

**Stocks**

	Close	Wk chg
BSE Sensex	9690.07	↑ 724.87
S&P CNX Nifty	2921.35	↑ 206.95
Nifty Fut (Dec 08)	2921.70	↑ 210.60
Nifty Fut (Feb 09)	2927.70	↑ 211.30

**Global Indices**

	Close	Wk chg
Nasdaq	1540.72	↑ 31.41
Dow (DJIA)	8629.68	↓ 5.74
FTSE 100	4280.40	↑ 231.00
Nikkei 225	8235.87	↑ 318.36

# DNA MONEY

Bangalore, Monday, December 15, 2008

**Money & Forex**

	Rate/yield	Wk chg
8.24% 2018 g-sec	6.23	↓ 0.54
Inter-bank call	5.37	↓ 0.73
US \$	48.56	↓ 1.04
Euro	64.26	↑ 1.53

**Commodities**

	Close	Wk chg
Gold (Rs/10gm)	12890.00	↑ 700.00
Silver (Rs/1 kg)	17160.00	↑ 635.00
Brent crude (\$/bbl)	46.31	↑ 4.93
LME copper (\$/tn)	3320.00	↑ 50.00

**DAILY NEWS & ANALYSIS . MONEY**

**RESEARCH NETWORK**

Management Guru C K Prahalad and other Indian dons in US business schools are coming together to set up a collaborative research network to encourage research in Indian business schools



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## Long term, it's red for equities

Equity returns trail those of bonds in the past 10 years

**N Sundaresha Subramanian.**  
Mumbai

Stocks have barely managed to beat bond yields over the past 10 years, an analysis of the earnings of indices such as Sensex, the BSE 100 and the BSE 500 show.

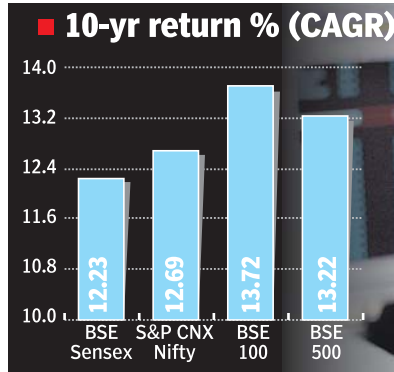
And if things get worse from here, which seems a distinct possibility, yesterday's rock stars might end up delivering much less than risk-free bonds.

In the past ten years, the BSE 500 and the BSE 100 have given returns of 13% each, while the Sensex managed a compounded annual growth rate (CAGR) of

12.2%. The ten-year bond yields in 1998 were at 12.2%.

In terms of returns over a three-year timeframe, the BSE 500 and BSE 100 are in the red already, while the Sensex has given a compounded annual return of just 1% in the last three years. Ridham Desai and Sheela Rathi of Morgan Stanley, in an analysis of ten-year returns said the crash this year has compressed the CAGR by over 400 basis points.

"The median 10-year return for a sample of 978 stocks that were listed and traded in 1998 is 10.5%, while the average return is 11.4%. This compares with the 10-year bond yield of 12.2% in December 1998, implying a negative realised equity risk premium of 1.7% on median returns," Sheela and Rathi wrote in their India strategy



report last week.

Maresh Bhagwat, head of equities, MAPE Admisi Securities, brushes off the story of equity outperforming in the long-term as a myth. "Surely, that's not the case. Even Dow Jones has made zero returns in the last ten years. In fact, there have been extended periods of

markets going nowhere between the late sixties and the early 80s. In those days, the prevalent wisdom was that bonds were better than stocks and stocks were for the 'risk takers'. This kept the P/E (valuation) of stocks really low."

This period of low valuations ultimately led to a turnaround

**Losing out**

In the past ten years, the BSE 500 and BSE 100 have given returns of 13% each, while the Sensex managed 12.2%

The ten-year bond yields in 1998 were at 12.2%

In a three-year timeframe, the BSE 500 and BSE 100 are in the red, while the Sensex has given just 1%

when the stocks started performing well in the 90s. People who got in at low valuations got handsome returns and the new prevalent wisdom was that stocks were better than bonds. Bhagwat says this brought more money into stocks, leading to high P/E ratios.

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## Income on Rs 78 lakh can be tax-free

**Sandeep Shanbhag**

With the stock market expected to continue being choppy investors have been increasingly turning to bank fixed deposits (FDs) as a safe shelter for their money. By using the Income Tax Act properly we can make income on a very huge amount tax free. Before we set off, let us familiarise ourselves with two concepts of income tax.

First is the basic threshold. Readers would know that the first Rs 1.50 lakh of income is exempt from tax. For non-senior ladies, the limit is Rs 1.80 lakh and for senior citizens (65 plus) the limit is Rs 2.25 lakh.

The second concept, which works hand in hand with the first, pertains to Section 56 of the Income Tax Act, which basically exempts cash gifts between relatives. Though there is a long list specified in the section, for our purposes, suffice it to know that as per the Income Tax Act, you, your parents, your brothers and sisters as well as your children are all relatives of each other. Now, in order to understand how these two tools can be used for some smart tax planning, let's take an example.

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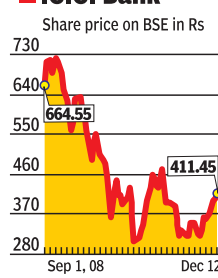
**straws in the wind**

**IT INDUSTRY IN UNCERTAIN TIMES: RAMADORAI**

The global meltdown has plunged the Indian IT industry into unpredictable times and a period of uncertainty looms large, according to a top executive at software major Tata Consultancy Services (TCS). "It is impossible to predict what is really happening. We are living in times where everything is unpredictable. Such an event (global meltdown) has not happened in anyone's living memory. So, it is such unpredictable times we are living in," TCS chief executive S Ramadorai told IANS on the sidelines of a science conference here on Sunday. Page 25

**STEEP CUTS AHEAD: KAMATH**

**ICICI Bank**



ICICI Bank managing director K V Kamath says there are signals for the rate cut and rates would drop steeply. If the signals are received well by the banks, including ICICI Bank, the rate cuts would happen in the next two to three weeks, according to Kamath, who was in

Hyderabad on Saturday to attend a programme at the Indian School of Business. "The signals from the market are coming only in the last one to two weeks. The one-year deposit rates have dropped by 1.5% to 2% in the last one week. Similarly, the yields on 10-year bonds too have dropped by 1.5% in the last one week. This will make the bankers re-price their books and once that happens, the rates cut would happen," Kamath said. On whether ICICI Bank is preparing to cut the rates, he said, "Any bank which doesn't lower rates is not competitive. And I am part of the system."

**nobody's business**

manjul



I'm prepared for the bad times. I've started investing in lotteries.



I would like to be among the top ten global biotech companies based on revenues in three years and among the top five by 2020

-Kiran Mazumdar Shaw

Read the full interview in tomorrow's edition of DNA Money

## Biocon targets billion dollar club

**C Chitti Pantulu.** Bangalore

With an intent to place Biocon Ltd at the top of the global biotech heap in three years, CMD Kiran Mazumdar Shaw is set to monetise at least two candidates from the company's impressive portfolio of novel biologics soon.

"I would like to be among the top ten global biotech companies based on revenues in three years and among the top five by 2020," Shaw told DNA Money in an exclusive interview, adding she has set a \$1 billion revenue target within by 2011. That means Biocon, which logged Rs 1,090 crore in revenues last year, will have to grow at least four times its current size within three years.

A beginning of sorts towards this will be with the impending licensing deals on two of Biocon's lead molecules which she says should be valued upwards of \$250 million. The molecules in question are the oral insulin candidate IN 105, which is set to enter Phase-III clinical trials and a novel drug candidate T1h which is a monoclonal antibody for treating rheumatoid arthritis. Biocon is expected to launch the oral insulin in the US and European markets by FY10.

**Fixed trouble**

One reason for unbilled revenues swelling is fixed-price projects

Wipro, which saw 500 bps rise in such contracts this year, sees proportionate rise in unbilled revenues

The market size for the product in the two regions, according to Reliance Money analysts Surya Narayan Patra and Vinod Pushpanthan, is estimated at around \$2 billion.

"This will happen sooner than later but I would like to wait for some more data points on these two candidates which have blockbuster potential," said the lady who has been called India's biotech queen. Biocon's current discovery pipeline comprises at least five candidates, of which two are towards the end of their phase-II trials and two are in the pre-clinical stages.

An oncology drug, BIOMab EGFR, has already reached the market for treatment of head and neck tumours, and trials are being conducted for expanding its application to other tumours.

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## Unbilled revenues rise as clients delay payment

Customers tweak billing cycle

**Praveena Sharma.** Bangalore

Information technology firms have begun treading on dangerous ground with their "unbilled revenues" rising as clients delay payment.

Unbilled revenue is that part of project revenue for which the work has been completed but no bill has been raised. Crunched for cash, many US clients of Indian IT



firms are taking a relook at their billing cycle which lets them buy time. Another reason for unbilled revenues swelling is fixed-price projects. Payments under such contracts are released on achievement of project milestones. "In a fixed-price contract, a customer could delay payment by not accepting the

**Fixed trouble**

One reason for unbilled revenues swelling is fixed-price projects

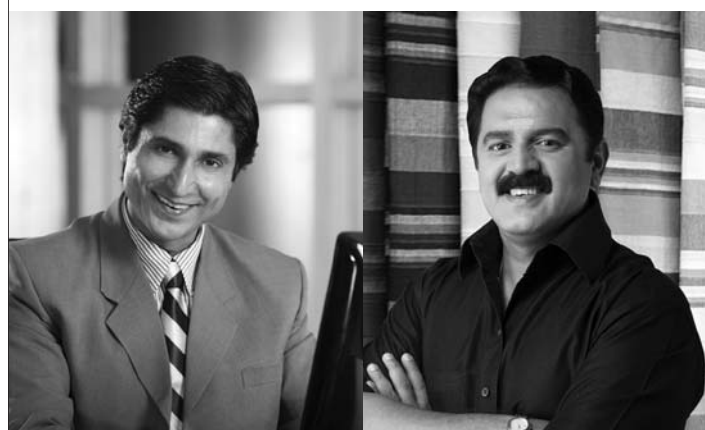
Wipro, which saw 500 bps rise in such contracts this year, sees proportionate rise in unbilled revenues

milestone. In such situation, the unbilled revenue can rise significantly," said Rajendra Shreemal, head of investor relationship and treasury, Wipro Technologies.

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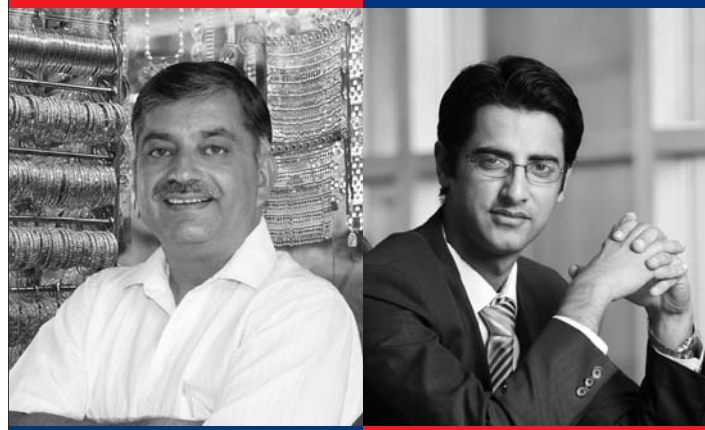
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Information Innovation Education Research

**BEST-SELLING AUTHOR ON HOW TO FOCUS ON THE IMPORTANT THINGS**

## Why Stephen Covey avoids email and office work

**R Jagannathan & Vivek Kaul.** Bangalore

Mahatma Gandhi is his personal hero. "He never held a position and was the leader of the largest democracy in the world...Leadership is moral authority whereas management is formal authority that is conferred from the top. But leadership is earned from below, based on high trust and getting people emotionally connected with the strategic goals because they were involved and they understand them and they emotionally connect to them," he says.

Meet Stephen R Covey, management guru and the author of *The 7 Habits of Highly Effective People*. The book has sold over 1.5 crore copies in 38 languages, since it was first

published in 1989. Covey believes that it is very important to love what you are doing to discover your true purpose in life. "You have to ask the question: What is it that you love doing and that you do well, and that serves a human need and that

these days that most individuals end up concentrating on what is urgent but not really important, says Covey. "Research shows that most executives spend half their time doing things that are urgent but not important. And they end up neglecting their



An early riser who works till midnight, Covey is writing six books simultaneously right now. Yes, six of them. One is about how to overcome crime. Another deals with how universities can transform communities.

A third deals with how attorneys can learn to be peacemakers instead of fighters and adversaries.

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**DNA THOUGHT LEADERSHIP**

Read the full interview on Page 26

you feel called to do almost by your conscience. When those four things overlap - talent, passion, conscience and need - then people would have found their voice. But most people are never asked those questions. They are more told. They are given a job description," he says.

There are so many distractions these days that most individuals end up concentrating on what is urgent but not really important, says Covey. "Research shows that most executives spend half their time doing things that are urgent but not important. And they end up neglecting their

families, their personal life. Their community service suffers and also their organisations are not as productive."

So how does he personally deal with distractions? For one, he avoids email. He also avoids working at the office, for that creates its own sense of urgency as opposed to what is really important.

Tomorrow read an interview with Nassim Nicholas Taleb, the author of *The Black Swan*