

### Demat Account gets a Make-over

Gone are the days when a Demat Account was the exclusive forte of the equity investor . Times have changed and so have the options and choices associated with demat accounts. From equities to mutual funds to gold to the newly-launched tax-free infrastructure bonds, demat accounts now have many a use.

#### **Avoid the paper work:**

Your investments will only increase over the coming period of time , or even otherwise you will always find it convenient to have a centralized controlling platform as against bunches of papers . Leave the task of keeping up with the storing and recording part to us while you can concentrate solely on the investment part

#### **Mutual Fund Investments :**

No matter what your typical investment choices are, the need to have a demat account is only set to only increase. While it would allow you to make direct equity investments, both in primary and secondary markets, your demat account can be put to other uses .

You can use it to invest in mutual funds. Instead of routing your mutual fund investments through an agent or through the respective AMC's website, you can subscribe to mutual fund units through your stock broker using the stock exchange platform if you have a demat account.

Just like how it is done with stocks, upon subscription, the asset management company (AMC)/Registrar and Transfer Agent (RTA) will credit the mutual fund units to your demat account. To appease the sceptic in you, know that there are advantages too of doing this. Using the demat account to buy and sell mutual funds allows you to centralise all your investment holdings which is a big advantage any day, especially if you have sweated it out through several MF statements before! 'Demating' mutual funds investments becomes even more convenient if you have multiple schemes spread across fund houses.

It also doesn't hassle you if your work requires you to shift places frequently. You will need to change the address recorded with your depository participant and it will get registered electronically with all the AMCs and RTA. It saves you the bother of having to correspond with each of them separately!

#### **ETFs/NSC/KVP Investments :**

You can use a demat account to get some gold exposure too, thanks to Gold ETFs - there are eight such ETFs listed on the exchanges presently. Though the Gold ETF market in India is still small, it is expected to grow phenomenally in the future ..

You can also use the demat account to hold NSC (National Small Savings Certificate) and KVP (Kisan Vikas Patra). While the option is limited to new investments and is presently not available everywhere, it probably is only a matter of time before it does.

The biggest advantage here is that you needn't go to the post office on redemption, as your bank account will be credited directly or you will receive a warrant at your residence.

#### **Investments in Bonds:**

A demat comes in handy even if you want to invest in public issues of bonds and debentures of companies. For instance, a demat account was mandatory to invest in the recently concluded State Bank of India's 15-year 9.95 per cent bonds

Having a demat account would help even if you want to invest in tax-free infrastructure bonds. IFCI Infrastructure bond and the first tranche of IDFC Infra bond were open to only demat account holders

#### **What the future holds for you :**

It is only a matter of time before you can transfer all your NSC and KVP investments into your Demat Account . However it must be kept in mind that all your investments that you intend to transfer to your Demat account should have a holding pattern that is compatible to the holding pattern of your Demat Account . For instance joint MF investments cannot be held in your demat account, if you are sole holder. But as usual we are always at your service , you can always avail a new Demat Account from us whose holding patterns matches to that of your investments . While that may seem to add to your investment costs, you can average it out if you use the demat account for its multiple utilities.

Always at your Service!!!!!!

Courtesy : Businessline

09/04/2011

**G. RANGARAJAN**  
CEO, President and Whole Time Director  
Indbank Merchant Banking Services Ltd

## Snap Shot

### Domestic Developments

- Inflation target stands at 8.00%
- RBI raises policy rates by 25bps
- GOI borrowings for the FY 2011-12 expected to be Rs. 2,50,000 crores
- Credit growth stands at 23.2%

### International Developments

- US Treasury yield surges up
- 10 year US Treasury yield stand at 3.40%
- Crude oil prices for the fortnight stood at USD 105.40

### Government Securities Markets

- G-Sec yields remain low
- Yield on 12-year paper stands at 8.02%

### Money Market

- Heavy advance tax outflow is followed by a surge in Call Rates
- Call rates stand at 7.66%
- CBLO rates stand at 4.80%

### Forex Market

- Rupee ends the fortnight ending on 25.03.2011 at 44.68/USD
- 3 m and 6 m forward annualized premia stood at 7.44% and 6.98% for the fortnight ended on 25.03.11

### Equity Market

- Equity Markets go up
- Sensex goes up by 3.53%
- Nifty goes up by 3.29%
- Bank stocks are the major gainers

Particulars	5 <sup>th</sup> March 2011	12 <sup>th</sup> March 2011	19 <sup>th</sup> March 2011	26 <sup>th</sup> March 2011
Inflation (%)	7.31% (Dec. 2009)	8.56% (Jan. 2010)	8.56% (Jan. 2010)	9.89% (Feb. 2010) 8.56%
91 Day Cut-off (%)	4.2153	4.3382	4.4202	4.4202
10 yr G-Sec yield (%)	7.9930	7.9744	7.8971	7.8391
1-10 yr spread (bps)	298	283	277	279
USD/INR (Rs)	45.78	45.45	45.48	45.34
USD 6 m LIBOR	0.38	0.39	0.41	0.44
10 Y US Treasury	3.49	3.39	3.28	3.44
USD/Euro Spot	0.716486	0.726058	0.707714	0.708466

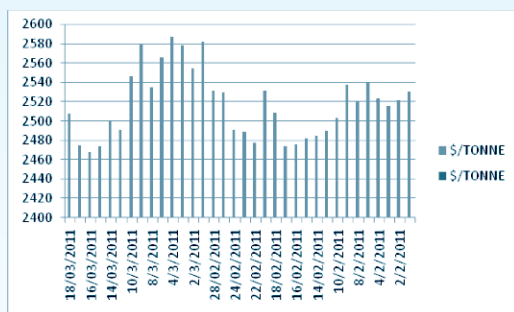
## Global Indices

Indices	Country	Index as on 24 <sup>th</sup> February 2011	Index as on 31 <sup>st</sup> March 2011	Variation (%) (Inc/ Dec)
NASDAQ	United States	2,737.90	2,240.26	(18.17)
S&P 500	United States	1,306.10	1,325.83	1.51
Hang Seng	Hong Kong	22,972.50	23,527.52	2.41
Nikkei 225	Japan	10,526.76	9,755.10	(7.33)
Straits Times	Singapore	3,009.72	3,105.85	3.19
FTSE 100	United Kingdom	5,919.98	5,908.80	(0.18)
CAC 40	France	4,009.64	3,989.18	(0.51)
DAX	Germany	7,130.50	7,041.31	(1.25)
Shanghai Composite	China	2,878.58	2,928.11	1.72
SENSEX	India	17632.41	19445.22	10.28
NIFTY	India	5262.70	5833.75	10.85

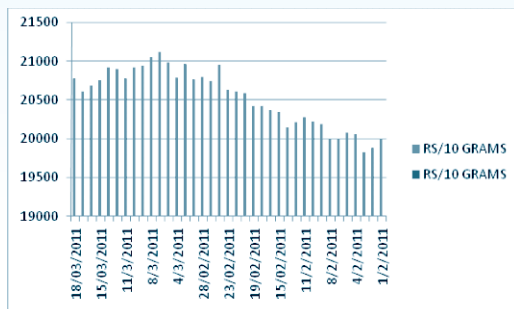
## Institutional Investments (As on 31.03.2011)

Category	Debt / Equity	Gross Purchases (Rs Crores)	Gross Sales (Rs Crores)	Net Investment (Rs Crores)
FII Investments	Equity	53019.30	46121.80	6897.80
	Debt	23870.50	23885.70	(14.90)
Mutual Fund	Equity	10595.20	10848.50	(253.30)
	Debt	87949.90	60094.60	27855.50
FII Derivative Trades	INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
- Buy	64385.33	170534.02	51645.14	6083.80
- Sell	56860.43	161749.30	52925.16	6078.78

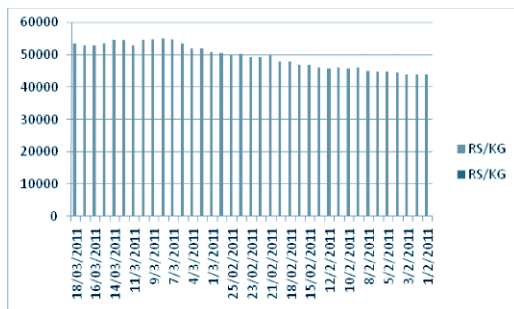
## Commodities Trend



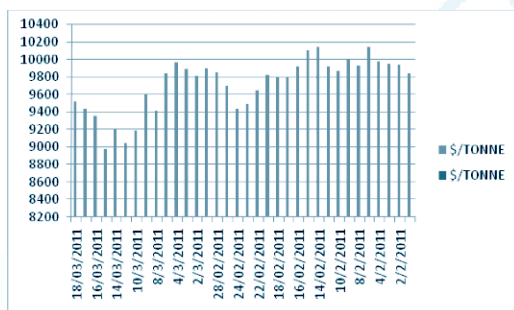
### Aluminum



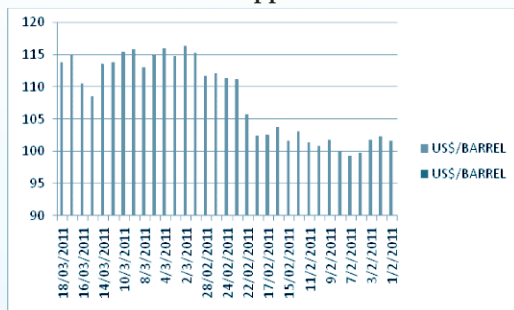
### Gold



### Silver



### Copper



### Crude Oil

## Exchange Traded Funds

Fund Name	Category	Price as on 25 <sup>th</sup> February 2011	Price as on 31 <sup>st</sup> March 2011	Variation (%) (Inc/ Dec)
NIFTYBEES	Equity	540.25	584.33	8.15
JUNIORBEES	Equity	105.00	111.25	5.95
BANKBEES	Equity	1043.05	1171.34	12.29
PSUBNKBEEES	Equity	415.00	449.19	8.23
SHARIABEES	Equity	120.80	130	7.61
UTISUNDER	Equity	940.00	852.74	(9.28)
KOTAKPSUBK	Equity	427.00	462.56	8.32
RELBANK	Equity	1090.50	1120	2.70
QNIFTY	Equity	532.00	581.15	9.23
LIQUIDBEES	Liquid	1000.01	1000	0
GOLDBEES	Gold	2019.00	2024.3	0.26
GOLDSHARE	Gold	2019.00	2019	0
KOTAKGOLD	Gold	2024.95	2020.95	(0.19)
RELGOLD	Gold	1960.00	1963.65	0.18
QGOLDHALF	Gold	1004.00	1006	0.20
SBIGETS	Gold	2057.25	2055.9	(0.06)

### Editorial Team

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# IPO and NFO Review

## NEWS FROM IPO

- TOPSGROUP, leading Total Security Solutions group, is planning to raise around Rs 400 crores through initial public offer (IPO) in coming six months. The company offers security and safety solutions to mitigate enterprise continuity risks across India, Israel and United Kingdom, with plans of expanding to other corners of the world including Australia, Asia, China, Africa, Europe and USA. Topsgroup has 120 offices around the world and is headquartered at London.
- The red herring prospectus for the initial public offering of Rs 60 crore has been filed by Sheetal Refineries with market regulator SEBI. The book running manager to the issue is Chartered Capital and Investment Limited. The company will use the investment proceeds in increasing the production capacity of the company. Currently the company is having the capacity of only 30000 TPA and its subsidiary Sheetal Siddhi Veg Oil Private Limited has installed capacity of 40000 TPA. The company is planning to set up a new refinery Nandigama of capacity 75000 TPA, the capacity of Nandigama will be approx 75000 TPA, the capacity of Thimmapur refinery will also be increased by 30000 with the raised fund.
- Intas, a leading, vertically integrated global pharmaceutical formulation development, manufacturing and marketing company headquartered in India, is planning for an initial Public Offer to raise Rs 425 crore via sale of 58.1 lakh equity shares. Lead managers of the issue are Kotak Mahindra Capital Company and Morgan Stanley India. Commenting on the IPO, the firm said, "Intas Pharmaceuticals, has filed its draft red herring prospectus (DRHP) with the Securities and Exchange Board of India (Sebi) for an initial public offering."
- As of now there won't be any Initial public offering (IPO) for either the firm's (Bharti Airtel Ltd) telecom infrastructure unit (Bharti Infratel) or Indus Towers, in which the company owns a 42% stake. Apart from Bharti, Vodafone and Idea Cellular also hold stakes in Indus Towers, which is one of India's largest mobile tower companies, with towers in excess of one lakh. Also, Vodafone's share is 42% and that of Idea Cellular is 16%.
- India's largest manufacturer of writing and printing paper, Ballarpur Industries (BILT) is going to list its overseas arm, Bilt Paper Plc in the London Stock exchange, which is estimated to nearly double the subsidiary's market cap than that of its parent. The IPO will fetch the company around US\$ 330 million and will be offered only to selected institutional investors. BILT intends to utilize around US\$ 170 million of the net proceeds to fund its capex plans, principally the development of enlarged pulp mill facilities together with the capacity enhancement of its two existing paper production facilities. Nearly US\$ 140 million will be used to shed off the company's debt.
- Steel Authority of India will file a red herring prospectus to SEBI for the follow on public offer (FPO) through which it plans to raise Rs. 7000-8000 crore. This FPO will hit the market somewhat in May. The government's stake in the Maharatna company would be diluted to 69 per cent from the present 85 per cent post merger.

## New Listings

Company Name	Offer Price (Rs.)	Listing Date	List Price (Rs.)	Last Traded Date	Last Traded Price (Rs.)
PTC India Financial Services Ltd.	28	30/03/2011	26.75	06/04/2011	22.80
Lovable Lingerie Ltd.	205	24/03/2011	240.00	06/04/2011	277.85
Sudar Garments Ltd.	77	11/03/2011	80.05	06/04/2011	116.70
Acropetal Technologies Ltd.	90	10/03/2011	92.00	06/04/2011	54.10

Symbol	Series	Record Date	Bc Start Date	Bc End Date	Ex Date	No Delivery Start Date	No Delivery End Date	Purpose
ABBOTINDIA	EQ	-	21/04/2011	27/04/2011	19/04/2011	-	-	ANNUAL GENERAL MEETING / FINAL DIVIDEND - RS.17/- PER SHARE
ACC	EQ	-	31/03/2011	13/04/2011	29/03/2011	-	-	FINAL DIVIDEND RS.13/- PER SHARE AND ONE TIME SPECIAL DIVIDEND RS.7.50/- PER SHARE
ADVANTA	EQ	-	19/04/2011	29/04/2011	15/04/2011	-	-	ANNUAL GENERAL MEETING
ALEMBICLTD	EQ	14/04/2011	-	-	11/04/2011	-	-	SCHEME OF ARRANGEMENT
ALFALAVAL	EQ	-	14/04/2011	28/04/2011	11/04/2011	-	-	DIVIDEND - RS.30/- PER SHARE
AREVAT&D	EQ	-	28/04/2011	04/05/2011	26/04/2011	-	-	DIVIDEND-RS.1.80 PER SHARE
ARIHANT	EQ	-	25/03/2011	31/03/2011	23/03/2011	-	-	ANNUAL GENERAL MEETING AND DIVIDEND RE.1/- PER SHARE
ARROWTEX	EQ	04/03/2011	-	-	03/03/2011	-	-	RIGHTS 2:5 @ PREMIUM RE 1 PER SHARE
AVENTIS	EQ	-	06/04/2011	26/04/2011	31/03/2011	-	-	ANNUAL GENERAL MEETING AND DIVIDEND - FINAL - RS.23/- & SPECIAL - RS.28/- PER SHARE
BAJAJHIND	EQ	-	12/03/2011	22/03/2011	10/03/2011	-	-	ANNUAL GENERAL MEETING AND DIVIDEND OF RE. 0.70 PER SHARE
BERGEPAINT	EQ	15/03/2011	-	-	14/03/2011	-	-	INTERIM DIVIDEND - RE. 0.50 PER SHARE
BFUTILITIE	EQ	-	29/03/2011	29/03/2011	25/03/2011	-	-	ANNUAL GENERAL MEETING
BHEL	EQ	21/03/2011	-	-	18/03/2011	-	-	INTERIM DIVIDEND RS.13.25 PER SHARE (PURPOSE REVISED)
BLUEDART	EQ	-	19/04/2011	26/04/2011	15/04/2011	-	-	ANNUAL GENERAL MEETING AND DIVIDEND RE.1/- PER SHARE
CENTRALBK	EQ	18/03/2011	-	-	17/03/2011	-	-	RIGHTS ISSUE - 3:5 @ PREMIUM RS.93/-
CLNINDIA	EQ	-	15/04/2011	26/04/2011	11/04/2011	-	-	DIVIDEND - RS. 20 PER SHARE
COLPAL	EQ	31/03/2011	-	-	30/03/2011	-	-	3RD INTERIM DIVIDEND-RS.7/- PER SHARE (PURPOSE REVISED)

### **Sebi to review SME norms 02/03/2011 Business Standard**

In a clear indication that the Securities and Exchange Board of India (Sebi) wants to launch a separate trading platform for small and medium enterprises (SMEs) as early as possible, the regulator has decided to meet investment bankers to address some of the areas of concern. It is believed Sebi will tweak some of the guidelines notified for the SME platform to make the segment attractive, especially in the initial period. The regulator is also looking at introducing 15-minute call auction windows at regular intervals through the trading session.

### **Sebi slaps fine of Rs21 L on Parsoli Corp 03/03/2011 DNA**

Stock market regulator, the Securities Exchange Board of India (Sebi) has slapped Rs21 lakh penalty on Parsoli Corporation Ltd (PCL), charging it with irregularities in affairs, trading and dealings in shares of the company. The company has the dealership of BMW in Ahmedabad. According to the order, the managing director of the company, Zafar Sareshwala and joint managing director, Uves Sareshwala, along with six other promoters have been alleged of having made misleading corporate announcements and furnished untrue information to the stock exchange.

### **BSE awaiting Sebi nod for SME bourse 06/03/11 Deccan Herald**

Bombay Stock Exchange (BSE) plans to launch its small-and-medium-enterprises exchange (SME) platform by second-half of 2011 after approval from capital market regulator Sebi.

### **Sebi to have 2 new members 07/03/2011 The Times of India**

The Securities & Exchange Board of India (Sebi) top deck may soon don a new look with the government set to appoint two full-time members. The move comes as the terms of two members-K M Abraham and M S Sahoo-are scheduled to end. The two are, however, eligible to seek reappointment.

### **New rules soon for wealth managers; RBI, Sebi to get more teeth 07/03/2011 The Pioneer**

A new set of rules are underway for an estimated \$1-trillion wealth management industry and banking regulator RBI and capital market watchdog Sebi may be made jointly responsible for implementing these regulations and keeping a watch for any violations.

### **Sebi directs resolution of investor woes on Coal India IPO 08/03/2011 Business Standard**

The Securities and Exchange Board of India (Sebi) has written to lead managers and independent distributors of Coal India's Initial Public Offering (IPO) to resolve investors' complaints regarding non-allotment of shares. Sources said the capital markets regulator has sent letters to all the six investment bankers that managed the IPO of Coal India. According to industry officials, Sebi collated data from the investment bankers and registrars and found around 10,000 legitimate retail applicants did not get shares in the IPO.

### **SEBI allows launch of futures contracts on 91-day T Bills 08/03/2011 Business Line**

SEBI has permitted the launch of futures contracts on 91-day treasury bills (T-Bills) with immediate effect. The instrument will be traded on the currency derivatives segment of stock exchanges. Exchanges have been advised to introduce these contracts after permission from SEBI.

### **Sebi changes norms on use of MF funds 10/03/2011 The Times of India**

In order to bring in some uniformity in usage of funds that had accrued to mutual fund houses before entry load was abolished in August 2009, market regulator Sebi has said that fund houses can use only one-third of the money collected prior to the ban in a particular financial year. The Sebi directive relates only to funds that had accrued to MFs before entry loads were done away with,

and fund houses were at liberty to decide how they want to use the funds accrued to them since August 1, 2009.

### **Sebi to groom school kids 10/03/2011 Financial Express**

With an aim to make prospective investors aware about their markets rights from their school days onwards, market regulator Securities and Exchange Board of India will invite students to its headquarters and also conduct annual examinations to test their financial knowledge.

### **SEBI guidelines to allow direct foreign investment into MFs soon 12/03/2011 The Pioneer**

Market regulator SEBI will soon come out with guidelines for foreign investors undertaking direct investments in mutual funds, a senior official said on 11.03.2011.

### **Sebi for coordinated efforts to check fraud 12/03/2011 Financial Express**

The Securities and Exchange Board of India said the coordination among various financial market regulators need to integrate at the operational as well as surveillance level to have a greater oversight and thereby prevent frauds in the financial markets.

### **Stricter norms for private placement by unlisted cos 14/03/2011 Indian Express**

To bring more transparency in fund raising by unlisted companies through private placements, the ministry of corporate affairs is planning to ask them to file an offer document elaborating investor details subscribing to the issue, with source of funds. At present, unlisted firms get away with making little or no disclosures.

### **Sebi move to improve securitised debt market 18/03/2011 Business Standard**

In a move expected to improve liquidity and deepen the securitised debt market, the Securities and Exchange Board of India introduced a 'Listing Agreement for Securitised Debt Instruments'. This is expected to make these instruments more transparent and improve their secondary market liquidity.

### **SEBI issues guidelines to check price manipulation 24/03/2011 The Pioneer**

Market regulator SEBI has announced a new set of guidelines which includes restricting access to Internet forums for employees, for market intermediaries to ensure that unsubstantiated news, which could distort normal functioning and prices of stocks, are not circulated. This comes in the wake of observations by the Securities and Exchange Board of India that unauthenticated news related to various scrips are circulated in blogs, chat forums or e-mails by employees of broking houses and other intermediaries in violation of rules.

### **After Sebi flak, more MFs merge schemes 26/03/2011 Financial Express**

Sebi's flak to the mutual fund industry to do away with clutter of schemes seems to be working. Fund houses are increasingly looking at merging or closing schemes that they feel will help trim product portfolio as well as reduce operations costs.

### **Sebi plans to outsource processing of complaints 28/03/2011 Deccan Herald**

Faced with the challenge of handling lakhs of investor complaints, Sebi plans to rope in third party agencies for processing and maintenance of these grievances.

The decision to outsource processing and maintenance of investor grievances has been taken by Sebi to help it resolve these complaints on a fast-track basis, a senior official said.

### **SEBI relaxes reporting rules for FIIs 30/03/2011 Business Line**

Foreign institutional investors need not file reports to market regulator SEBI on outstanding positions, if they do not have any short positions, the market regulator said on 29.3.2011 in a circular. However, the prohibition on the activity of synthetic short continued, the SEBI circular said.

# Stock Watch

## Dhanalakshmi Bank

### REGISTERED ADDRESS

PB No. 9, Dhanalakshmi Buildings, Naickanal, Thrissur - 680001 - Kerala, Tel. 91-487-2335177/04/31/90/6617000, Fax. 91-487-2335580/2335367/6617222, investors@dhanbank.co.in/share@dhanbank.co.in, http://www.dhanbank.com

Profile of Dhanalakshmi Bank			
Profile		Stock Data	
<b>Group</b>	Indian Private	<b>BSE Code</b>	532180
<b>Sector</b>	Banks	<b>BSE Group</b>	B
<b>Industry</b>	Banks - Private Sector	<b>NSE Symbol</b>	DHANBANK
<b>Chairman</b>	G N Bajpai	<b>ISIN Demat</b>	INE680A01011
<b>Auditors</b>	Walker Chandiok & Co. Sharp & Tannan	<b>Reuters</b>	DNBK.BO
<b>Secretary</b>	Ravindran K Warriar	<b>Bloomberg</b>	DHLBK IN
<b>Inc. Year</b>	1927	<b>ParValue (Rs)</b>	10
<b>Inc. Date</b>		<b>Tot. Employees</b>	3275
<b>AGM Date</b>	15/07/2010	<b>NIC Activity</b>	Monetary intermediation of commercial banks, savin
<b>Financial Year</b>	Mar	<b>NIC Code</b>	65191
<b>Book Closure</b>	Jul		

Listing			
Mumbai	Kochi	NSE	

**Registrar & Transfer Agents:** Plot No 17-24, Vittal Rao Nagar, Madhapur, Hyderabad 500 081, Tel.: 91-040-44655000, Fax : 91-040-23420814

#### History

Dhanalakshmi Bank was incorporated on 14th November 1927 by a group of enterprising entrepreneurs at Thrissur, the cultural capital of Kerala with a Capital of Rs.11,000/- and had only 7 employees. It became a Scheduled Commercial Bank in the year 1977. It has today attained national stature with 181 branches and 26 Extension Counters spread over the States of Kerala, Tamil Nadu, Karnataka, Andhra Pradesh, Maharashtra, Gujarat, Delhi and West Bengal. The Bank serviced a business of Rs. 4223 crores as on 31.03.06 comprising deposits of Rs.2533 crores and advances of Rs.1690 crores. As at the end of March 2006, the Capital Adequacy Ratio of the Bank was 9.75% well above the mandatory requirement of 9%. The Bank made a net profit of Rs.9.51 crores for the year ended 31st March 2006.

Between 1927 to 1937, its services were localised in Thrissur. In 1937, it extended its service to Ernakulam and Palghat by opening branches there.

By 1947, DBL's deposits generated stood at Rs 31 lac. In 1962, it took over three banks — Lakshmi Prasad Bank, Radhakrishna Bank and Pari Bank. Subsequently, it further expanded its network throughout Kerala, and then in Tamilnadu, Andhra Pradesh and Karnataka in 1978. With this, DBL's operations covered the entire southern India apart from its strong presence in Kerala.

The period covering 1985-90 saw the bank opening up its first branch outside southern India, in Bombay. It started dealing in other segments of banking such as bills discounting, letter of credit, etc. Two prominent religious trusts — Sabarimala and Guruvayoor Devasom Board, are among its host of clients. In 1993, the bank obtained restricted foreign exchange licence, to maintain rupee accounts of non-residents. DBL also ventured into new areas such as consumer banking, corporate banking and merchant banking.

In Mar.'96, DBL came out with a public issue of 80 lac equity shares of Rs 10 each for cash at a premium of Rs 40 per share aggregating Rs 40 cr, to strengthen the capital base for meeting statutory capital adequacy norms and to obtain the listing of shares on the stock exchanges.

There was a restructure of the capital of the bank during 2000-01, by conversion of partly paid shares to fully paid shares on a pro-rata basis. This has resulted in the reduction of subscribed and paid up capital of the bank from Rs.14.66 crores to Rs.13.74 crores. The reduction of Rs.0.92 crores representing premium was transferred to Share Premium Account.

To Comply with the stipulation of RBI to increase the network to a minimum of Rs.100 crores, DBL went for a Right Issue of capital to the tune of Rs.27,47,50,500 (1.83,16,700 equity shares of Rs.10/- at a premium of Rs.5). The ratio for the rights issue were 4 equity shares for every 3 shares held and the issue were oversubscribed.

The Bank is techno savvy and has deployed technology widely as an instrument for enhancing the quality of customer service. It has introduced Centralised Banking Solution (CBS) on the Flexcube Platform for extending Anywhere/Anytime banking to its clientele through multiple delivery channels. The Bank has deployed CBS in 150 branches covering nearly 95% of total business. The Bank has set-up a state-of-the-art DATA CENTRE in Bangalore, to keep the networked system operational 24 hours a day and 7 days a week.

The Bank lays stress on customizing services and personalizing relations. It has introduced in November 2005 an International Debit Card with tie-up with M/s Visa International. In another customer-friendly move, the Bank has joined CASHNET, the first independent nation-wide shared ATM network in India and the National Financial Switch (ATM network) of the IDBRT,

### Share Holding Pattern

Description as on	No of Shares 31/12/2010	% of Holding 31/12/2010	Share Holding 31/12/2010
Foreign (Promoter & Group)	0	0.00	0
Indian (Promoter & Group)	0	0.00	0
Total of Promoter	0	0.00	0
Non Promoter (Institution)	39645157	46.57	78
Government(Central / State)	0	0.00	0.00
Clearing Members	0	0.00	0.00
Corporate Bodies	0	0.00	0.00
Foreign Direct Investments	0	0.00	0.00
Financial Institutions / Banks	206967	0.24	3.00
Foreign Bank	0	0.00	0.00
Foreign Bodies Corporate/OCBs/FBC	0	0.00	0.00
Foreign Collaborators	0	0.00	0.00
Foreign Institutional Investors	33864614	39.78	63.00
Foreign Venture Capital Investors	0	0.00	0.00
Insurance Companies	497277	0.58	2.00
Mutual Funds / UTI	5076299	5.96	10.00
Individuals (Non-Resident / Foreign)	0	0.00	0.00
NSDL Intransit	0	0.00	0.00
Others	0	0.00	0.00
Trusts	0	0.00	0.00
Venture Capital Funds	0	0.00	0.00
Non Promoter (Non-Institution)	45489978	53.43	49760
Bodies Corporate	12780926	15.01	989.00
Clearing Members	176426	0.21	97.00
Directors & their Relatives	0	0.00	0.00
Employees	0	0.00	0.00
Escrow Account	0	0.00	0.00
Foreign Corporate Bodies	0	0.00	0.00
Foreign Direct Investments	0	0.00	0.00
NRIs/Foreign Individuals/Foreign Nationals	4413292	5.18	980.00
Hindu Undivided Families	0	0.00	0.00
Indian Public	0	0.00	0.00
Individuals holding nominal share capital in excess of Rs. 1 lakh	14105365	16.57	151.00
Individuals holding nominal share capital up to Rs. 1 lakh	14011289	16.46	47538.00
Market Maker	0	0.00	0.00
NSDL Transit	0	0.00	0.00
Shares in transit	0	0.00	0.00
Societies	0	0.00	0.00
Trust & Foundation	2680	0.00	5.00
Others	0	0.00	0.00
Total Non Promoter	85135135	100.00	49838
Total Promoter & Non Promoter	85135135	100.00	49838
Custodians(Against Depository Receipts)	0	0.00	0
<b>Grand Total</b>	<b>85135135</b>	<b>100.00</b>	<b>49838</b>

### Top Management

S. No.	Name	Designation
1.	Vidyadhara Rao Chalasani	Director
2.	K Srikanth Reddy	Director
3.	S Santhanakrishnan	Director
4.	Amitabh Chaturvedi	Managing Director & CEO
5.	G N Bajpai	Chairman
6.	Ghanshyam Dass	Director
7.	Shailesh V Haribhakti	Director
8.	Sateesh Kumar Andra	Director
9.	Ravindran K Warriar	Company Secretary
10.	P G Jeyakumar	Executive Director

promoted by Reserve Bank of India. By joining Cashnet and NFS, our customers have been provided access to more than 14,000 ATMs in the country. The Bank has installed 63 networked ATMs thus far at centres of high banking activity.

The Bank has introduced tele-banking in 50 branches and Internet banking in 84 branches. It has also put in place a Cash Management System (CMS) that provides speedier cheque collection through 59 branches.

The Bank has put in place Real Time Gross Settlement (RTGS) System to facilitate large value inter-bank payments and settlements in real time on-line mode on a transaction-by-transaction basis. It is in the process of extending RTGS to customer transactions.

The Bank has ventured into both life and non-life insurance. It is selling life insurance products of M/s. MetLife India, a renowned global player in this segment and non-life insurance products of M/s. Iffco Tokio, as their corporate agent. The Bank is also a depository participant of NSDL (National Security Depository Limited) offering Demat services through selected branches.

With a view to making available value-added services to the NRIs, the Bank has set up NRI Boutiques (Relationship Centres) at 8 locations in the State of Kerala. The Bank has also plans to open specialized NRI branches with accent on quality of service and thrust on specialisation at potential locations. As at the end of March 2006, the Bank had rupee drawing arrangements with 7 Exchange Houses in the Middle East.

The Bank's Industrial Finance Branch at Kochi and Corporate Office, Trichur have been accredited with certification under ISO 9001-2000.

On the socio-economic front, the Bank is a leading player in dispensation of Micro Credit among Kerala-based Private Sector Banks. As at the end of March 2006, the outstandings under micro credit were Rs.55.63 crores. This involvement is part of the Bank's objective to act as catalysts for the economic prosperity of the country. The Bank has recognized micro finance intervention as an effective tool for poverty alleviation and has streamlined the linkage between the Bank and Self Help Groups through 100 branches. The Priority sector advances of the Bank as at 31st March 2006 constituting 43.84% of net bank credit well above the RBI benchmark of 40%.

## FINANCIAL OVERVIEW

### Financial Snapshot

(Rs. in Crores)

	200703	200803	200903	201003
Equity Paid Up	32.06	32.06	64.12	64.12
Networth	147.38	172.24	424.48	440.08
Capital Employed	3449.39	4033.81	5642.98	8087.00
Sales	248.50	312.48	408.42	534.57
PBIDT	185.91	260.21	373.97	432.03
PBDT	36.14	46.70	87.17	38.01
PBIT	177.09	252.15	366.42	421.72
PBT	27.32	38.64	79.62	27.70
PAT	16.14	28.46	57.45	23.30
Book Value (Unit Curr)	45.97	53.72	66.20	68.63
EPS (annualised) (Unit Curr)	4.89	8.54	8.79	3.55
Dividend (annualised%)	10.00	5.00	10.00	5.00
ROG-Net Worth (%)	9.66	16.87	146.45	3.68
ROG-Capital Employed (%)	20.99	16.94	39.89	43.31
ROG-Gross Block (%)	5.44	5.79	6.78	22.67
ROG-Sales (%)	18.40	25.75	30.70	30.89
ROG-PBIDT (%)	24.35	39.97	43.72	15.53
ROG-PBDT (%)	59.77	29.22	86.66	-56.40
ROG-PBIT (%)	24.40	42.39	45.32	15.09
ROG-PBT (%)	76.60	41.43	106.06	-65.21
ROG-PAT (%)	69.54	76.33	101.86	-59.44

	200403	200503	200603	200703	200803	200903	201003
Gross Non-Performing Assets (Rs. Cr)	136.55	125.58	111.38	96.29	63.21	64.43	77.50
Net Non Performing Assets (Rs. Cr)	80.06	60.19	44.89	32.24	18.56	28.24	41.94
% of Net Non-Performing Assets to Net Advance	6.68	3.92	2.82	1.75	0.88	0.88	0.84
Capital Adequacy Ratio (%)	13.56	10.16	9.75	9.77	9.21	14.44	12.47
Tier I Capital (%)	8.63	6.12	6.21	6.29	6.56	12.90	8.45
Tier II Capital (%)	4.93	4.04	3.54	3.48	2.65	1.54	4.02
Interest Income % Average Working Fund	8.33	7.58	7.63	8.01	8.52	8.60	7.97
Non Interest Income % Average Working Fund	2.54	0.58	0.96	0.89	0.97	1.67	1.36
Operating Profit % Average Working Fund	2.92	0.73	1.02	1.42	1.19	1.85	0.58
Advance to Capital Market Sector(Rs. Cr)	13.04	9.74	10.89	15.67	18.56	9.03	4.27
Advance to Real Estate Sector(Rs. Cr)	70.50	114.59	241.30	279.36	339.69	336.99	460.85
Advance to Commodities Sector (Rs. Cr)	25.58	0.00	0.00	0.00	0.00	0.00	0.00

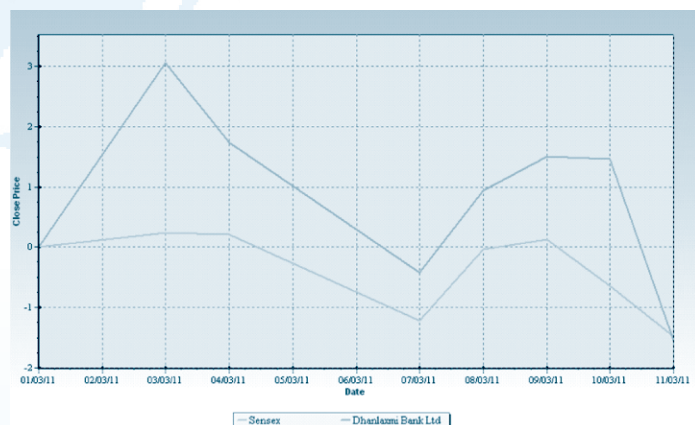
## Dividend History

Year End	Dividend - Amount	Dividend - %	Div. Yield - %
199401	0.00	0.00	
200403	3.21	10.00	4.96
200503	0.00	0.00	0.00
200603	2.25	7.00	3.12
200703	3.21	10.00	2.37
200803	6.41	5.00	0.79
200903	6.41	10.00	1.99
201003	3.21	5.00	0.38

## Market Data

Data as on 11/03/2011

Latest Bookvalue (cons.) -Unit Curr.	0.00	
Face Value	10.00	
Book Value (BS) - Unit Curr.	98.16	
Stock Exchange	<b>BSE</b>	<b>NSE</b>
Latest Market Price—Unit Curr.	104.45	104.10
Latest P/E Ratio	43.36	43.20
Latest P/E Ratio -cons	0.00	
Latest P/BV	1.08	1.08
Latest P/BV - cons		
52 Week High -Unit Curr.	212.50	212.20
52 Week High-Date	28/10/2010	28/10/2010
All Time High -Unit Curr.	212.50	212.20
All Time High-Date	28/10/2010	28/10/2010
52 Week Low -Unit Curr.	94.00	94.00
52 Week Low-Date	31/01/2011	31/01/2011
All Time Low -Unit Curr.	7.35	13.31
All Time Low-Date	11/08/1999	05/08/2004
Market Capitalisation	889.29	886.31
Dividend Yield -%	0.36	
Dividend Yield -% - cons	0.00	
Price Date	11/03/2011	11/03/2011



# LIC Housing Finance

## REGISTERED ADDRESS

Bombay Life Building, 2nd Floor, 45/47, Veer Nariman Road, Mumbai - 400001 - Maharashtra  
Tel. 91-22-22040006/22049799/22049919, Fax. 91-22-22049839, lichfl@bom2.vsnl.net.in, <http://www.lichousing.com>

Profile of Dhanalakshmi Bank			
Profile		Stock Data	
<b>Group</b>	LIC of India	<b>BSE Code</b>	500253
<b>Sector</b>	Finance	<b>BSE Group</b>	A
<b>Industry</b>	Finance - Housing - Large	<b>NSE Symbol</b>	LICHSGFIN
<b>Chairman</b>	T S Vijayan	<b>ISIN Demat</b>	INE115A01026
<b>Auditors</b>	Chokshi & Chokshi / Shah Gupta & Co	<b>Reuters</b>	LICH.BO
<b>Secretary</b>	Nitin K Jage	<b>Bloomberg</b>	LICHF IN
<b>Inc. Year</b>	1989	<b>Par Value(Rs)</b>	2
<b>Inc. Date</b>	6/19/1989	<b>Tot.</b>	
<b>Employees</b>	1013	<b>NIC Activity</b>	Activities of housing finance companies. (Grantin
<b>AGM Date</b>	15/07/2010	<b>NIC Code</b>	65922
<b>Financial Year</b>	Mar		
<b>Book Closure</b>	Jul		

Listing			
Mumbai	NSE	Luxembourg	

**Registrar & Transfer Agents :** 17/B Dena Bank Bldg, Horniman Circle, 2nd Floor Fort, Mumbai - 400 001 Tel. 91-22-22702455/22641

## History

The largest housing finance company in India and recognized by National Housing Bank is known as LIC Housing Finance Limited (LICHFL), having network of six regional offices, 126 marketing units across India and overseas representative offices in Dubai and Kuwait. The Company was promoted by Life Insurance Corporation on 19th June 1989. The main objective of the company is providing long term finance to individuals for purchase / construction / repair and renovation of new / existing flats / houses. The Company also provides finance on existing property for business / personal needs and gives loans to professionals for purchase / construction of Clinics / Nursing Homes / Diagnostic Centres / Office Space and also for purchase of equipments.

During the year 1989, the company had introduced various schemes like, Griha Prakash a general scheme, Griha Tara under which it accepts only Bima Sandesh Plan as Life Insurance Corporation, Griha Shobha for Non Resident Indians (NRI) and Griha Lakshmi for people to have a second house. In the year of 1994, LICHFL's status was converted to Public Limited Company from Private Limited Company. The company had decided to carry out fund based and one-fund based activities during the period of 1996 via debt securitization, lease and hire purchase, renting of properties and giving guarantee to co-operate bodies. In the period of 2001, the company had launched its new scheme called Griha Vikas. In 2002, LICHFL had signed a deed of assignment to take over individual housing loan portfolio of Citibank. The company had unveiled a new project for elderly people called LICHFL Care Homes in the year 2003. LICHFL had successfully concluded its maiden offering of Global Depository Shares (GDS) in the year 2004 and also the company had introduced flexi-fixed scheme offering fixed rate of interest for first five years and variable thereafter.

In October of the year 2005, the company had started offering of 'New Griha Laxmi' housing loans against the security of certain approved financial assets like Bank Fixed Deposits, National

## Share Holding Pattern

Description as on	No of Shares 31/12/2010	% of Holding 31/12/2010	Share Holding 31/12/2010
Foreign (Promoter & Group)	0	0.00	0
Indian (Promoter & Group)	34688499	36.54	1
Bodies Corporate	0	0.00	0.00
Government(Central / State)	0	0.00	0.00
Directors & their Relatives	0	0.00	0.00
Financial Institutions / Banks	34688499	36.54	1.00
Individuals / Hindu Undivided Family	0	0.00	0.00
Partnership Firms	0	0.00	0.00
Persons Acting in Concert	0	0.00	0.00
Trusts	0	0.00	0.00
Others	0	0.00	0.00
Total of Promoter	34688499	36.54	1
Non Promoter (Institution)	43905773	46.25	249
Government(Central / State)	5730	0.01	4.00
Clearing Members	0	0.00	0.00
Corporate Bodies	0	0.00	0.00
Foreign Direct Investments	0	0.00	0.00
Financial Institutions / Banks	167860	0.18	17.00
Foreign Bank	0	0.00	0.00
Foreign Bodies Corporate/OCBs/FBC	0	0.00	0.00
Foreign Collaborators	0	0.00	0.00
Foreign Institutional Investors	39678804	41.80	195.00
Foreign Venture Capital Investors	0	0.00	0.00
Insurance Companies	3365127	3.54	4.00
Mutual Funds / UTI	678426	0.71	26.00
Individuals (Non-Resident / Foreign)	0	0.00	0.00
NSDL Intransit	0	0.00	0.00
Others	0	0.00	0.00
Trusts	0	0.00	0.00
Venture Capital Funds	9826	0.01	3.00
Non Promoter (Non-Institution)	16336878	17.21	147464
Bodies Corporate	3875895	4.08	2255.00
Clearing Members	464847	0.49	198.00
Directors & their Relatives	0	0.00	0.00
Employees	0	0.00	0.00
Escrow Account	0	0.00	0.00
Foreign Corporate Bodies	140330	0.15	1.00
Foreign Direct Investments	0	0.00	0.00
NRIs/Foreign Individuals/Foreign Nationals	372411	0.39	1973.00
Hindu Undivided Families	0	0.00	0.00
Indian Public	0	0.00	0.00
Individuals holding nominal share capital in excess of Rs. 1 lakh	839524	0.88	35.00
Individuals holding nominal share capital up to Rs. 1 lakh	10643871	11.21	143002.00
Market Maker	0	0.00	0.00
NSDL Transit	0	0.00	0.00
Shares in transit	0	0.00	0.00
Societies	0	0.00	0.00
Trust & Foundation	0	0.00	0.00
Others	0	0.00	0.00
Total Non Promoter	60242651	63.46	147713
Total Promoter & Non Promoter	94931150	100.00	147714
Custodians(Against Depository Receipts)	1450	0.00	1
ADR	0	0.00	0.00
GDR	1450	0.00	1.00
Other Custodians	0	0.00	0.00
<b>Grand Total</b>	<b>94932600</b>	<b>100.00</b>	<b>147715</b>

## Top Management

S. No.	Name	Designation
1.	T S Vijayan	Chairman
2.	D K Mehrotra	Managing Director
3.	Y B Desai	Director
4.	Dhananjay Mungale	Director
5.	S Ravi	Director
6.	K Narasimha Murthy	Director
7.	B N Shukla	Director
8.	A S Narayanamoorthy	Director
9.	R R Nair	Director and Chief Executive
10.	Nitin K Jage	Company Secretary

Savings Certificates and Life Insurance Policies. In the year of 2006, the company had introduced new Griha Jestha for senior citizens for buying unit of LICHFL Care Homes Limited. First time since its inception, the company had launched maiden Fixed Deposit Scheme in May of the year 2007, LICHFL decided to raise resources from individual depositors via an attractive Fixed Deposit scheme. The Company had formed three new wholly owned subsidiaries in 2007-08 to manage its interests in financial services, venture fund and asset management. In February of the year 2008, LICHFL had launched reverse mortgage for senior citizens above 60 years of age. In 12th March of the same year, the company had launched a new venture capital fund for realty projects. CRISIL assigns AAA (so)/Stable rating to Series A1, A2 to the company in June of the same year 2008.

The Company is marching with the vision of to be the best housing finance company in the country and also with the mission of Provide secured housing finance at an affordable cost, maximizing shareholders' value with higher customer sensitivity.

## FINANCIAL OVERVIEW

### Financial Snapshot

(Rs. in Crores)

	200703	200803	200903	201003
Equity Paid Up	85.00	85.00	85.00	95.00
Networth	1543.84	1831.66	2234.10	3387.68
Capital Employed	17876.43	22176.08	27655.76	38145.83
Gross Block	43.25	46.41	59.63	66.33
Sales	1587.86	2168.51	2883.23	3466.36
PBIDT	1465.49	2030.25	2748.77	3319.21
PBDT	357.61	535.99	731.41	917.64
PBIT	1461.67	2026.56	2743.78	3312.84
PBT	353.79	532.30	726.42	911.27
PAT	279.15	387.19	531.62	662.18
Book Value (Unit Curr)	181.63	215.49	262.84	356.60
EPS (annualised) (Unit Curr)	31.63	43.85	60.34	67.16
Dividend (annualised%)	80.00	100.00	130.00	150.00
ROG-Net Worth (%)	14.74	18.64	21.97	51.64
ROG-Capital Employed (%)	18.18	24.05	24.71	37.93
ROG-Gross Block (%)	5.10	7.31	28.49	11.24
ROG-Sales (%)	24.75	36.57	32.96	20.22
ROG-PBIDT (%)	30.15	38.54	35.39	20.75
ROG-PBDT (%)	34.33	49.88	36.46	25.46
ROG-PBIT (%)	30.33	38.65	35.39	20.74
ROG-PBT (%)	35.17	50.46	36.47	25.45
ROG-PAT (%)	33.84	38.70	37.30	24.56

	200403	200503	200603	200703	200803	200903	201003
<b>Key Ratios</b>							
Debt-Equity Ratio	8.98	9.26	9.65	10.30	10.73	11.12	10.55
Long Term Debt-Equity Ratio	8.93	9.19	9.58	10.14	10.59	10.93	10.30
Current Ratio	23.00	22.17	18.95	15.69	15.89	13.78	12.73
<b>Turnover Ratios</b>							
Loans Turnover	0.12	0.10	0.10	0.10	0.11	0.12	0.11
Advance / Loans Funds (%)	105.59	108.95	109.21	107.71	107.71	108.42	109.28
Tot. Income / Capital Employed (%)	11.40	9.54	9.42	9.69	10.97	11.68	10.66
Interest Expended / Capital Employed (%)	6.92	6.09	6.28	6.71	7.45	8.09	7.29
PBIDTM (%)	79.07	83.13	87.22	91.76	92.26	94.31	94.48
PBITM (%)	78.82	82.82	86.87	91.51	92.09	94.14	94.29
PBDTM (%)	18.34	19.33	20.59	22.51	24.33	25.05	26.09
CPM (%)	16.36	13.66	16.47	17.84	17.73	18.36	18.99
APATM (%)	16.10	13.35	16.12	17.60	17.56	18.18	18.80
ROCE (%)	8.98	7.90	8.18	8.86	10.10	10.99	10.05
RONW (%)	18.31	13.07	16.17	19.26	22.60	25.73	23.15

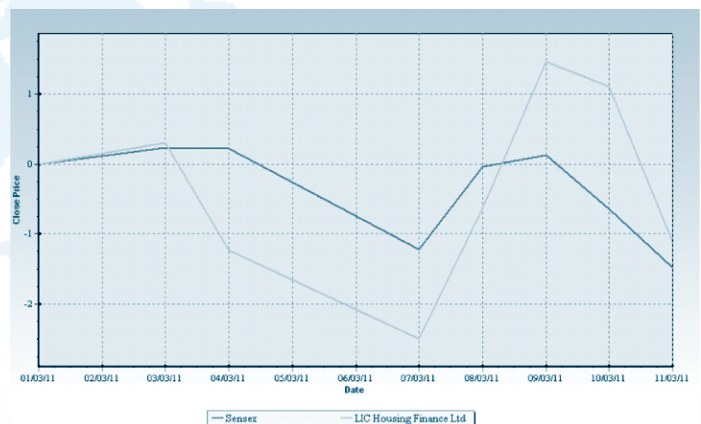
## Dividend History

Year End	Dividend - Amount	Dividend - %	Div. Yield - %
200403	37.46	50.00	13.69
200503	42.47	50.00	10.60
200603	50.96	60.00	15.82
200703	67.95	80.00	29.05
200803	84.93	100.00	17.88
200903	110.41	130.00	28.95
201003	142.40	150.00	8.60

## Market Data

Data as on 11/03/2011

Stock Exchange	BSE	NSE
Latest Market Price—Unit Curr.	195.95	196.15
Latest P/E Ratio	12.25	12.26
Latest P/E Ratio -cons	13.99	14.01
Latest P/BV	2.75	2.75
Latest P/BV - cons	2.70	2.70
52 Week High -Unit Curr.	299.30	299.30
52 Week High-Date	29/09/2010	29/09/2010
All Time High -Unit Curr.	299.30	299.30
All Time High-Date	29/09/2010	29/09/2010
52 Week Low -Unit Curr.	150.40	150.60
52 Week Low-Date	20/01/2011	17/01/2011
All Time Low -Unit Curr.	4.40	4.70
All Time Low-Date	24/01/1996	03/05/2000
Market Capitalisation	9300.77	9310.26
Dividend Yield -%	1.53	1.53
Dividend Yield -% - cons	1.53	1.53
Price Date	11/03/2011	11/03/2011



# Mutual Fund Corner

## Scheme of the Month

### UTI Childrens Career Balanced Plan

**Fund Manager:** Mr. Amandeep Chopra / Anoop Bhaskar

**Investment Objective :** To provide the benefit of balanced investments in debt and equity based securities

### Returns Analysis

Returns (as on April 04, 11)	
Period	Returns (%)
1 month	3.7
3 months	0.4
6 months	-
1 year	8.4
2 year	19.4
3 year	9.3
5 year	8.3

### Absolute Returns (in %)

Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Annual
2010	1.3	2.1	6.0	-0.2	10.3
2009	-2.0	15.4	8.3	-0.2	28.0
2008	-10.3	-5.4	-0.1	-2.5	-18.5
2007	-3.9	7.6	6.5	8.6	18.6
2006	12.0	-2.9	8.7	2.5	22.5

### Investment Information :

<b>Fund Type</b>	Open-Ended
<b>Investment Plan</b>	Growth
<b>Asset Size (Rs cr)</b>	2773.73 (Sep-30-2010)
<b>Minimum Investment</b>	Rs.1000
<b>Launch Date</b>	Jul 12, 1993
<b>Exit Load</b>	3.00%
<b>Load Comments</b>	Exit Load of 3% if exited < 2 years, 2% if exited >=2 years & < 4 years, 1% if exited >=4 years & < 5 year.

10.00 ( March 31, 2010 )

### Top Holdings (Feb. 28, 2011)

Equity	Sector	Asset %
Bharti Airtel	Telecom	8.34
Reliance	Oil & Gas	1.93
Tata Motors	Automotive	1.82
Axis Bank	Banking/Finance	1.78
Infosys	Technology	1.66
Motherson Sumi	Automotive	1.60
Wyeth	Pharmaceuticals	1.29
MRF	Automotive	1.20
Larsen	Engineering	1.18
BHEL	Engineering	1.17
HDFC	Banking/Finance	1.16

### Sector Allocation (Feb 28, 11)

Sector	%	— 1-Year —	
		High	Low
Automotive	6.35	6.58	5.05
Pharmaceuticals	4.54	4.54	4.23
Banking/Finance	3.85	6.23	3.85
Engineering	3.65	4.68	3.65
Oil & Gas	2.81	3.83	2.81
Technology	2.60	2.76	2.53

### Asset Allocation (%) (Feb 28, 11)

Equity	35.04
Others	0.08
Debt	31.51
Mutual Funds	N.A.
Money Market	31.57
Cash / Call	1.77

Concentration	
Holdings	%
Top 5	8.79
Top 10	14.79
Sector	%
Top 3	14.74

### Top 10 holdings

Company	%
IDBI Bank Ltd.	11.92
Canara Bank	4.94
Shriram Trans.Fi	3.43
CitiFinancial Consum	3.2
Tata Motors Ltd.	2.82
ICICI Bank	2.65
Reliance Inds.	2.02
Tata Motors Ltd.	1.91
IDFC	1.89
Axis Bank Ltd.	1.88

### Top 10 Industry allocation

Company	%
Finance - Banks - Public Sector	18.0
Finance - Banks - Private Sector	7.0
Finance - Leasing & Hire Purchase	7.0
Finance - Term Lending Institutions	6.0
Diversified	5.0
Auto - LCVs/HCVs	5.0
Finance - General	4.0
Pharmaceuticals	4.0
Computers - Software	3.0
Hotels	2.0

# Beginners Corner

## What is the New Pension Scheme?

The NPS was introduced by the government last year to give people a way to get a pension during their old age. Employees of the government sector already get a pension, so this scheme was introduced as a social security measure that enables people from the unorganized sector to draw a pension as well.

The working mechanism is quite simple – you contribute a certain sum every month during your working years, which is then invested according to your preference. You can then withdraw the money when you retire, which is currently set at 60 years old.

When we say you invest according to your preference, we mean that there are a couple of different options that you need to select from. These options pertain to your preference on withdrawal, and asset allocation.

## What are Tier I and Tier II accounts in the NPS?

The NPS is meant to be a pension scheme, so it is geared towards giving you a steady stream of income on your retirement.

That means that NPS makes it difficult to withdraw your money during your working years or till the age of 60 in this case.

Tier I and Tier II are two options under the scheme where you can invest your money, the primary difference between them is how they differ in allowing you to withdraw your money before retirement.

## NPS Tier I

There is severe restriction on withdrawing your money before the age of 60, because it is necessary to invest 80% of your money in an annuity with Insurance Regulatory Development Authority (IRDA) if you withdraw before 60. You can keep the remaining 20% with you.

When you attain the age of 60, you have to invest at least 40% in an annuity with IRDA; the remaining can be withdrawn in lump-sum or in a phased manner.

Here are the details of how your money can be withdrawn in a NPS Tier I account.

When can a subscriber withdraw the amount?	
Vesting Criteria	Benefit
At any point in time before 60 years of age	You would be required to invest at least 80% of the pension wealth to purchase a life annuity from any IRDA – regulated life insurance company. Rest 20% of the pension wealth may be withdrawn as lump sum.
On attaining the Age of 60 years and upto 70 years of age	At exit you would be required to invest minimum 40 percent of your accumulated savings (pension wealth) to purchase a life annuity from any IRDA-regulated life insurance company. You may choose to purchase an annuity for an amount greater than 40 percent. The remaining pension wealth can either be withdrawn in a lump sum on attaining the age of 60 or in a phased manner, between age 60 and 70, at the option of the subscriber.
Death due to any cause	In such an unfortunate event, option will be available to the nominee to receive 100% of the NPS pension wealth in lump sum. However, if the nominee wishes to continue with the NPS, he/she shall have to subscribe to NPS individually after following due KYC procedure.

Death is another way of getting the money, but that might come in the way of other plans you have.

## NPS Tier II Account

The first thing about the NPS Tier II account is that you need to have a Tier I account in order to open a Tier II account.

The Tier II account makes it easy for you to withdraw your money before retirement because there is no limit on the withdrawals you can make from the Tier II account.

You need to maintain a minimum balance of Rs. 2,000, and you can transfer money from the Tier II account to Tier I account, but not the other way around.

There is a Rs. 350 CRA (Credit Record Keeping Agency) charge which is not present in the Tier II account, but the rest of the fees remain the same.

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## Asset Allocation and Categories in the NPS

There is an Active Choice option, and an Auto Choice option. If you select Auto Choice then your money is invested in a certain percentage in the various classes based on your age.

Here are the three investment classes:

Class	Risk Profile	Description
G	Ultra Safe	Will only invest in Central and State government bonds.
C	Safe	Fixed income securities of entities other than the government
E	Medium	Investment in equity related products like index funds that replicate the Sensex. However, equity investment will be restricted to 50% of the portfolio.

In the Active Choice you can select how much of your money will be invested in the different classes with a cap of 50% in Class E.

Now, there are pension funds that will manage your money, and in either of these options you have to select the fund manager who will manage your fund. So even if you select the Auto Choice, you still have to tell them which fund manager you want to manage your money.

## Fees and Costs related to the NPS

I talk about expenses a lot here, and the expenses on the NPS are really low. The annual fund management charge is 0.0009%, which is probably the lowest in the world.

There are some other expenses associated with the NPS, but as you will see all of them are quite low as well. Here is a list of the other expenses.

Intermediary	Charge head	Service charges*	Method of Deduction
CRA	PRA Opening charges	Rs. 50	Through cancellation of units
	Annual PRA Maintenance cost per account	Rs. 350 <sup>1</sup>	
	Charge per transaction	Rs. 10 <sup>2</sup>	
POP (Maximum Permissible Charge for each subscriber)	Initial subscriber registration and contribution upload	Rs. 40	To be collected upfront
	Any subsequent transactions <sup>3</sup>	Rs. 20	
Trustee Bank	Per transaction emanating from a RBI location	Zero	Through NAV deduction
	Per transaction emanating from a non-RBI location <sup>4</sup>	Rs. 15	
Custodian <sup>5</sup> (On asset value in custody)	Asset Servicing charges	0.0075% p.a. for Electronic segment & 0.05% p.a. for Physical segment	Through NAV deduction
PFM charges	Investment Management Fee <sup>6</sup>	0.0009% p.a.	Through NAV deduction

## What is the minimum amount needed to invest in the NPS?

For a Tier I NPS account you need to contribute a minimum of Rs. 6,000 per year, and make at least 4 contributions in a year. The minimum amount per contribution can be Rs. 500.

Minimum amount for opening Tier II account is Rs. 1,000, minimum balance at the end of a year is Rs. 2,000, and you need to make at least 4 contributions in a year.

## What are the tax implications of NPS?

The revised Direct Tax Code proposes to make the NPS tax exempt at the time of withdrawal. Initially NPS was going to be taxed at the time of withdrawal, and that had put it at a disadvantage to other products like ULIPs and Mutual Funds. But the revised code proposes it to be exempt from tax, and that really adds to its lure.

## How to open a NPS account?

You can open a NPS account by going to the bank branches of the banks that are authorized to sell this.

## Conclusion

This is quite a good option for people who wish to invest for their retirement, and the government has done good to come up with such an option.

Courtesy : One mint

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