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VCK MARKET PULSE

your monthly market grab

Volume 2 : Issue 7, 8th October 2011

Total Pages: 4

Investment in Commodities

National Spot Exchange Special Issue
TRADING STARTS ON DHANTERAS DAY



Dear Friends,

Shubho Bijoya!

Looking at the total tapestry of investments, it is felt that we have been moving towards the right direction in terms of not only guessing the market, but, also creating a product line, which is most appropriate and diverse in terms of investments. By this, I would like to convey that our products have come in the best of the time and advises are also going to come to you in a similar fashion.

We have products like Equity, Future & Options, Currency Derivatives, Commodity, Spot and I think all these products now need a combination of advice, which will only enhance your investments and create a defense for the other investments so that you don't loose out in the short run, but, also you definitely gain in the long run.

Our various efforts to educate investors through "VCK Investor Meet" are very important for you to understand how to be a deft investor in this volatile market. This being the issue of Bijoya, I feel its better that you understand your Broker not from the point of view of merely brokerage, but, from the point of view of how good and effective they are in holding your hands.

I invite all of you to look through all my comments in the last few months and you will find that lot of intensive thought process comes in advising you to see that you make money even in this volatile market and I wish you will appreciate these efforts. I am confident with a similar focus, we will be able to advise all clients throughout our Branches and Franchisees like we did in the past. If you appreciate our efforts, then refer a friend who can also benefit from our services.

With seasons greetings.

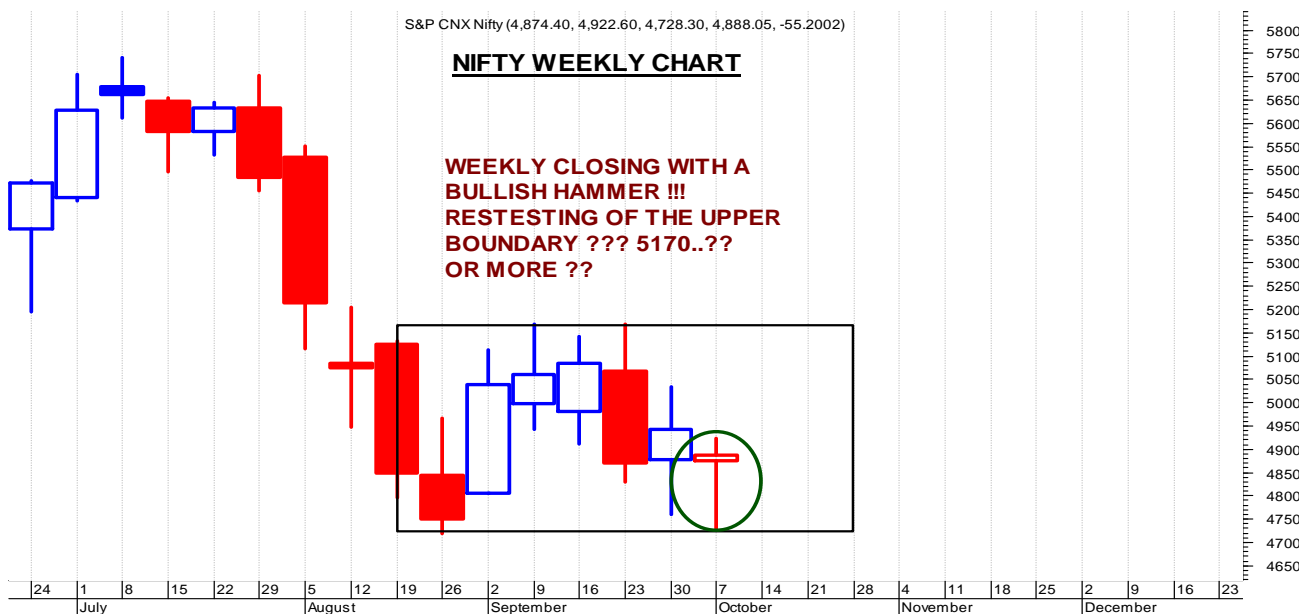
Hemal Kampani



If the World jogs..the Nifty will run..!!

- Uttiya Chandra

Hope that you spent a very joyfully Puja's, though, the market barring Nifty did not allow you to live in peace. "Below 4900 drastic fall, previous bottom will retest 4720"—this prediction became a proven fact.



In the previous edition it was suggested to sell – IT, Metals, infrastructure, Reliance, ADAG pack & banks and to re-enter at 10-15% lower price. If you have done so, it is sure that you've made profits out of it.

If the any buying is made in the daily gap-up-gap-down movement & delivery mode you are to book losses in the next day—in this situation , which is really an unpredictable scenario.

Due to heavily oversold Euro & Dollar Index, USD-INR has already made a top (in short term chart), a stiff up-side rally is expected in near future. And consequently, there may occur a pull back in the areas of metals, IT, capital goods, Reliance, & banks. This will lead the people to take an upside recovery process.

In that case it is advised to go long in the lower level & book profits. With descent profits either you have to go short at higher level--because any closing below 5200 Nifty will continue remaining in down trend. Above 4950 Nifty will retest 5050-5150 area, while above 5200 next resistance stands at 5250, 5310. Below 4720...4500, 4300....maybe new prices on the lower side.

Wishing you a Happy & Profitable Diwali.



National Spot Exchange FAQ's

What is National Spot Exchange? National Spot Exchange is a national level institutionalized, electronic, transparent spot exchange, which is poised to transform the rural economy. It is a state-of-the-art unique electronic market place providing customized solutions to various problems faced by the farmers, traders, processors, exporters, importers, arbitrageurs, investors and the general mass.

What are the trading hours? Trading on the Commodities takes place on all days of the week (except Sundays and holidays declared by the Exchange).

The market timings for trading on the online platform of the Exchange are as under :

Products	Monday to Friday	Saturday
AGRI	10.00 to 18.00	10:00 to 14:00
NON-AGRI	10:00 to 23:30	10:00 to 14:00
Intraday Contracts (Agri / non-agri)	10:00 to 16:00	-
E-Series Product	10:00 to 23:30	-

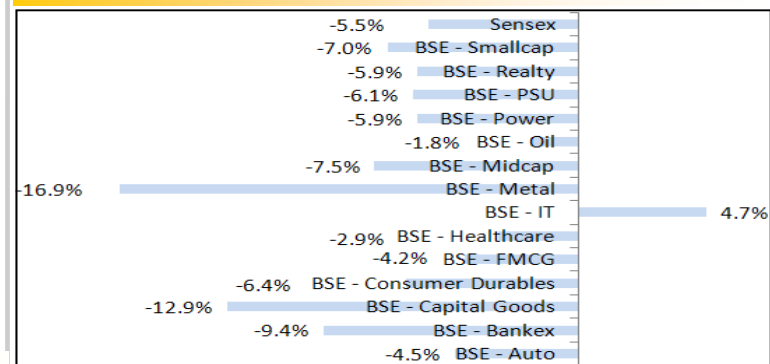
What are the different types of participants in National Spot Exchange? The participants on the national Spot Exchanges will be the actual buyers and sellers who are interested in taking delivery and making delivery of the commodity. In other words, manufacturers, traders, farmers, and exporters are all participating in this market.

How is trading done in the National Spot Exchange? National Spot Exchange trading is also typically an online trading system. It is an order-driven, transparent trading platform, which is reachable to the various participants through the Internet, VSAT, and leased line modes operated by members or sub-brokers spread across the country.

Source: National Spot Exchange - Continued in Pg - 3



Sectoral 30 days Return : (7/09/2011– 7/10/2011)



NIFTY AS ON DATE OF CONSIDERATION: 7 October 2011

NIFTY	SENSEX
4888.05	16232.54



Investment in Commodities - Retail Investors

A new form of commodities investment: Initiative of NSEL with E-Series Products

For the first time in India, National Spot Exchange (NSEL) has introduced E-Series products in commodities.

Retail investors can now trade and investment in commodities like they invest in the equities. This is a unique market segment, which functions just like cash segment in equities, but offering commodities like gold, silver and copper in the Demat form in smaller denominations. Systemic investments in e-series products promotes savings in a secured way offering ease of transaction and flexibility of trade timings. This instrument provides ample opportunity to the mass as secured investment in their product basket diversification.

NSEL has launched its first product under the E-Series as E-Gold on Wednesday, the 17th March, 2010. NSEL has made necessary arrangements with National Securities Depository Limited (NSDL) and Central Services Depository (India) Ltd. (CDSL) as the depository for holding commodity units in the electronic form.

Key features:

- Promotes Systemic investment and savings
- Invest in smaller denomination (1 gm gold and 100 gm Silver)
- Transparent and uniform pan India pricing
- Convenient and secure online buying and selling
- No storage or holding costs
- Physical delivery of accumulated Demat units at multiple centres available
- Extending trading hours from 10 am to 11.30 pm.

Source: National Spot Exchange

e-Gold :

E-Gold is a new incarnation of gold, innovated by National Spot Exchange (NSEL), which enables investors to invest their funds into gold in smaller denomination and hold it in Demat form. It is available on the pan India electronic trading platform set-up by National Spot Exchange, which can be accessed through VCK or its branches. It provided a unique opportunity to buy, accumulate, hold and liquidate "Electronic Gold (E-Gold)" as well as to convert the same into physical gold coin/ bar in a seamless manner.



e-Silver :

E-Silver is a new incarnation of silver, innovated by National Spot Exchange (NSEL), which enables investors to invest their funds into silver in smaller denomination and hold it in Demat form. It is available on the pan India electronic trading platform set-up by National Spot Exchange, which can be accessed through VCK or its branches. It provided a unique opportunity to buy, accumulate, hold and liquidate "Electronic Silver (E-Silver)" as well as to convert the same into physical silver coin/ bar in a seamless manner.

Commodity Details	
Commodity	E-GOLD (Demat Gold units)
Contract Symbol	E-GOLD
Daily contract	Daily contract for trading in Demat E-GOLD units
Trading Related Parameters	
Trading period	Mondays through Fridays (except Exchange specified holidays)
Trading session	10:00 AM to 11:30 PM
Trading unit	1 unit of E-GOLD, which is equivalent to 1 gram of Gold
Price Quote/Base Value	Per 1 gram Gold of 995 purity
Tick size (minimum price movement)	10 paise per unit
Daily Price Range	5 %
Maximum order size	10000 units
Margin parameters	
Initial Margin	5%
Delivery Margin	10%
Special Margin	In case of additional volatility, a special margin of such percentage, as deemed fit, will be imposed immediately on both buy and sale side in respect of all outstanding position, which will remain in force for the same trading day.
Demat Parameters	
ICIN	INC200000007
Market description	T+2
Settlement cycle	T+2
Delivery Related Parameters	
Delivery unit	1 unit and multiple thereof. Delivery shall be accepted only in demat form.
Quality Specifications	Grade: 995 and Fineness: 995 Only dematerialized units of E-GOLD are eligible for trading and delivery in this contract.
Tender and Delivery day	T+2 (2 working day from the date of transaction)
Delivery Logic	Compulsory delivery. All open positions (buy and Sell trades) must result into compulsory delivery in demat form on the designated delivery day.
Other conditions applicable	<ul style="list-style-type: none"> • Only such clients/ members shall create sale position in this contract, who are holding demat E-GOLD units in their account. Persons holding gold bars/ coins in physical form must not create any sale position in this contract, as it is compulsory demat settlement contract. • Before creating any buy position in this contract, the client must open his beneficiary account for NSEL trading. • Intra day trading and netting is permitted, but short sale is not allowed. In case of short sale, the position will be settled by buying in auction of undelivered position.

Contract Specifications of E-Silver (Demat Silver Units)

Commodity Details	
Commodity	E-SILVER (Demat Silver units)
Contract Symbol	E-SILVER
Daily contract	Daily contract for trading in Demat E-SILVER units
Trading Related Parameters	
Trading period	Monday To Friday (except Exchange specified holidays)
Trading session	10:00 AM to 11:30 PM
Trading unit	One lot of 100 demated units of E-Silver, which is equivalent to 100 grams of Silver.
Price Quote/Base Value	Per 100 gram Silver of 999 purity
Tick size (minimum price movement)	10 paise per Trading unit
Daily Price Range	5%
Maximum order size	50000 units
Margin Parameters	
Initial Margin	5%
Delivery Margin	10%
Special Margin	In case of additional volatility, a special margin of such percentage, as deemed fit, will be imposed immediately on both buy and sale side in respect of all outstanding position, which will remain in force for the same trading day.
Demat Parameters	
ICIN	INC200000015
Market description	T+2
Settlement cycle	T+2
Delivery Related Parameters	
Delivery unit	1 lot (equivalent to 100 Demated units of E-Silver)
Quality Specifications	Grade: 999 and Fineness: 999 Only dematerialized units of E-SILVER are eligible for trading and delivery in this contract.
Tender and Delivery day	T+2 (2 working day from the date of transaction)
Delivery Logic	Compulsory delivery All open positions (buy and Sell trades) must result into compulsory delivery in demat form on the designated delivery day.
Other conditions applicable	<ul style="list-style-type: none"> • Only such clients/ members shall create sale position in this contract, who are holding demat E-SILVER units in their account. Persons holding Silver bars/coins in physical form must not create any sale position in this contract, as it is compulsory demat settlement contract. • Before creating any buy position in this contract, the client should open his beneficiary account for NSEL trading.

Other e-Series product : e-Copper, e-Zinc, e-Lead.
For more information Call : 033 - 4009 9904 / 910

Gold Report : India

India is the world's largest consumer of gold in tonnage terms. It is estimated that about 800 tonnes of gold is consumed in India last year (2007). According to World Gold Council (WGC), in 2007, India accounted for 22.9 per cent of global gold jewellery demand and 53.8 per cent of all net retail investment (coins and bars). Gold demand has grown at an average annual rate of 10% since the repeal of the Gold Control Act in 1990, which had forbidden the holding of gold in bar form.

Year	Imports (Tonnes)	Prices in (Rs. crore)
2001	593.61	24156.38
2002	410.29	19839.88
2003	441.93	23657.52
2004	591.92	35105.06
2005	748.04	45811.19
2006	703.91	61432.90
2007	773.60	61412.50

Source: World Gold Council

As shown in above table, gold imports have steadily risen from 410 tonnes in 2002 to 748 tonnes in 2005 and only fractionally fallen to 704 tonnes in 2006. In value terms, the foreign exchange spent has more sharply risen from Rs 19,840 crore to Rs 61,433 crore because of the steady and sharp increases in gold prices abroad.

Domestic Demand-Supply Scenario

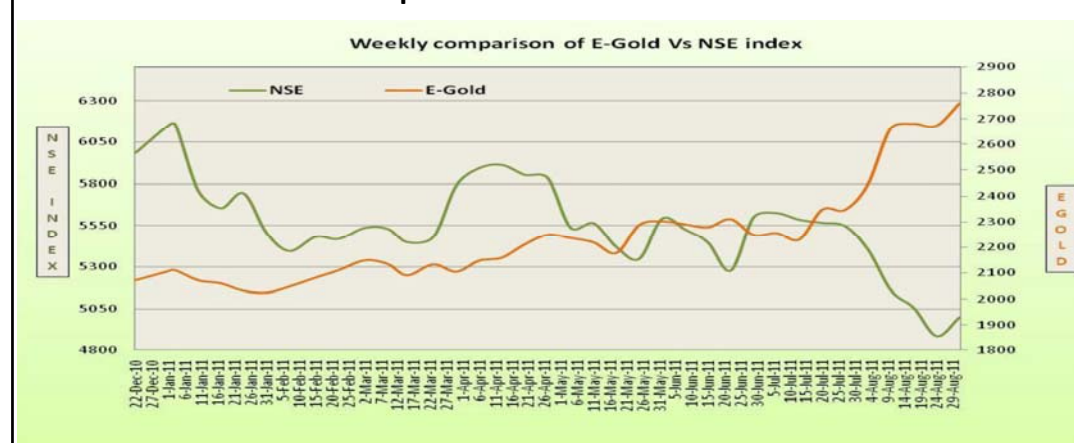
- India was the world's largest gold consumer at 773.6 tonnes in 2007. The country's domestic gold production was abysmally low at 3.05 tonnes during the year 2006-07, compared with 3.53 tonnes during 2005-06. In Q4'07, however, due to rise in prices the demand declined drastically by 64 percent to generate demand of only 83.9 tonnes from 230.1 tonnes in Q4'06.
- India imported an estimated gold worth US\$14,451mn in 2007. The imports would had been much more, but for the significant rise in gold prices in the last quarter of the year.
- Domestic consumption is influenced by monsoon, harvest and marriage season.

Key Price Drivers

- Strength and weakness in global currencies, especially the US dollar.
- Volatility in crude oil prices, prompting a shift to gold as a safe-haven investment avenue.
- Jewellery demand (i.e. demand from physical buyers).
- Policies of central banks of various countries with regard to gold holding and their respective bank rates influence.
- Rise in inflation globally also prompts investors to invest in gold to protect their funds from pernicious effects of inflation.
- Season-wise demand from Asian countries like India and China.



Source: National Spot Exchange

Gold Performance –A Comparison of Benchmark E-Gold Price vs. NSE Index**Monthly Calls for October 2011**

SCRIPT	BUY	STOP LOSS	TARGET
HCLTECH	410-414	398	425, 432,440
ESCORTS	70-72	68	76,79
SAIL	102-103	100	107,110,113
BATA	625-635	619	668,685
RELIANCE	800-810	790	845,855,885
PNB	910-920	898	945,965,985

Note: ALL STOP LOSS ARE ON WEEKLY CLOSING BASIS

India	675.0
United States	462.5
China	262.5
Turkey	175.0
Saudi Arabia	175.0
UAE	87.5

*Jewellery, coins and bars, medallions and imitation coins, industrial and decorative uses.

Although estimates vary, India is now thought to hold close to 15,000 tonnes or 10 per cent of the world's entire above-ground gold stocks according to World Gold Council (WGC).

Gold Imports in India: In 1991, reforms were introduced for gold imports liberalisation to curb smuggling and consequently the Hawala market and also generate some revenue for government. In the same year gold imports was officially allowed through NRI routes results in massive inflow of gold. In 1997-98 the banks were granted permission to import gold under open general license (OGL). This liberalisation of gold import has resulted in a sizable import of gold over the years.

Double Dip or buy on Dips...!!! (Part –III)

- Manish Bothra

Continuing with Double Dips or Buy on Dips lets start with what was said on the European front. It was said that European Indices looks oversold on charts and can hope for a good bounce back.

We gave various support level for the European indices which were around 6% lower when the article was written. So we had the following :

CAC made low of 2693.21 where the support level was given at 2702 currently at 3095 saw upside of around 14.5% .

FTSE made low of 4791.01 where the support level was given at 4714 currently at 5303 saw upside of around 11%.

DAX made low of 4965.80 where the support level was given at 4987 currently at 5675 saw upside of around 14.5%.

FTSE MIB made low of 13114.95 where the support level was given at 12895 currently at 15529 saw upside of around 19%

US market also maintained its support level of 10600-10300 where it made low of 10405, currently at over 11100 when this message is posted.

Shanghai market which didn't perform is likely to find excellent support in the region of 2320-2293 and most likely will bounce back in style somewhere from near to that. Only below 2293-2290 closing it becomes further weaker.

The upside in European & US market also helped other indices to perform well.

During the month of September Nifty has very much moved in the given range of 4800-5200 and has not gone below 4800. In the very beginning of October month it went below the 4800 and closed below it however it was fast enough to bounce back again. Nifty more or less moving in the range of 4800-5200 and I strongly believe on any further downside Nifty is likely to hold the level of 4573-4529 and is likely to bounce back. Only below 4500 closing things will get weaker.

FII buying has dried up and without there support its not possible to have a much bigger upside, so lets hope for the FII to come back soon.

Though many comparing the current situation with that of 2008 however I don't feel the same. Earlier if someone was earning 100 bucks he was putting 70-80 bucks into stock market and as a result he felt the heat when market collapsed however this time the situation is bit different as people are inclined more into savings so that they feel safe even in worst market condition.

Wishing All of You a Very Happy Diwali. Hope it brings Good Luck!

Why Eseries: Editor's brief

- Samir Kothari

Investment in E-Series is perfect for investor slowly looking to build up wealth. Each individual has a dream and it is best to start saving for this dream little by little. I suggest you should start investing through Systematic investments (SIPs) and you can sell the units or take physical delivery of goods against surrender of Demat units at any point of time. A systemic investment in e-series products promotes savings in a secured way offering ease of transaction and flexibility of trade timings. This instrument provides ample opportunity to the mass as secured investment in their product basket diversification. Remember there is no purity issue and storage risk, if invested through E-series. E-series products have standardized selling and buying prices across the country and No storage charge for investors for accumulating gold, silver and copper in the Demat account . Remember the world use to hedge with dollars now they are doing it with gold. Both Gold and silver are precious metals that are limited resources; hence as supply will diminish, the demand will only increase . They are growing at 18% and 22% p.a in the last five years respectively. If you look at historical data both the precious metals have only increased in value. And by Investing in Demat form insures safety, purity and best price also, hence giving you an edge while fulfilling your dreams.

As per VCK research we expect Gold may reach 45,000 to 47,000 levels and Silver may easily breach 1,10,000 in the next 2 years.

Retail investors who intend to trade/ invest in E-Series products (i.e E-Gold, E-Silver, E-Copper etc.) are required to register with VCK. The process is exactly similar to client registration process for trading in the equity market. Any retail investor who wishes to trade/invest in E-Series products of National Spot Exchange Ltd. needs to have/open:

- Client Account (trading account/ client code) with VCK.
- Beneficiary Account (Demat account) for the commodities segment.

I suggest you don't open up an account for yourself then you should open up accounts in your wife/daughter/sister's name and slowly start investing in these products on a weekly/monthly/quarterly basis, depending on your capability to fulfill your personal goals. So, Go ahead invest in e-Series and get the comfort of easy liquidity, reach, safety, and low cost. Plus, it's an asset class and your portfolio will be diversified for hedging against any situation. Happy Investing.

Last Five Year's Growth of Gold and Silver

GOLD		SILVER	
Year	Percentage	Year	Percentage
2006	21.30%	2006	46%
2007	14.39%	2007	0.20%
2008	28.60%	2008	-5.69%
2009	22.42%	2009	45.85%
2010	24.22%	2010	72.60%

Stock of the Month : Mphasis Ltd

- Deepak Tewary

BUY Target Price- INR 465 CMP - INR 340 Re-Initiating Coverage

In last one years, Mphasis has lost ~45% of its share value compared to just ~14% decline in CNX IT index. Most of this decline was due to sharp contraction in its operating margin due to cut in billing rates for its 'HP channel' business and poor topline growth due policy flip-flop at HP's Enterprise business, which contributes ~64 of Mphasis's revenue. We expect the declining trend in topline as well as on margin front to continue for one more quarters, post which Mphasis should report sequential growth in the region of 2-3% with margin expansion of ~250 bps by FY12E. At CMP of INR 340.0, the stock is trading at 8.8x its FY12E earnings. In last 12M, while there has been downgrading of its PE multiple due to factors like low growth and questionable corporate governance, given its ROE of ~18% and normal earnings growth rate of 7%, we have valued the company at 12x its FY12E earnings (20% discount to its long term average of 15x) with target price of INR 465, an upside of ~37 from current levels.

Easing out of margin pressure – During last seven quarters, Mphasis's operating margin has declined by ~650 bps due to factors like wage inflation, drop in utilization and decrease in billing rates. During this period, manpower cost as a percentage of revenue increased from 48.5% in Q1FY10 to 57.6% in Q3FY11. During the same period, composite billing rate decreased by ~2.8% and utilization level declined to 72.8% in Q1FY11 compared to 77.4% in Q1FY10.

However, in last two quarters, except for manpower cost, billing rates and utilization have shown signs of improvement. Utilization is again back to 77.8% in Q3FY11 and billing rates have also shown slight improvement of ~70 bps from low made in Q1FY11.

Transformation strategy taking shape – Mphasis strategy to focus on direct channel business and to engage HP's non enterprise services business, is showing encouraging results. During last seven quarters, while business from HP channel has grown at a CAGR of ~0.5%, direct channel business has grown at a CAGR of 4.4% (though on small base). As a result of this, contribution from direct channel has improved to 33% in Q3FY11 from 28% in Q1FY10. Business from other parts of HP, i.e., HP's non enterprise services, grew QoQ by 12.6% to INR 358 mn in Q3FY11.

Increased engagement with HP holds significant potential – Currently almost 98% of Mphasis's HP business comes through HP Enterprise Services, which contributes ~48% of HP 's total revenue. The other half is contributed by products business like Imaging & Printing group (IPG) and Personal Systems group (PSG), where Mphasis has no meaningful presence.

In its transformation strategy, Mphasis has identified Product Engineering services as a growth area and is planning to invest ~\$4 mn to build capabilities in couple of years. Mphasis is targeting growth of 50% YoY in its HP non enterprise business.

Revenue visibility strong compared to peers – With signs of slowdown in US becoming more pronounced, Mphasis provide better revenue visibility as almost 67% of its revenue generation is through HP channel. Even during the economic downtrend post Lehman bankruptcy in September 2008, Mphasis reporting healthy positive revenue growth (given chart)

National Spot Exchange :

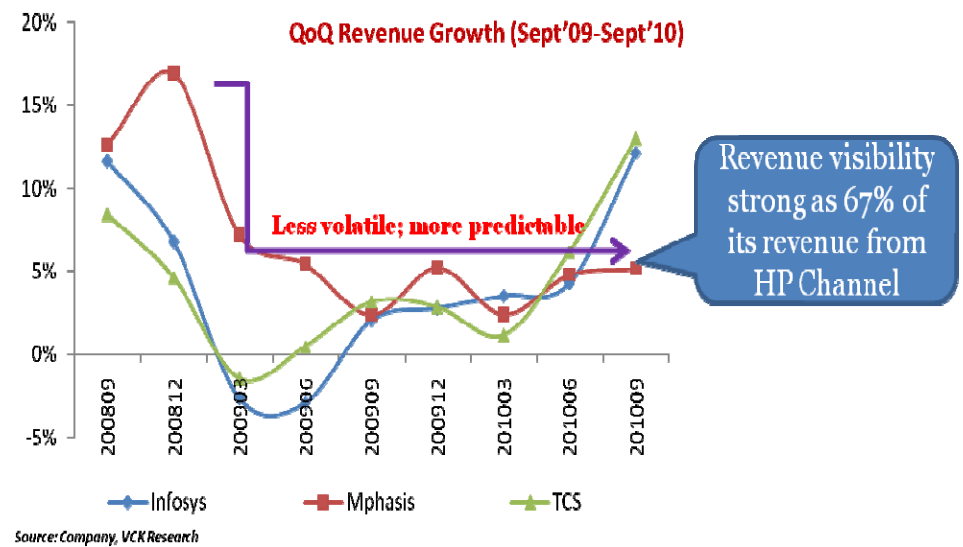
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What is a Spot contract? A Spot contract is an agreement between two parties to buy or sell a specified quantity and defined quality of a commodity at a certain time as specified in the contract as settlement cycle. The spot contract is of one day duration and the open position at the end of the trading session results into the compulsory delivery.

What is the benefit of Spot trading in commodities? The biggest advantage of trading in spot exchanges is to mitigate the counter party risks and the quality risk of the commodity traded in the physical. The Exchange also provides the quality certification, grading and warehousing facilities for the commodities to be traded on the Exchange. The Exchange is also issuing the warehouse Receipt (WR) for the depositor which can be used for warehouse receipt financing from the banks.

Who can trade on commodity exchanges? Commodity exchanges have a membership framework. Members of the exchange and registered, approved/ authorized users (i.e. clients) of the members can trade on commodity exchanges.

Source: National Spot Exchange





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VCK Family



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VCK proudly presents the "Refer-a-Friend" program. Herein, every time you refer a friend who joins the VCK family you will be rewarded*.

Do you know a friend, colleague or relative who can benefit from VCK's financial expertise? Help them secure their financial future...

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To,



VCK Wishes You Happy Diwali

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