy	830	-	-	1060	12months

ACC Ltd. (Rs. 830)

Recommendation : Buy
Target Price : Rs 1,060

ACC (The Associated Cement Companies Limited) is India's foremost manufacturer of cement and concrete. ACC's operations are spread throughout the country with 14 modern cement factories, 11 regional marketing offices, and several zonal offices. The company is undertaking capital expenditure of Rs6.9bn which would be

spent to expand capacity of its Lakheri cement plant by 0.9 mn tonnes in Rajasthan and establish a 25 MW captive power plant in Lakheri and Kymorea (Madhya Pradesh).

Strong top line growth

ACC came out with strong set of numbers for Q2CY06. The company reported net sales of Rs14,621mn up 30% and net profit of Rs2.6bn up 86% over the corresponding quarter of previous fiscal. The swell in the profit was on account of sale of land and

other items to the tune of Rs1.46bn. The sales growth was primarily led by 35% growth in cement sales and 40% growth in its Ready Mix Concrete business. Company's price realization for cement went up by 30%.

Margins expand by 1230 basis points

Higher realization resulted in the EBITDA margins expansion of 1230 basis points to 31.2% in Q2CY06 compared to 18.9% in Q1CY05.

The shares of the company are trading at 14.2 and 13.1 times its CY2006E and CY2007E EPS.

Going ahead we believe that company would continue to reap benefits from the strong demand and limited supply scenario during next 12-15 months. We believe that the maximum benefits for the company would come from South where the cement is likely to be in short supply in the immediate future. We recommend a Buy rating on the stock with a 12 months price target of Rs1,060.

Tax Corner - Tax planning beyond Sec.80C

There is a general misconception, that tax planning can be done mainly through Section 80C of the IT Act. However there are other options available by which one can optimize his tax outflow.

One such option available is investment in Sec.54EC bonds

Before going into the intricacies of Sec.54EC, it is important for us to understand the concept of capital gains.

Capital gain arises on the sale of capital assets which may be shares, securities, buildings, land, properties etc.

The taxability of capital gains depends on the holding period of the asset. The IT Act, for the purpose of taxability divides capital assets into long term and short term capital assets.

Assets such as shares or securities and units of mutual fund etc. are considered as long term, if the period of holding exceeds 12 months. In the case of other assets such as land, building etc., the asset is a short term capital asset, if it is held for a period of 36 months or less, otherwise they shall be treated as long term capital assets.

Taxability of long/short term capital gains:

Type of asset	Long term capital gain	Short term capital gain
Shares, securities etc.	Not taxable	Tax payable at 10% on gain
Other assets	10% without indexation or 20% with indexation	Tax payable at normal slab rates

However there are few investments which can be made for exemption of taxable long term capital gains

One such option is investing in Sec.54EC bonds.

Sec. 54EC:

According to section 54EC, any person (individuals, HUFs, partnership firms, companies etc.) can avail exemption in respect of long-term capital gains (arising from the sale of long term capital asset other than equity shares and securities), if the capital gain is invested in bonds issued by

- ❖ NABARD ❖ REC
- ❖ NHAI ❖ SIDBI

The exemption will be the amount of capital gain or the amount of investment made, whichever is less.

Provided:

1. The investment is to be made within a period of 6 months from the date of transfer of the asset.
2. These bonds are subject to a lock-in-period of three years. It means that if the bonds are sold or transferred within a period of 3 years from the date of acquisition, the capital gains which were earlier exempt are taxable in the year of sale or transfer of the bonds.

Amongst the large number of capital gains bonds, the bonds that are now available in the market are the bonds issued by Rural Electrification Corporation (REC) and National Highways Authority of India (NHAI).

REC and NHAI bonds:

The REC bonds have hit the market on 1st July. These bonds, which will be allotted on first come first served basis will be available in the market till the corporation raises Rs.4,500 crores. The NHAI bonds have hit the market on 20th July. These bonds, which will be allotted on first come first served basis, will be available in the market till the corporation raises 1500 crores.

Other Details:

Details	REC bonds	NHAI bonds
Face value	Rs. 10,000	Rs. 10,000
Issue price	Rs. 10,000	Rs. 10,000
Credit rating	'AAA' by Crisil and CARE	'AAA' by Crisil and Fitch
Minimum application size	One bond and multiples thereof	Five bonds and multiples thereof.
Coupon rate	5.5% annually	5.5% annually
Interest payment	Annually	Annually
Repayment on At the end of 5 years-maturity	Rs. 10,000.	Rs. 10,000.

Other tax implications:

Interest received from the REC and NHAI bonds are fully taxable. Similarly the payments received on maturity of the REC and NHAI bonds are also fully taxable

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Distribution Research Team

Personal Finance Team:

S.Krishnamoorthy, Sheeba, Atul, Manoj, Pratul Jain, Gayathri.

Mutual Funds Research Team:

Kirti Singh, Chinmay, Sonika Dheer.

Production : Vijaya Sarathy