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INDEX

Market Overview

Highly speculated US Federal Reserve is finally putting an end to uncertainties surrounding the Federal Reserve action. Though the anticipated quantum of the tapering was to the extent of USD5 billion has been exceeded with and now it stands at USD 10 billion. The reasons for the action is well justified with the fact that US economic recovery seems stronger and the recent GDP data and other data like the unemployment and inflation data reflects a resilient recovery in the economy. Though, Janet Yellen seems quite savvy in dissipating the QE reversal with a caveat that the whole quantitative easing policy withdrawal hinges on the kind of recovery they see in the economy.

Emerging market like India were eyeing the Fed action with a hawkish eye as the general perception remains that the stimulus withdrawal and its quantum will decide the foreign money flowing into Indian shores and equities and also its effect on Current account deficit (CAD) and currency. The announcement as of yet didn't have any meaningful impact on the currency per se, which is the immediate indicator of the kind of impact it could have on Indian economy. More so, the credit goes to Raghuram Rajan, for taking charge at the helm of RBI and since then adopting measures and steps which not only controlled the rowdy INR at that point in time but also brought in fundamental changes in India's macro picture by reining in the boisterous CAD. The data in table below gives a clearer picture of the material changes happened in the past couple of months.

USD Billion	May'2013	November'2013
Forex Reserve	292.00	291.00
Trade Deficit	-20.00	-11.00
CAD	-21.80	-5.20
FII Investment in Debt	38.10	24.40

This has been a major reason for the market not reacting to the taper news in a jiffy. The general conclusion of a QE's gradual winding going forward would be the USD strengthening, long-term real interest rates in US becoming more attractive and CAD deficit countries to see their currencies depreciating against USD. It all depends on how swift the FED wants the withdrawal to take place and how the economic data pans out. But the general trend should be one of a strong US market and weaker emerging market currencies, till the time they don't have material difference to their trade deficit figures.

For Indian markets in calendar year 2014, a couple of domestic events will be the key deciding factor apart from the global events like the FED action and the Euro-zone economic recovery.

First would well be the General Election likely to be held in May'2014. A strong and stable government is the desired outcome. BJP coming with full majority will be the ideal one for the market and the economic recovery. A coalition government will be the biggest risk to economic recovery and hence market will dislike and drive down the market on this outcome. Generally early stages of any economic recovery or a emerging bull market coincides with political uncertainty, high NPA's in the banking system, weak currency, high inflation and low retail appetite for investing in stock market. This time it's nothing different. Though the election impact has had major short term gyrations but they haven't predicted the course of economy or the market in any meaningful way. During the P. V. Narshima Rao regime, some of the finest reforms were laid down and economy was liberalized and that was the time of a unstable coalition government. Market was knocked down sharply when NDA went out of power in 2004 but during the UPA-I regime we saw one of the finest spell of Indian economy and the equity market. When UPA-II regime got re-elected market was locked in upper circuit and we saw one of the worst performance of the economy and the market and also big time scams got un-earthed during this regime.

Second, would be the Inflation factor. Inflation remains elevated for a long time and the driving force to reckon with is the primary article inflation. Manufacturing inflation trajectory remains quite low and well below the comfort zone of RBI. It's the food inflation which makes the overall WPI looks bloated and CPI remains elevated because of the major weight of food inflation in it. So in that sense, a better monsoon would do well to inflation and drive down interest rates which will then have a cascading impact on the investments and other moving parts of the economy. Expectation is for a declining trend in inflation mid-year and at present it seems to be peaking out.

Third would be the supply of papers with primary market likely to see supply of paper worth USD 6billion in first half of calender year 2014.

Outperforming Theme for 2014

First half of 2014 will be highly volatile for obvious reasons like the legislative election, expectation of monsoon and tapering effect of US Federal Reserve. But the yearend likely to be 7000 plus in Nifty, on back of growth returning, interest rates coming lower and inflation remaining benign. Serious outperformance of the market hinges upon the legislative election results and monsoon. At present if we look Nifty as a absolute number, index may look too high but from a valuation standpoint, we are trading at 14 times one year forward p/e and other valuation metrics like the p/b, dividend yield and earning yield to bond yield ratio, Nifty is trading below its long-term average multiples and hence remains undervalued. Expansion of valuation metrics will be the key driving force and those will come back once the companies start delivering growth at 15% plus (risk free rate plus a risk premium to compensate for risk) i.e., above the average nominal GDP growth potential.

We think Information Technology, financials (on interest rates coming lower and economy picking up) and beaten down infrastructure stocks (to add beta to the portfolio since they are down significantly from their peak) will be the biggest outperformer for calendar year 2014. IT seems to be the most confident of all and is completely insulated from vagaries of domestic turbulences if any. We think that with US growth coming back will benefit IT companies the most. As the discretion spending power comes back with the multinational companies on better growth prospect, IT spend by the companies will rise and pricing power will come back for Indian companies. Along with it, INR settling at newer levels is an added boon to the IT companies. If incase any untoward political and economic development happens in the domestic space (whether it is political uncertainty, or lack of reforms, or tapering of bond purchase programme leading to flight of capital and risk averse) the direct impact will be the weakening of INR which will benefit IT companies the most. So, US growth picking up will lead to increasing business volume along with operational efficiencies and uncertainty in domestic market if any will lead to weakening of INR which will again be beneficial for IT companies. More importantly along with all these factors, IT companies across the sector is reasonably valued hence gives you ample amount of margin of safety. Infosys looks to be the star performer for calendar year 2014. In the midcap space NIIT Technology and Zensar Technology looks promising. Other stocks we choose for this year are FDC Ltd and Bajaj Finserve.

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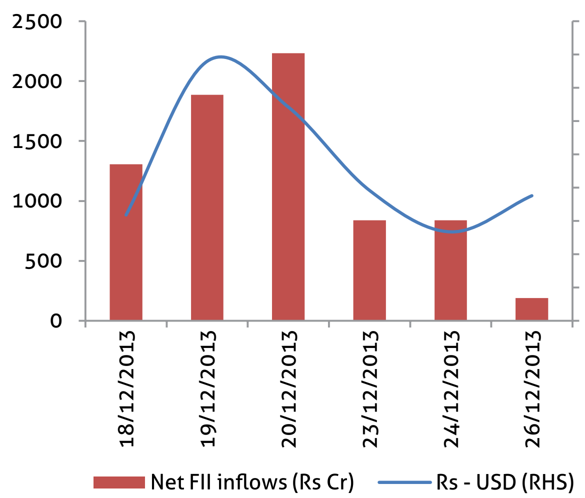
Economy Review: Indian Economy – is it really on the right path

QE3 taper – finally a reality

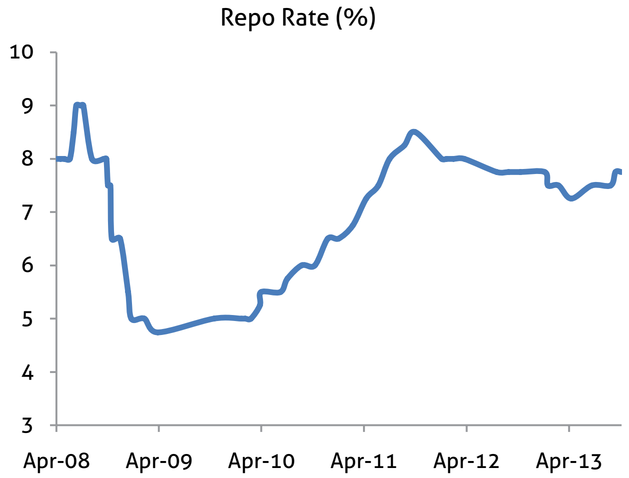
The recent set of announcements from the Indian central bank as well as that from the US Fed has caught the markets off-guard although in a positive way. The US Central bank surprised the markets on 18th December by advancing the bond buying taper to January 2014. As of now, the Fed has planned to reduce its monthly $85 billion bond buying programme by $10 billion a month starting January. However, it has promised to keep the low interest rate regime longer than the markets anticipate. What it probably means is that, the Fed will watch and act accordingly as to how the US economy pans out albeit it is finally allowing data to guide its policy. The recent tapering is obviously on the back of improvement in the US unemployment rate to 7%, a potential trigger for tapering often mentioned by Ben Bernanke previously. However, the central bank is keeping all options opened and as the economy recovers, the tapering will gain momentum or if the data is lame, there can be a skip in FOMC and subsequent tapering. Indian markets accepted the news with a certain amount of jubilation. Indeed the tremors were not felt even in the currency markets or in the equity markets (in terms of decline in FII participation after the announcement). As can be seen from the figure that the rupee remained firm around Rs 62 per dollar while the FIIs continued to pump in ~ Rs 7300 crore after the tapering announcement. The reason is apparent that the India's external sector is mildly in a better state with regards to the vulnerability of the foreign inflows than in the summer of 2013, when the currency depreciated heavily. The RBI has done a commendable job to arrest the current account deficit (CAD) as of now and instil confidence in the Indian economy to show some backbone. Besides, the US central bank will continue to boost liquidity till the unemployment rate drop to 6.5% and at the same time inflation remains under manageable level of 1.5 to 2%. This expectation is also gentle against a much steeper withdrawal plan earlier.



(Source: SEBI, RBI)

RBI - in a different mood

Now coming to the Indian markets, on December 18, the RBI Governor, Mr. Raghuram Rajan very smartly maintained status quo for the interest rates against market expectation of 25 bps repo rate cut (currently at 7.75%) after WPI inflation touched a 14-month high of 7.5% in November. Most economists are of the view that the status quo is just a denial of the inevitable rate hike, which might be again expected in the next policy meeting. The status quo was justified mainly on three grounds (1) vegetable prices, the key driver of inflation in recent months, have started falling in the past couple of weeks (2) a stable exchange rate will likely have a disinflationary effect (3) Negative output gap and lagged impact of monetary tightening will keep inflation under control. WPI inflation excluding fruits and vegetables, at 5.4% in November, is around 2% lower than overall WPI inflation. Mr. Rajan clearly explained that while it is important to control inflation, time should also be given to the economy to adjust to the recent policy changes implemented. Generally, the actions taken now are with a lag effect and the effects will only be felt after few months. Thus, according to him, it is not the right time to get hysterical and jump off the seat with exuberance with every possible change in weekly or monthly data. Besides, the WPI core inflation has remained within RBI's comfortable range of ~3% and it will remain firm for sometime before the last two rate hikes is assimilated into the Indian financial system. Moreover, he further maintained that the economic growth is indeed fragile and continuous rate hike will not only be detrimental to the economic growth, it will also lead to further deterioration in the already tapering capex cycle besides straining the balance sheet of the banks' burgeoning with higher stressed assets.



(Source: RBI)

US recovery - a boon for India

Although, it is too early to predict anything meaningful out of the recent policy developments around the globe. However, the early tapering of the US QE considering the improvement in the US economy is rather befitting for an export oriented nation like India. India has done well in the past months to contain the current account deficit by keeping a tab on gold imports besides also pushing for higher exports thus reducing trade deficit. A growth for US certainly augurs well for India as Indian exports can be even pushed forward to accommodate that extra demand generated and thus can be even propelled further to reduce our trade deficit and current account deficit. Moreover, withdrawal of US easing will likely stabilise oil and other commodity prices and help narrow the current account deficit. US is the largest exporter for India with the exports accounting for 13% of total exports. The recent data suggests that India's trade deficit narrowed to USD9.2bn in November from USD10.6bn in October led by 16.4% yoy contraction in imports. Surprisingly, export growth eased to 5.9% y-o-y in November from 13.5% in October. Exports have been rising for the past few months on strong global demand in sectors such as textile, chemical products, engineering goods and leather. By destination, exports to the US, UK, China, Hong Kong and Saudi Arabia, among others, have risen sharply. Within imports, gold and silver imports eased to USD1.1bn in November from USD1.4bn in October, despite the strong seasonal demand for gold during the wedding season. Oil imports fell by 1.1% y-o-y following a 1.7% rise in October, likely due to lower demand from steady increases in diesel prices.

(Source: DoC)

India Q2 GDP slightly better – is it really so

The real GDP growth numbers for Q2FY14 has been slightly better at 4.8% than the previous quarter growth of 4.4%, and there is a general consensus that the worst is behind and we can really look up for some positive developments in the coming quarters. However, a detailed look within the figures, tells a different story and indeed all is not well. In India, there is more stress on real (constant) GDP growth at factor cost as opposed to market prices internationally. The difference between the two figures is indirect taxes and subsidies. The formula is GDP at factor cost + indirect taxes – subsidies = GDP at market prices. There wouldn't have been much of a difference both the GDP figures had indirect taxes as well as subsidies (as % of GDP) remained constant. However, that is truly not the case and certainly not for India. As can be seen from the table below, while indirect tax (as % of GDP) remained within the range over the years, subsidy (as % of GDP) has a major impact on the real GDP figures. Particularly during the global financial crisis, there were subsidies all around to boost the economic growth, which sent the total subsidies zooming. From the table below it can be seen that during 2008-09, subsidies increased to 5.20% of GDP from 3.82% previous year.

Year	Indirect taxes (as % of GDP)	Subsidies (as % of GDP)
2004-05	12.25%	3.14%
2005-06	12.47%	3.55%
2006-07	12.82%	4.20%
2007-08	12.92%	3.82%
2008-09	11.40%	5.20%
2009-10	10.23%	4.15%
2010-11	11.31%	4.04%
2011-12	11.55%	4.15%
2012-13	11.68%	6.08%

(Source: MoSPI)

During FY13, the real GDP growth declined to 5% while net of subsidies, the actual GDP growth turned out to be 2.88%. Thus, it clearly states that the situation is even dismal if the GDP figures are stripped of subsidies, as a major chunk of the GDP growth is contributed by subsidies. To give an idea, the increase in subsidies accounted for 44.7% of increase in GDP, even higher than 26%, witnessed during 2008-09, when subsidies were given as emergency measures to boost the economic growth.

Year	Real GDP growth (%)	Growth net of subsidies (%)
2005-06	9.48%	9.01%
2006-07	9.57%	8.83%
2007-08	9.32%	9.75%
2008-09	6.72%	5.20%
2009-10	8.59%	9.80%
2010-11	9.32%	9.45%
2011-12	6.21%	6.08%
2012-13	4.99%	2.88%

(Source: MoSPI)

Year	Increase in GDP (Rs Cr) (A)	Increase in subsidies (Rs Cr) (B)	% (B/A)
2005-06	281609	22324	7.90%
2006-07	311291	34126	11.00%
2007-08	332273	-636	-0.20%
2008-09	262040	67299	25.70%
2009-10	357395	-29057	-8.10%
2010-11	420935	12018	2.90%
2011-12	306576	18413	6.00%
2012-13	261855	117179	44.70%

(Source: MoSPI)

The same trend continued for every quarter of FY13 till the 1st quarter of FY14. However, based on our calculations, the trend has reversed for Q2FY14, where the subsidies have declined during the quarter. This is indeed a positive beginning however, the data for next quarter also needs to be watched keenly.

	GDP Growth at Factor Cost (%)	Growth net of subsidies (%)
FY 13 Q1	5.35%	3.50%
FY 13 Q2	5.19%	2.18%
FY 13 Q3	4.71%	3.76%
FY 13 Q4	4.78%	2.08%
FY 14 Q1	4.35%	2.31%
FY 14 Q2	4.80%	5.50%

(Source: MoSPI, Ashika Research)

Not only to drive the economy out of the precarious situation, our Govt. has had announced many policy initiatives to help the weaker sections of the society, the so called populist measures to enhance its vote bank. Schemes initiated under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) or the distribution of free and affordable food items under the National Food Security Act (NFSA) are examples of these. These measures have indeed been severe on the fiscal position of the country as a result India continues to search out ways to finance its expenditure as revenue always lags way behind. However, the surprising part is these measures which are literally expected to throw the fiscal balance position out of proportions, are not exactly seen in the budgeted subsidy number. We generally get a hold of the subsidy figures in two Govt. documents- one is the Budget documents that include a summary of the cost of "major subsidies" in the expenditure section of Budget at a Glance while the other set of data that qualifies subsidies is the National Account Statistics maintained by the Ministry of Statistics and Programme Implementation (MoSPI). As far as the budget revised estimates are concerned, subsidy (as % of nominal GDP) steadily has shown an upward trend from FY96 at 1.12% to FY13 at 2.72%. The budgeted estimates for FY14 stand at 2.03% of nominal GDP. Now, if we take a look at the numbers from MoSPI, there is a wide divergence between the two. While the subsidy (as % of GDP) as per Budget document stands at just 2.72% for FY13, the same is at a stunning 6.08% as per MoSPI. The wide divergence between the two can be gauged from the fact that while the budget documents, a lot of discretion is used in classifying which is a "major subsides" or not, the MoSPI data set uses total subsidies as part of the adjustment required to convert GDP at factor cost to GDP at market prices. Since this information is shared with many international bodies it has to comply with internationally accepted classification norms and thus is more authentic. Going by the same theory, with the implementation of ever ambitious National Food Security Act (NFSA), the budgeted estimates for FY14 are bound to be thrown out of proportions.

	Subsidies (Rs Cr)			As % of GDP		
Year	Budget (RE)	MoSPI (Actual)	Difference	Budget	MoSPI (Actual)	Difference
FY96	12,550.00	27,659.00	15,109.00	1.12%	2.47%	1.35%
FY97	14,233.00	37,960.00	23,727.00	1.09%	2.92%	1.83%
FY98	18,366.00	38,742.00	20,376.00	1.27%	2.68%	1.41%
FY99	21,063.00	42,267.00	21,204.00	1.26%	2.53%	1.27%
FY00	25,692.00	46,585.00	20,893.00	1.38%	2.51%	1.13%
FY01	26,949.00	54,350.00	27,401.00	1.35%	2.72%	1.37%
FY02	30,523.00	62,943.00	32,420.00	1.40%	2.89%	1.49%
FY03	44,618.00	69,985.00	25,367.00	1.90%	2.99%	1.09%
FY04	44,709.00	82,642.00	37,933.00	1.70%	3.15%	1.45%
FY05	46,514.00	93,222.00	46,708.00	1.57%	3.14%	1.57%
FY06	46,874.00	1,20,655.00	73,781.00	1.38%	3.56%	2.18%
FY07	53,463.00	1,66,660.00	1,13,197.00	1.35%	4.22%	2.87%
FY08	69,742.00	1,74,323.00	1,04,581.00	1.52%	3.80%	2.28%
FY09	1,29,243.00	2,74,116.00	1,44,873.00	2.44%	5.17%	2.73%
FY10	1,31,025.00	2,51,446.00	1,20,421.00	2.14%	4.12%	1.98%
FY11	1,64,153.00	2,93,225.00	1,29,072.00	2.26%	4.04%	1.78%
FY12	2,16,297.00	3,48,882.00	1,32,585.00	2.59%	4.18%	1.59%
FY13	2,57,654.00	5,75,253.00	3,17,599.00	2.72%	6.08%	3.36%
FY14*	2,31,084.00			2.03%		

* FY14 budgeted subsidies are Budget estimates and nominal GDP is estimated based on Budget documents; RE: Revised estimates

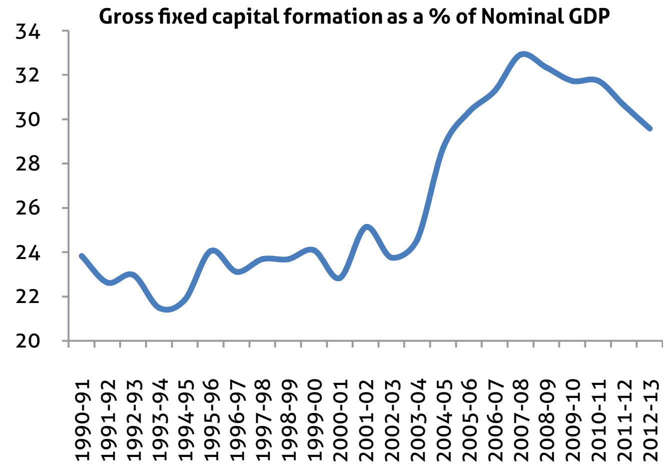
While it is true that on paper we have made some developments in the last few months, however, somehow the effect is not felt by all the section of people in the economy. The current account issue has been addressed as of now however, the forex reserves is hardly around the comfort zone and can barely pay for 6 months of imports. In an event of severe outflow of foreign funds, the forex reserves will be depleted and the currency is bound to depreciate again. Fortunately, it hasn't happened as of now. Besides, the rise in food inflation can hardly be addressed by increase in interest rates. On the contrary, it will slow down the investment growth in the country which is badly needed to boost the actual GDP growth. While we are aiming to contain fiscal deficit at 4.8% of GDP at the same time we are implementing NFSA and that too at the cost of Planned Expenditure, which is again badly needed to boost the growth in economy. The Govt has to figure out which one is in its priority list and set apart politics from economics.

Infrastructure: The backbone of a growing economy

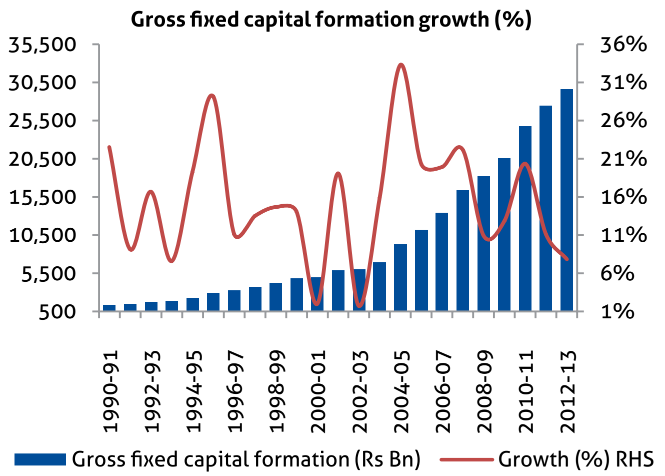
The relation between infrastructure and economic development is not a once and for all affair rather it is a continuous process and the progress in the economic development has to be accompanied and followed by progress in infrastructure. It is inevitable that the country's infrastructure development is directly proportional to its economic growth of the country and vice versa. Indeed, the nation's infrastructure challenges are major hindrances on economic growth. Emerging countries, such as India has an extensive infrastructure need for its economic progress. Lack of infrastructure developments has left the country with terrible deficits in such critical areas like railways, roads, ports, airports, telecommunications and electricity generation. The World Economic Forum's Global Competitiveness Report for 2011-2012 showed that India ranked 89th out of 142 countries for its infrastructure. According to the report, the country's transport system is mostly underdeveloped followed energy infrastructure and even business community continues to cite infrastructure as the single biggest hindrance in doing business in the country. Starting from road way to airways, ports to airports and power production facilities, the Indian infrastructure segment is imperative for the development of the country. It is noticed that a rupee invested in infrastructure projects generate prospects worth Rs 10, which means it generates 10 times of opportunities. Due to its importance to nation's progress, this sector receives increasing attention from the policymakers of the country.

Roadblocks for the sector

The sector has been going through a dull phase over the past few years on the back of higher interest rates, which made some projects unviable, shortage of funding and financing options, delay in environmental clearance and the lack of public projects. Moreover the government is grappling with coalition politics issues coupled with hefty fiscal deficit and a deepening current account deficit. This uncertain environment of fading growth, political gridlock and high cost of capital, impacted the infrastructure spending, which has slowed down in the past few years. Most of the infrastructure companies are impacted by the slowdown and further it has been noticed that the listed entities have lost nearly 80% of market capitalization. High debt burden led many infrastructure companies to sell off their non core businesses.



(Source: RBI)



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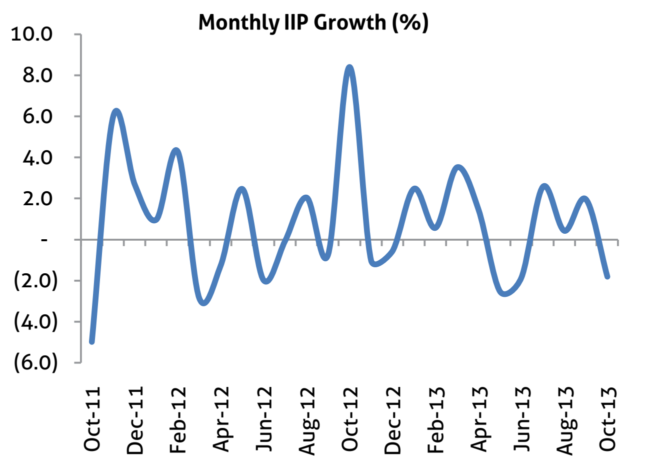

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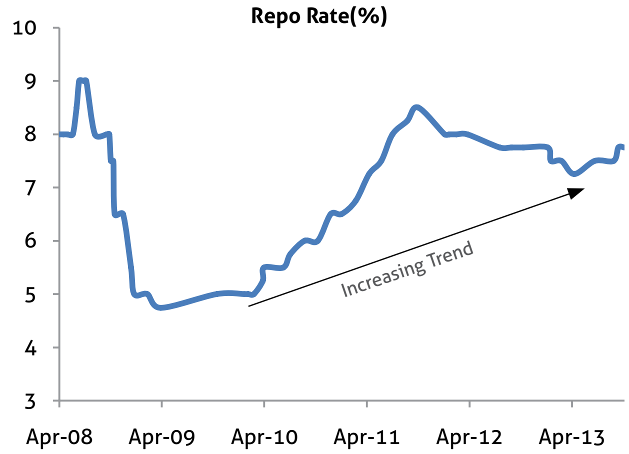

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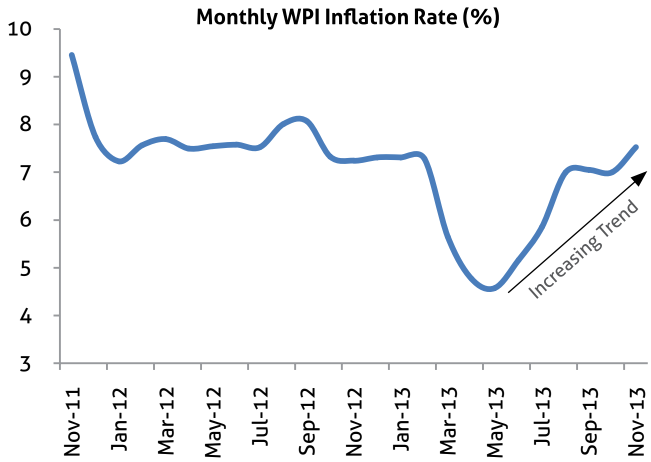


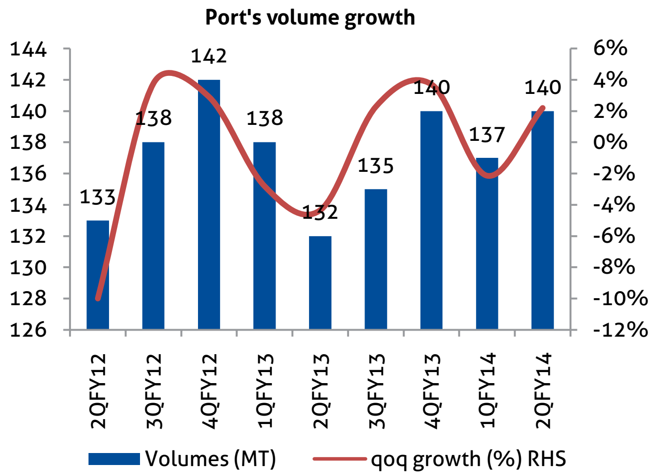
(Source: RBI)

Steps towards turnaround

To bring the economy from out of woods, government has been unveiling a slew of reforms, which might provide a turnaround for the sector, going forward. The UPA government, which remained immobile for a long period, is emphasizing on policy reforms by forming Cabinet Committee on Investment (CCI) and fast tracking of power projects, road projects and some reforms in mining activities. Obviously, these activities have provided much needed thrust to the infrastructure development. The Indian Infrastructure segment comprise of five major divisions- ports, railways, roads, power and aviation. Indian Government plans to invest about USD 1 trillion for the development of infrastructure over 2013-18 period and to attract investments in the sector, it has amended and modified its policies to avoid the bottlenecks and ensured that developers no longer have to wait for clearance from forest authorities to commence construction. Moreover, Central Bank (RBI) supports the sector, by reclassifying loans to road builders as secured rather than unsecured loans, making easy for the banks to lend loans to the projects. Ports, roads, aviations, railways and power are the most important segments of the infrastructure and require huge investments for development.

Ports

There are 187 ports situated across the coastal regions of India, however the bulk of the business is carried on through its 12 major ports. Maximum cargo is handled by these 12 major ports, which account ~58% of the total cargo shipped through the country. It is estimated that these ports handled 140 MT (million tones) of goods in 2QFY14, compared to 137 MT in 1QFY14 and 132 MT in 2QFY13 respectively.



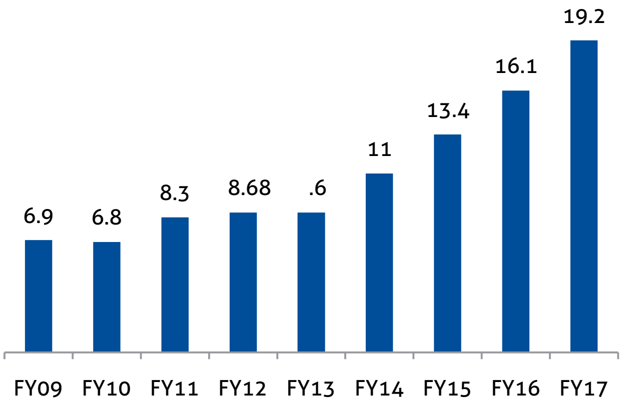
(Source: News articles)

Indian Government had earmarked a target to approve 30 projects in FY13-14 to add a total capacity of 284 MT with an investment of Rs 26000 crore. In the past few months the project awards have been fastened and total of 13 project awards have been made so far, with a capacity addition of 80 million tones. However, it is expected that a large number of project announcements would have to be in pipeline during H2FY14, in order to achieve the targeted capacity addition and to develop the maritime infrastructure of the country.

Road Infrastructures

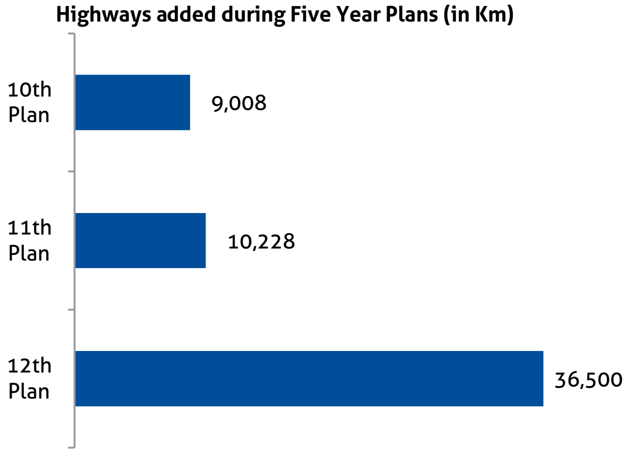
India's vast infrastructure needs are expanding all the time and this provides enormous opportunities. The population has already exceeded 1.2 billion and it is continuously growing, which is generating demand for a well developed infrastructure. Rapid industrialization is intensifying the need on the nation's networks for electricity and water. The railway system is already overcrowded and facing rising demand for freight capacity. Government has fallen far short of its plans to build 20 km of roads each day. Over the last five years, the number of vehicles in India has grown at an average rate of 10.16 % per annum and thus need an efficient and world class road network for smooth movement of goods and services. India's road network is spreads across 4.69 million km, and it is the third largest in the world next only to the US and China. The country carries out its road network with 65% of freight and 80% of passenger traffic. Government has been implementing new reforms to give thrust to road infrastructure in the country and for that government plans to invest USD 1 trillion for infrastructure development over the next five years. Moreover to speed up the projects, government has been trying to rope in private investments through PPP model (Public Private Partnership). The significance of the PPP model is that the developers finance the project through their own funds and in exchange, they have right to charge toll fares for certain period of time in order to wrap its investment. Even, sometimes government finance part of the road building, thus bearing higher end of the risk in the project. These initiatives, taken by the government is attracting foreign private equity players to invest their investments in India's infrastructure, in order to generate alpha return on their investments as India's infrastructure provides immense opportunity for growth.

Government spending on Road Infrastructure (USD Billion)



Source: News articles

Highways added during Five Year Plans (in Km)

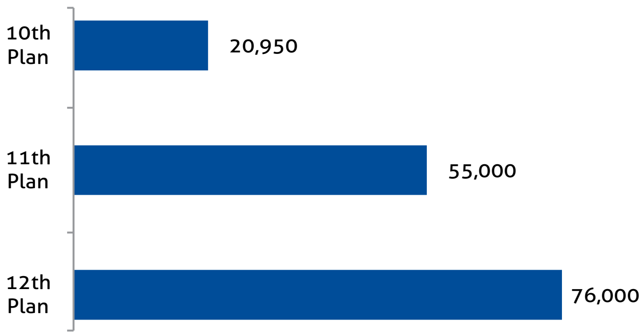


(Source: News articles)

Power

Power sector is one of the important segments of the Indian infrastructure on which the entire industrial development has been depending on. Despite of lot of deficiency and roadblocks, this sector has performed well enough in past decade. During the 11th Five Year Plan the sector has added 55,000 MW capacity as against revised target of 62,000 MW, thus taking the overall capacity to 193000 MW, which is quite impressive. However, despite of such capacity addition, the sector is reeling under pressure particularly due to the shortage of demand owing to slowdown in overall economic growth of the country. As the country's GDP growth is witnessing a severe slowdown in the past few quarters (4.8% GDP growth in 2QFY14), power sector has started experiencing a slowdown in the demand for power. During the 2QFY14, the demand for power rose by a mere 5-6%; however supply rose more than 8% due to increase in capacity. However power generation companies are reeling under inadequate supply of raw materials (coal and gas), higher imported commodity prices (coal) and elevated interest rates. According to the experts these challenges for the sector might end in near future as and when Indian economy bounces back to 7-8% growth. During the 11th Five Year Plan, Private sector power companies have shown strong performance by adding 18,000 MW to the total capacity (accounted 30% of the total capacity). In order to augment the capacity of the sector and to narrow down the demand supply gap, government of India has set an ambitious target of adding 76,000 MW of capacity during 12th Five Year plan. For this capacity addition, it has estimated that over Rs 13 lakh core would be required for generation, transmission, distribution, R&D, captive power plants, renewable projects and maintenance of existing power plants. These provide immense opportunities for domestic power companies, as along the growth of the economy, more power will be required and domestic power companies need to be well developed to garner the benefits of the growing demand.

Capacity additions during Five Year Plans (in MW)



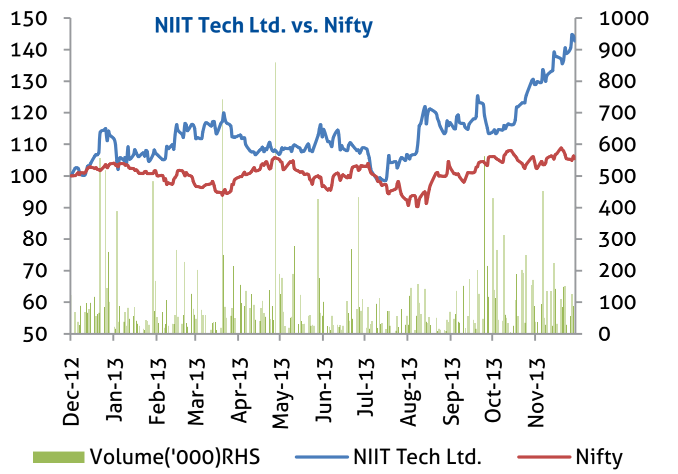
(Source: News articles)

Going ahead, as the government has been reforming its policies and changing its bureaucratic stance, it is likely that the sector would start picking up. Besides, new RBI governor is very proactive in improving the investment climate in the country and thus continuously monitoring the benchmark interest rates, as the lower interest rates would reduce the cost of the projects and it would positively impact the margins of the infrastructure companies. However general election 2014 would be the key trigger for the sector as well as for the Indian economy. A stable and strong government formation in the central would strengthen the nation's economic condition, which has been under severe slowdown, thus providing impetus for the infrastructure sector to grow. Moreover the authorities and builders are constantly increasing their focus on transit efficiency and this enable the country to attain the next level in highways development. Apart from PPP model, the public funding and other alternative financial models would be the key instrumental findings for achieving the set target. However according to some experts the move taken by Government so far has been impressive, but it will take time for the sector to bounce back to its growth trajectory.

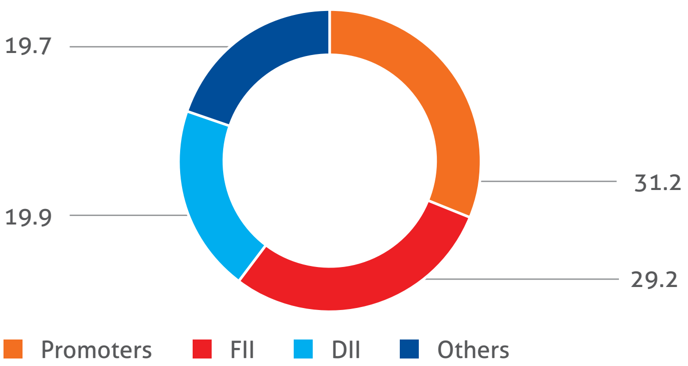
Stock Picks

NIIT Technologies Ltd. CMP: 355/- Rating: Buy TGT: 500/-

Company Information	
BSE Code	532541
NSE Code	NIITTECH
Bloomberg Code	NITEC IN
ISIN	INE591G01017
Market Cap (Rs. Cr)	2,157
Outstanding shares (Cr)	6.04
52-wk Hi/Lo (Rs.)	362 / 235
Avg. daily volume (1yr. on NSE)	97,627
Face Value (Rs.)	10
Book Value	180.7



Share holding pattern as on 30.09.2013 (%)



Particulars (in Rs Cr)	FY12	FY13	FY14E	FY15E
Net Sales	1576	2021	2362	2656
Growth (%)	27.9	28.2	16.9	12.5
EBITDA	298	352	384	437
EBITDA Margin (%)	18.9	17.4	16.3	16.4
Net profit	197	213	245	272
Net Profit Margin (%)	12.5	10.8	10.4	10.2
EPS (Rs)	32.8	35.1	40.6	45.0

Consensus Estimate: Bloomberg

Q2FY14 Result Analysis

The reported revenue grew by 8.4% Q/Q to Rs.5,87.3 cr led by 6.0% / 3.0% Q/Q volume growth in US and Europe, respectively. During the quarter, NIIT Tech successfully completed Jharkhand and Tamil Nadu CCTNS project. EBITDA margin expanded 66 bps Q/Q to 15.1% (v/s 14.4%) on back of expansion in key projects margin. NIIT Tech reported other income of Rs.18.2 cr (v/s Rs.20.6 cr in Q1FY14) due to forex gains of Rs.15.5 cr (v/s Rs.17.4 cr in Q1FY14). Net profit went up 17.3% Q/Q to Rs.624mn due to lower tax rate. During the quarter, effective tax rate stood at 29.5% [to Rs.26.9 cr] v/s 35.2% [to Rs.29.6 cr] in Q1FY14. Adj net profit (ex forex) increased 35.6% Q/Q to Rs.44.2 cr (v/s Rs.32.6 cr in Q1FY14). Management sounded confident about the overall growth trajectory and fresh order intake and expect to perform in-line with industry in FY14.

Key details of results

- Proportion of billable resources onsite increased 450bp QoQ to 31.9%.
- Net headcount declined by 190 people QoQ to 8,017 employees.
- Onsite revenue proportion increased 2% QoQ to 65%.
- The proportion of fixed price contracts was at 42.0% (v/s 42.0% in Q1FY14).
- DSO inched up to 100 days, and now compare with 75 days in 2QFY13.
- Revenue proportion from Fixed Price Contracts was 42%, flat QoQ.
- USD10m+ client bucket declined by 1 to 8, while smaller buckets remained flat (USD5-10m and USD1-5m). NITEC added three significant new clients during the quarter, all in the EMEA region.
- Cash & equivalents stand at Rs. 212 cr, lower than previous quarter on account of dividend payout during the quarter.
- NITEC has USD 42.52m of hedges @Rs. 59.67, GBP 7.71m @ Rs. 93 and EUR3.6m @ Rs. 77.3.
- In FY14, the management expect capex of Rs.200 cr and hardware revenue of Rs.135 cr.
- Tax rate during FY14 would be in the range of 27-28%.

Investment Rationale

Order book soft due to weakness in India business

NIIT Tech posted fresh order intake of $84 mn in Q2FY14 (v/s $145mn in Q1FY14). The slump in fresh order intake was due to loss of one big contract in Travel & Transportation. However, the management sounded confident on new deal wins outlook and expect fresh order intake to see uptick going ahead. During the quarter, the company has bagged three new clients in the Travel & Transportation vertical. NIIT Tech's 12M executable order book stood at $248 mn (v/s $263mn in Q1FY14). Top5 clients [31% of overall revenue] demonstrated 25.9% Q/Q increase followed by 15.4% Q/Q growth in Top10 clients [49% of overall revenue]. However, Non-Top10 grew by 2.4% Q/Q and contributed 51% of the overall revenue. During the quarter, net hiring was down by 190 employees [v/s +49 in Q1FY14 and +173 in Q2FY13] due to completion of Jharkhand and Tamil Nadu CCTNS project. Utilization level during the quarter dropped to 80.3% (v/s 77.3% in Q1FY14 and 79.8% in Q2FY13). LTM attrition rate during the quarter remained flat at 12.4% (v/s 12.4% in Q1FY14 and 12.7% in Q2FY13). The company expects further improvement in the utilization rate going ahead.

Operational performance to improve in H2FY14

Management remains hopeful of improvement in operational performance ahead as ramp ups on international business (and hence services revenues) has driven both an improvement in revenue growth trajectory (constant currency growth during June'13 and Sep'13 quarter was 0%/0.3% QoQ respectively) as well as improvement in margins (note that the continuous decline in margins at NIIT Tech through the past several quarters has been a cause of concern for street/investors with lower proportion of hardware revenues and a higher proportion of international services revenues expected to help drive improvement in margins).

Takeaways from management comments

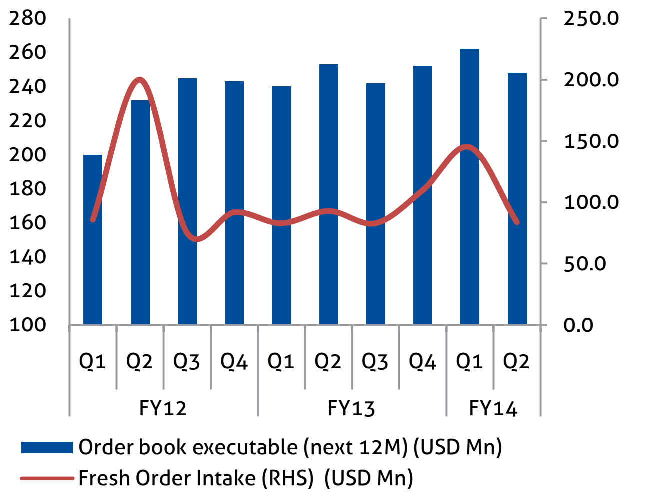
- **Margins:** Transaction-based services is only 3% of the non-linear component, and that should increase going forward, and drive better margins in Morris. Secondly, lower proportion of hardware revenues should also drive some improvement. The company continues to target exit EBITDA margin of 17% for FY14.
- **Revenue growth:** Developed markets are witnessing steadily improving macro, which is helping to drive better momentum for Technology Services in US and even Europe is beginning to comeback. While domestic business will see some pressure over the next couple of quarters, the company aims to recover some of that growth from US (primarily BFSI) and Europe (Travel). If signings in these markets improve, then FY15 will be a better growth year than FY14, despite domestic uncertainties.
- **Focus areas going forward:** NITEC has identified areas where the company will be very sharply focused. Its size in US is not as significant as the others. Growth in US will happen in BFSI space. As far as the travel vertical is concerned, only TCS has higher revenues than NITEC. So direction is to assume natural leadership position in the segment.
- **Headcount outlook:** Headcount decline in Q2FY14 was a function of dual factors: driving up higher utilization and completion of couple of large domestic contracts. The next couple of quarters should definitely see net headcount additions.
- **Airport Authority of India (AAI) deal:** There has been some delay in ramp ups in the AAI deal on account of customer constraint in making available site and resources. Revenues booked during the quarter were Rs. 4m. Q3FY14 should see similar low revenue bookings while bigger numbers should start kicking from Q4FY14.

Key Risks

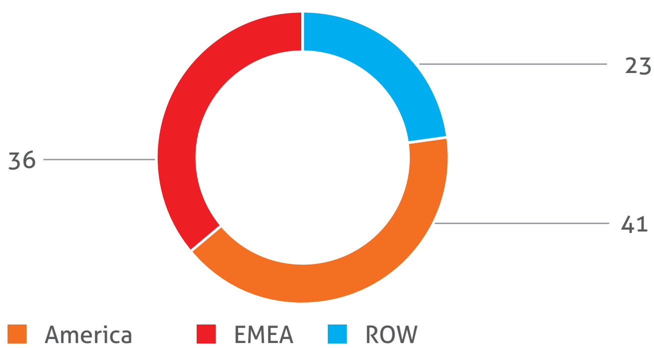
- The earnings estimates may be impacted by the volatilities in business contribution from US and European clients, in coming years
- Revenue from the major clients may continue its downward trend, in short term, which will impact the growth
- In the coming year, cross currency volatility could adversely impact revenue growth

Outlook & Valuation

The management sounded very confident about future revenue growth outlook. However, key trigger for stock would be EBITDA margin expansion, robust fresh order intake and strong revenue growth. During the quarter, the company has delivered slight improvement on the margin front and also demonstrated strong revenue growth. Further, the shortfall in fresh order intake will be taken care in 2HFY14. Additionally, the company has various operational levers left in order to improve margin. Strong traction in key verticals and demand recovery in GIS and ROOM could lead to margin expansion. The current 12M executable order book and large deal pipeline should help NIIT Tech to close FY14 with above industry revenue growth. At the CMP of Rs.355, the stock is trading at 8.7x its FY14E EPS of Rs. 40.6 and 7.9x its FY15E EPS of Rs. 45.0, which is at significant discount relative to 10.0x/12.0x – mid cap IT companies average. We recommend 'BUY' on the stock with a target price of Rs. 500, arrived at 11.1x FY15E EPS which implies a potential upside of ~40% from the CMP, from long term (1 year) perspective.

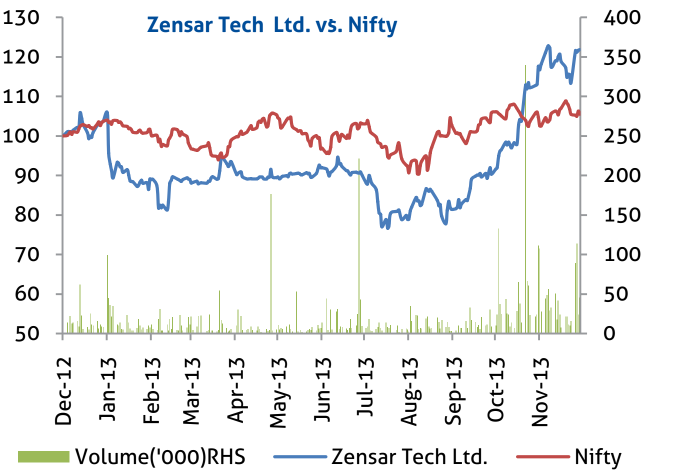


Geographical Revenue breakup (Q2FY14) (%)

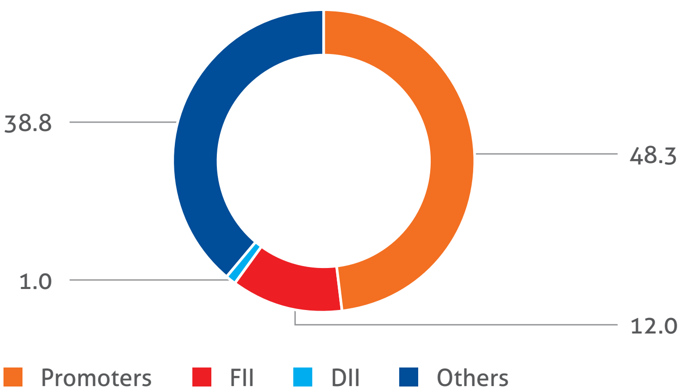


Zensar Technologies CMP: 349/- Rating: Buy TGT: 500/-

Company Information	
BSE Code	504067
NSE Code	ZENSARTECH
Bloomberg Code	ZENT IN
ISIN	INE520A01019
Market Cap (Rs. Cr)	1,524
Outstanding shares(Cr)	4.37
52-wk Hi/Lo (Rs.)	353 / 205
Avg. daily volume (1yr. on NSE)	19472
Face Value(Rs.)	10
Book Value	167



Share holding pattern as on 30.09.2013 (%)



Particulars (in Rs Cr)	FY12	FY13	FY14E	FY15E
Net Sales	1794	2128	2361	2643
Growth (%)	55.6	18.6	10.9	11.9
EBITDA	279	304	342	404
EBITDA Margin (%)	15.7	14.4	14.5	15.3
Net profit	159	175	229	256
Net Profit Margin (%)	8.9	8.3	9.7	9.7
EPS (Rs)	36.2	39.3	52.3	58.7

Consensus Estimate: Bloomberg

Company Description

Zensar Technologies, is a mid sized software and service provider company with a strong presence in more than 20 global locations (US, Europe, Africa, Middle East, Singapore and Australia). It is a part of RPG Group and provides end to end services from the traditional to transformational IT services and also provides solutions across service lines of Application Management services (AMS) and Infrastructure management services (IMS). It offers its services across various industry segments such as Manufacturing, Retail, Banking, Insurance and Healthcare.

Investment Rationale

Acquisition of Akibia, to strengthen IMS segment

Acquisition of Akibia in November 2010, showed company's intention to strengthen its IMS (Infrastructure Management Services) segment business, which as of now contributes 32% of total revenues and generates mere 8-9% margins. This acquisition has strengthened Zensar's position in the critical and fastest growing infrastructure management and data centre by integrating its Remote Infrastructure Management offshore service for global clients with Akibia's US and European data center and information security services. With the aim of continuous improvement in IMS technologies, the company is focusing on large strategic deals with a multi year contracts and it has also upgraded its existing accounts as well as acquiring new accounts. However, during 2QFY14, IMS segment registered poor performance in revenue, which witnessed a dip of 12.5% QoQ basis. Nonetheless, management expects that the growth in IMS segment would bounce back and strong traction is expected towards Q4FY14 onwards.

Segmental focus strategy to boost the growth

The company has started (from FY13) to roll out its new segmental or vertical focus strategy, in which company has major revenue focus on manufacturing, retail & banking and insurance industry. During the financial year 2013, company derived 54% of its revenue from manufacturing, retail & distribution industry and 20% revenue came from insurance industry. Zensar has signed a big deal with Assurant Health, a leading specialty property/casualty insurer & reinsurer in the US for SAP managed service project. During the same period, the company has also bagged contracts worth of USD 5 to USD 10 million range in manufacturing and insurance verticals. It is expected that company's focus towards larger accounts would drive the revenue growth of the company in coming years and simultaneously would improve the margins.

Strategic partnership to fortify its foothold

The company has entered into strategic partnership with Johannesburg based equity fund manager Kapela Holding &

Tomorrow Trust to set up the South Africa venture. Zensar has the majority holding in the partnership and the entity would work majorly for the government and social sector projects in South Africa. This new venture would enable the company to expand its foothold into government contracts and also enhance its standing in the Broad Based Black Economic Empowerment (BBBEE) (BBBEE is a form of Economic Empowerment initiated by the South African government in response to criticism against Narrow Based Empowerment instituted in the country during 2003/2004) code of the government. Besides, company has launched new Insourcing Services Division which will provide end to end services for captive units spanning Advisory and strategic consulting, business planning, implementation support and Ongoing management services.

Q2FY14 Result Highlights

- Revenue in rupee terms witnessed a growth of 12.4% QoQ to Rs 600 crore, led by 16% QoQ growth in Application Management services segment (AMS). This segment showed strong performance during the quarter on the back of larger deal sizes, increase in demand for new technologies and up gradation of clients from Oracle 11.0 to 12.0 version. Going forward management expects that it would deliver much better results in coming quarters. However, revenue in USD terms registered a de growth of 0.5% QoQ, largely due to weak performance from the IMS segment, which witnessed a dip of 12.5% QoQ in its revenues.
- In geographical segmental revenue, US witnessed a 2.2% QoQ dip in revenue owing to fall in IMS segment revenue and lower product revenue. However, Europe and Africa registered a growth of 11% and 10% (QoQ) respectively on the back of strong demand and new deals signed.
- To reduce the operating costs and improve the margins, company is in the process to shut down its some of the data centers in onsite business and adding up some new technology related services in the IM business.
- Operating profit margins expand by 216 bps QoQ 15.7%, largely due to currency benefits and higher offshore share in revenues.
- During Q2FY14, the company incurred a forex gain of Rs 14.5 crore as compared to Rs 28 crore in Q1FY14.
- Profitability during the quarter grew by 15.9% QoQ to Rs 70.6 crore, led by lower effective tax rate and higher forex gains.
- Order pipeline remained stable during quarter at ~USD 200 million on the back of good demand seen in Mobility, Cloud Computing and social networking side.

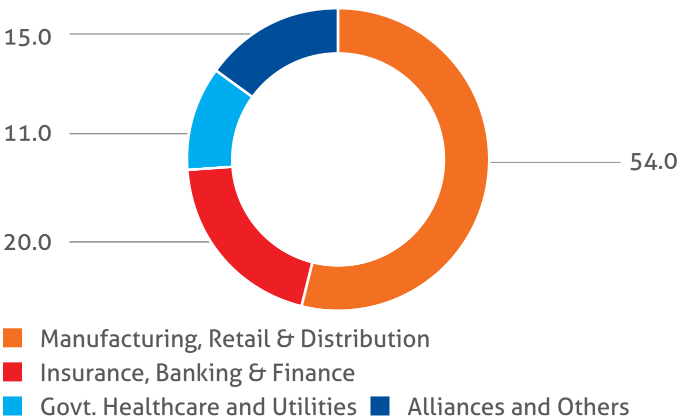
Key Risks

- Company's major revenue comes from US (70% of total revenue), hence any economic crisis in US, would have an adverse impact on company's financial.
- As the company is engaged in export business, currency fluctuation is the key risk to the company's profit margins.

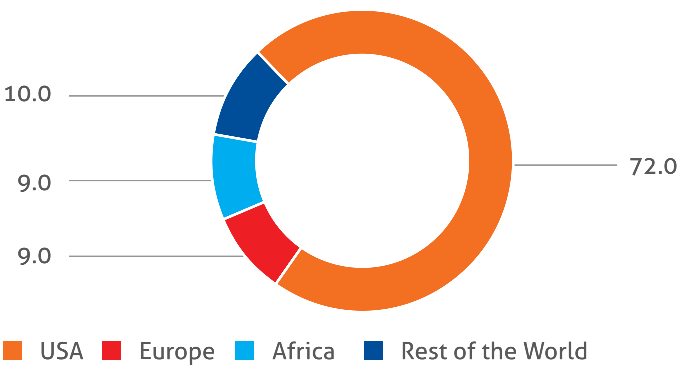
Outlook & Valuation

Improving economic outlook of US and Europe markets, along with rupee depreciation augurs well for the IT companies. Economic recovery in these markets would improve the discretionary spending on IT services, which would generate demand for IT companies. In 2013, the S&P BSE IT index gained 58% as compared to a 8.3% rise in the benchmark S&P BSE Sensex, making it the biggest yearly gain since 2009 in percentage terms. Zensar has strong presence in US with 70% of revenue coming from the country, is well poised to garner the benefits of growing demand. Revenue is expected to grow at 10.9% and 11.9% during FY14E and FY15E respectively, however it is expected that the profit margin would remain flat at 9.68% and 9.70% during these periods. Currently, the stock is trading at P/E multiple of 6.7x and 5.9x on its FY14E and FY15E EPS of Rs 52.3 and 58.7 respectively. Considering the macro economic improvements in US and Europe, we are positive on the stock and recommend a BUY with a target price of Rs 500 (assign P/E multiple of 8.5x on its FY15E EPS Rs 58.7), from 12 months perspective.

Revenue contribution from different vertical (%)

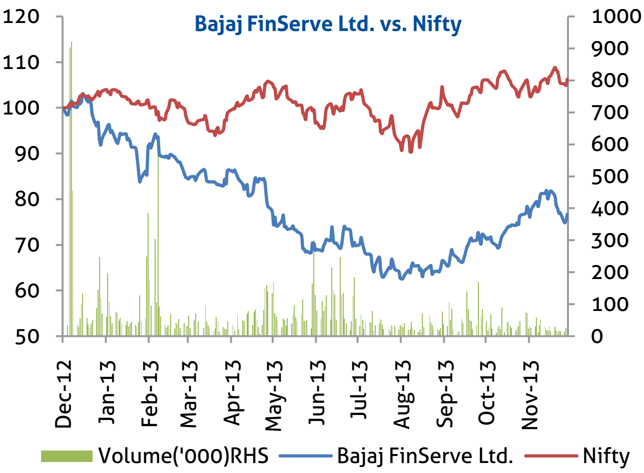


Geographical Revenue break up (%)

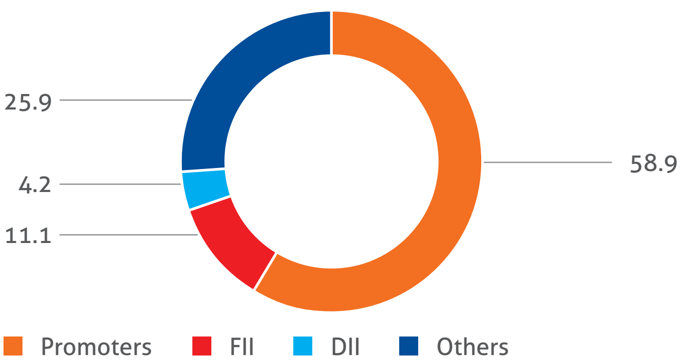


Bajaj Finserve Ltd. CMP: 726/- Rating: Buy TGT: 850/-

Company Information	
BSE Code	532978
NSE Code	BAJAJFINSV
Bloomberg Code	BJFIN IN
ISIN	INE918I01018
Market Cap (Rs. Cr)	11,555
Outstanding shares(Cr)	15.91
52-wk Hi/Lo (Rs.)	938.4 / 561
Avg. daily volume (1yr. on NSE)	70713
Face Value(Rs.)	5
Book Value	490



Share holding pattern as on 30.09.2013 (%)



(In Rs Cr.)	FY12	FY13	FY14E	FY15E
Net interest Income(NII)	3161	4051	6147	7194
NIM (%)	13.8	12.5	11.9	11.6
Operating Profit	2226	2888	4610	5722
PAT	1338	1574	1620	1721
EPS (Rs)	90.9	103.0	107.0	87.0
Adjusted BV (Rs)	347	490	566	643
GNPA (%)	1.1	1.0	1.1	1.1

Consensus Estimate: Bloomberg

Investment Rationale

Bajaj Finance—maintains strong growth momentum

Bajaj Finance a subsidiary of bajaj finserv, showed a strong growth in profit (up 29.8% YoY to Rs167.0 crore) in Q2FY2014. The growth in the profit was driven by a strong uptick in the net interest income (NII; up 31.5% YoY) and investment income of Rs27 crore. The deployments of the company grew by 20.0% YoY to Rs5,199 crore during the quarter while its AUMs expanded by 29.0% YoY.

Life insurance—premium flat, business momentum weak

The combined profit of the life insurance business declined by 18.2% YoY to Rs. 252 crore in Q2FY2014 led by a decline in the policyholders' surplus (down 34.1% YoY to Rs145 crore). The gross written premium (GWP) declined by 9.9% YoY contributed by a drop of 17.6% in the renewal premium. The company was able to arrest the decline in new business premium, which was flat yoy at Rs. 6.6 bn. Renewal premium increased 77% qoq (though down 18% yoy), improving the conservation ratio to 64% in 2QFY14 from 51% in 1QFY14 and 62% in 2QFY13. The assets under management (AUM) declined by 9.0% YoY (down 1.8% sequentially) to Rs36,961 crore in the quarter.

General insurance—operating metrics and profitability improves

The general insurance business reported a profit of Rs113 crore for Q2FY2014 as compared with a profit of Rs78.0 crore for Q2FY2013. The net premium increased by 37.9% YoY driven by 17.1% YoY increase in the GWP. The combined ratio (including motor pool losses) declined to 95.8% from 100.8% in Q2FY2013 (99.8% in Q1FY2014). The company reported an underwriting profit of Rs56 crore up 14% yoy despite a rise in the claims ratio to 66.7% from 59.2% in Q2FY2013. Motor pool losses were stable at Rs. 340 mn qoq. Combined ratio was stable at 96%.

Disbursements moderate from high levels, NIM stable yoy

Bajaj Finance reported 32% growth in NII on the back of 29% growth in AUMs and almost stable NIM yoy. Growth in disbursements reduced to 20% yoy largely due to decline in commercial loans. Disbursements in the two focus segments, viz. consumer finance and small business loans, moderated to 30%—this was lowest in last two-and-a-half years (30-57% yoy growth in disbursements between 1Q12 and 2QFY14). Bajaj Finance's calculated NIM was stable yoy at 11.8% (including fees) but lower than 13% in 1QFY13 (13%). Notably, 1Q is a strong quarter for consumer durable business and upfront booking of income in this quarter (on consumer durable loans) boosts calculated NIM for the period. Bajaj Finance's calculated borrowing cost increased by about 15 bps qoq to 9.56% on the back of rise in marginal borrowing cost.

Asset quality on track

Bajaj Finances' gross NPLs remain low at 1.14%; net NPLs were stable at 0.3%. Bajaj Finance increased its standard asset provisions of 40 bps (as compared 25 bps earlier) from 1QFY14. Asset quality performance in consumer durables and personal loans segments was steady; the company reported collection efficiency of 98% and 95% respectively in these segments. Collections in two-wheeler loans improved to 88.5% in 2QFY14 from 86.9% in 1QFY14. In the construction equipment finance business, collections declined to 84% from 88% in 1QFY14 and 94% in 2QFY13.

Bajaj Finance: Conference call takeaways

- **RoE to moderate over time.** Bajaj Finance's management has guided for about 25% loan growth over the medium term. The share of consumer finance loans will over time decline to 30-35% (41% in June 2013), small business loans will be 50% (stable) and commercial loans will increase to 15-20%; with the change in mix, RoE will moderate to about 18-20%. The company does not propose to scale up in commercial loans in the near term.
- **Not worried on RBI's recent warning to banks.** Bajaj Finance is well-placed on its consumer durable products despite RBI's recent warning to banks on zero interest finance schemes.
- Bajaj Finance was not an active player in financing products which offer differential prices for sales on cash and finance (like mobile phones). Consumer durable manufacturers do not offer a differentiated (lower) price on cash sales. Most large retailers do not offer any discount on cash purchase as compared to credit card or financing schemes.
- Bajaj Finance has modified its loan agreements from October 2013. The agreements now clearly mention that the company earns IRR of 23-25% on the loan, and interest component on this product is paid by the manufacturer.

Banking license for Bajaj Finance could be beneficial

Bajaj Finserv is one of the leading contenders for a new banking licence, given it has a good quality large NBFC, good management and there have been no governance issues around the promoters of the company. If the Reserve Bank of India (RBI) grant it a banking licence, then it will have to convert Bajaj Finance into a bank and any benefits emerging out of it in the form of larger reach and distribution will be also available to Bajaj Finserv. However the profitability will not decline substantially given the life insurance and general insurance business will help to support the profitability. So ir is expected that this could be an excellent choice to play the banking licence theme.

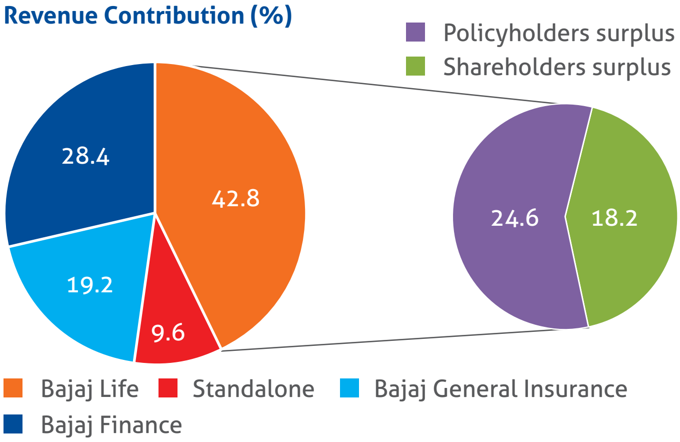
Key Risks

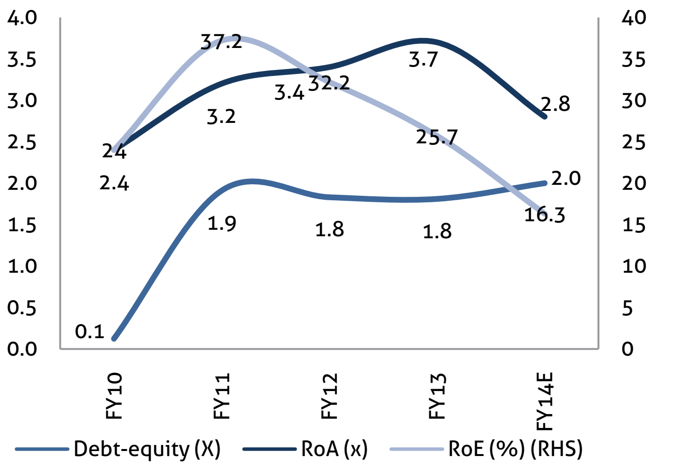
- Asset quality issues from its two wheeler/CE book
- Tighter-than-expected liquidity.

Outlook & Valuation

Bajaj FinServ's overall earnings growth in the past few quarters was aided by a strong growth in the general insurance and lending businesses. However, the premium continues to decline in the life insurance business, though the investment income boosted shareholders' surplus. In view of the weak growth outlook for the life insurance sector, the top line and the margin are likely to contract for the life insurance business. The company's subsidiary, Bajaj Finance has applied for a banking licence which is a positive signal for the company. It is believed that the company is a better play in the insurance sector, as it is expected to maintain its growth and its valuation is attractive. At CMP Rs.726 Bajaj Finserv is trading at P/B multiple of 1.28x its FY14E BV of Rs. 566 and 1.13x its FY15E BV of Rs. 643. We value the NBFC at its P/BV multiple of 1.32x on its FY15E BV of Rs. 643 and with target price to Rs. 850. We recommended BUY on Bajaj Finserv with an upside potential of 17%.

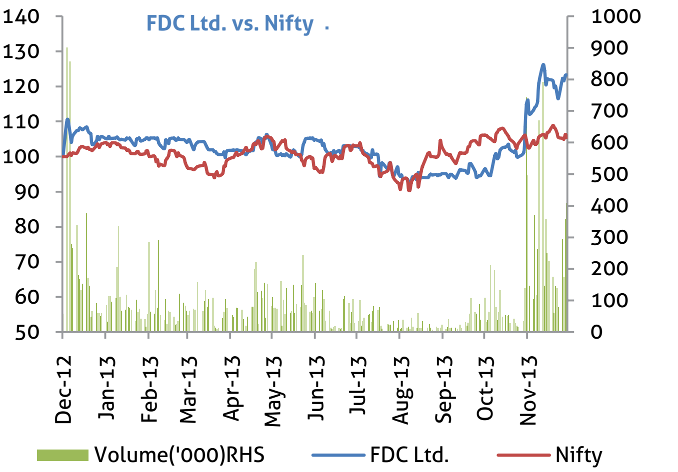
Revenue Contribution (%)



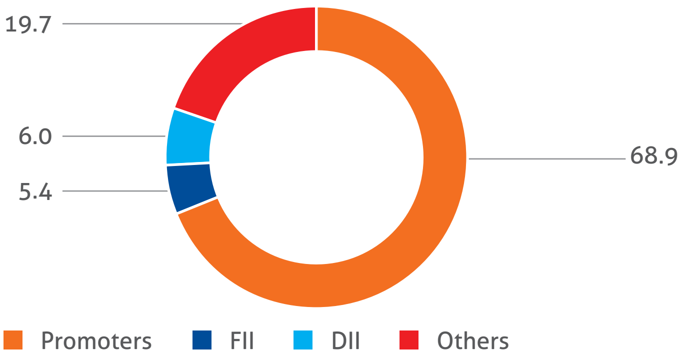


FDC Ltd. CMP: 130/- Rating: Buy TGT: 170/-

Company Information	
BSE Code	531599
NSE Code	FDC
Bloomberg Code	FDCLT IN
ISIN	INE258B01022
Market Cap (Rs. Cr)	2,300
Outstanding shares(Cr)	17.78
52-wk Hi/Lo (Rs.)	143.7 / 79.85
Avg. daily volume (1yr. on NSE)	107764
Face Value(Rs.)	1
Book Value	44



Share holding pattern as on 30.09.2013 (%)



Particulars (in Rs Cr)	FY12	FY13	FY14E	FY15E
Net Sales	711	773	842	903
Growth (%)	-0.2	8.8	9.0	7.2
EBITDA	192	227	255	279
EBITDA Margin (%)	27.2	29.5	30.3	31.0
Net profit	134	155	173	190
Net Profit Margin (%)	19.0	20.2	20.6	21.0
EPS (Rs)	7.3	8.5	9.7	10.7

Consensus Estimate: Bloomberg

Company Description

FDC is well known for its product 'Electral'. Formerly known as FairDeal Corporation, FDC is into pharmaceuticals, foods and bulk drugs. The therapeutic segment consists of products such as anti-infectives, dermatologicals, respiratory aids, anti-diabetic formulations, antioxidants and haematinics. But FDC is best known for its oral re-hydration salts (ORS) sold under the brand name 'Electral', being a leader in this segment its market share has improved from 1.24% to 1.32% and its market rank has improved from 25th to 22nd. FDC's plants are located in Roha, Waluj and Sinnar (Maharashtra), Verna (Goa) and Baddi (Himachal Pradesh). Some of leading brands in the company's stable are Electral, Zifi, Pyrimon, Zoxan Zocon and Mycoderm. FDC exports its products to USA, UK, Brazil and a few other emerging markets. The Company's subsidiaries include FDC International Limited and FDC Inc. Its joint venture entity includes Fair Deal Corporation Pharmaceuticals SA (Pty) Ltd.

Q2FY14 Result Analysis

FDC Ltd's top line increased by ~10% y-o-y in Q2FY14 to Rs 2.28 bn. This was due to growth in operating income and other operating income by ~3% and ~213%, respectively, on y-o-y basis. FDC operates solely in the pharmaceuticals segment. Operating profit grew by ~13% to Rs 628.8 mn in Q2FY14 from Rs 556.8 mn in Q2FY13. This was due to higher net sales coupled with lower raw material cost as a percentage of net sales. Net profit stood at Rs 490.7 mn in Q2FY14 against Rs

464.3 mn in Q2FY13 mainly driven by increase in operating profit during the quarter.

Investment Rationale

Leadership position in ORS segment

The brand "Electral" is to ORS (oral rehydration solution). "Electral" caters to acute diarrhoea and dehydration, and is a lifesaving requirement. This product segment is a cash cow for FDC. Domestic portfolio is powered by brands such as Pyrimon (Ophthalmic), Zifi (anti-infective), Mycoderm (antifungal) and Victofol (Vitamin). Cash flow from operations was Rs. 700 cr over last 7 years with capex at ~ Rs. 250 cr.

Robust Cash Reserves

As per September 2013 the company has cash and cash equivalent of around Rs 500 cr which is a very huge amount considering the balance sheet of the company and recent buyback of Rs. 46.5 cr. Such a huge amount of reserves could be use for further expansion or could be used for inorganic growth. Such future plans could unlock huge potential in the company.

Buy Back of shares to improve performance

Pursuant to the approval of Shareholders for Buyback on August 17, 2012, the Company has bought back 307,511 equity shares of Rs. 1 each during the period July 01, 2013 to August 16, 2013, making it a total Buyback of 5,087,343 equity shares, since commencement. The Buyback closed on August 16, 2013. The Average price at which the Shares were bought back is Rs. 91.43. The total amount invested in the Buy-Back is Rs. 46.5 cr.

Domestic market growth to be muted for FDC

The Indian Pharmaceutical market in FY13 stood at Rs. 70,000cr - more than DOUBLE than in FY07. This market is estimated to grow at 15% CAGR up to 2020 driven by lifestyle diseases such as cardiovasular, diabetics and Oncology, as it has been the case in the past. FDC has grown its domestic revenues by 50% over FY07-FY13 while the market has doubled due to lack of strong brands in these fast growing segments. Market share is down to 1.3% from almost 1.5% in FY07. It is expected that FDC's domestic business will grow higher due to leading domestic players in some of the segment.

Exports have huge potential grow

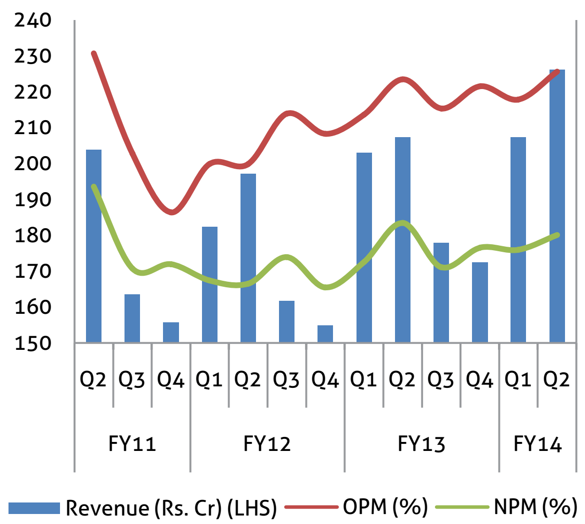
The annual export turnover for the year ended March 31, 2013 was Rs. 95.41 cr with a marginal growth of 9.88% as compared to the year ended March 31, 2012 which stood at Rs. 86.82 cr. Although, FDC continues to supply APIs worldwide to its esteemed customers, the improved export performance resulted from sales of finished dosage forms mainly Oral Rehydration Salts range to Africa and Ophthalmic range to UK and US. The company's manufacturing facilities are approved by US FDA, UK MHRA, MCC (South Africa) and Anvisa (Brazil) and have helped it to realize its global ambitions. Exports grew at a CAGR of ~25% between FY10 and FY13; they contributed 12.5% of revenues in FY13. FDC export to over 50 countries, including advanced markets such as US, UK, and Japan. With over 300 product registrations in place across USA, CIS, Africa, Asia and Europe, FDC is eminently equipped to service these markets.

Key Risks

- Drug price control order (DPCO) continues to challenge the Indian pharmaceutical industry
- Exports are subject to fluctuations in rupee value -- they contributed ~12.5% to FY13 revenues
- Increasing competition in therapeutic areas
- Negative impact of large cash balance on ROE

Outlook & Valuation

FDC Ltd. has recorded a strong Q2 FY14 result. More so the company has cash reserves of around Rs 500 cr which can be used for further expansion or to ramp up the capacity and also current buyback of shares cannot be ruled out as it will increase the shareholder confidence for better return. Revenues are likely to rise over FY13-FY15E at 10% CAGR with earnings growth of 12% CAGR. The stock's current price-to-earnings (P/E) ratio is 15x. At the current market price, the stock is trading at 13.4x its FY14E EPS of Rs 9.7 and at 12.1x its FY15E EPS of Rs 10.7. We recommend 'BUY' with a target price of Rs. 170 which implies potential upside of ~31% from the CMP.

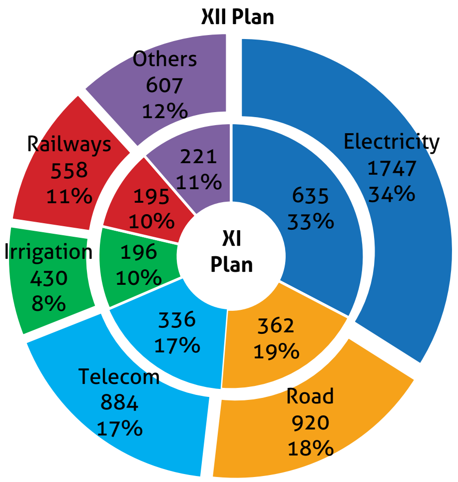


Sector Outlook: Power Industry

Power Sector

India has the world's fifth-largest electricity generation capacity and demand is expected to surge in the coming years owing to growth in the economy. According to the Ministry of Power, the total installed capacity of power is 229,252 MW in India. Out of this, state sector, Central sector and private sector contribute 90,062 MW, 66,263 MW and 72,927 MW, respectively. The electricity generation target for the year 2013-2014 was fixed as 975 Billion Unit (BU). i.e growth of around 6.9% over actual generation of 912.056 for the previous year (2012-2013). The generation during April-October, 2013 was 561.47 BU as compared to 564.55 BU programmed during April-October 2013, representing achievement of about 99%, according to the ministry.

Power Sector is a key enabler for India's economic growth. The sector consists of generation, transmission and distribution utilities and is a crucial component of India's infrastructure. Power Sector leads the investment in infrastructure for XII plan:

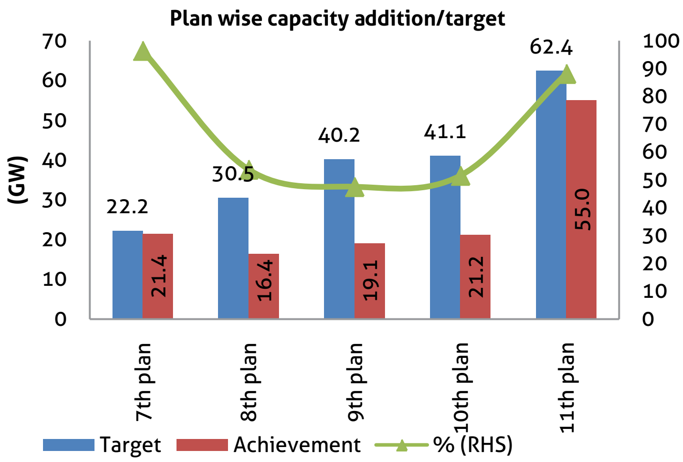


(Figures in '000 Rs crore; XI plan @ FY2006-07 prices & XII plan @ FY2011-12prices)
(Source: Interim Report of the High Level Committee on financing infrastructure)

Investment in electricity is projected to be 1/3rd of the total projected investment in infrastructure sector, thus sustaining the XI plan investment.

XII PLAN - a look ahead

An important gain in the XI plan was the ramping up of the pace of addition to generation capacity though it was lower than the planned capacity addition. The main physical milestones achieved during XI plan are summarised as under:



(Source: XII Plan)

Achievements in Power Sector during the XI Plan

- Capacity addition during the XI Plan period has been at 54964 MW which is 69.8% of the original target and 88.1% of the Mid-term Appraisal target of 62374 MW.
- Total installed capacity as on 31st March 2012, including RES of the country was 199877 MW. The share of renewable energy capacity is about 12%.
- Approximately 69926 circuit km (ckm) of transmission lines were added. 150362 MVA capacity of alternating current (AC) substations and 1750 MW capacity of High-Voltage Direct Current (HVDC) substations were added to the existing transmission systems. (Source: Draft 12th plan)

To keep up the pace of achievements in XI plan, government has also set ambitious targets for XII plan.

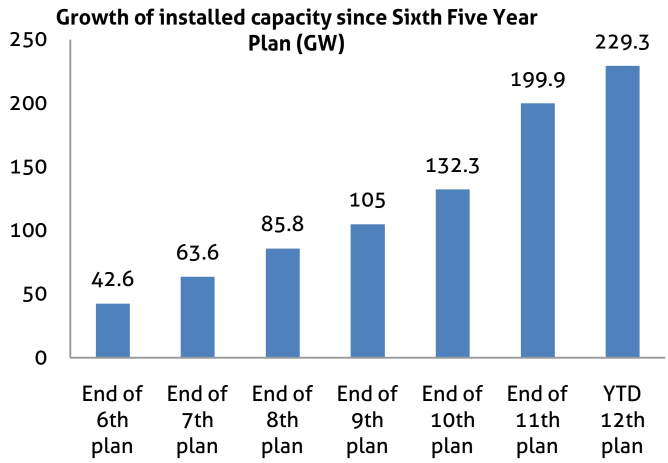
Capacity and Generation Targets for XII plan

The Working Group on power has estimated a capacity addition requirement of 75785 MW corresponding to 9 % GDP growth during the XII plan period. However, in order to reduce the deficits, and provide for faster retirement of the old energy-inefficient plants, the target for the XII plan has been fixed at 88537 MW [excluding RES (Renewable Energy Source)]. Since the growth rate of GDP for the XII plan is likely to be 8.2 % and not 9 %, the target for capacity addition contains an element of slack of about 10 %.

As shown in table below, the share of the private sector in the additional capacity will be 53%, followed by central sector with 30% & state sector with 17%.

Capacity Addition Targets and Achievements in the 12th Plan (MW)

Sector	Hydro	Thermal	Nuclear	Total	Achievement upto October 2013 (%)
Central	6004	14878	5300	26182	23.2%
State	1608	13922	0	15530	33.1%
Private	3285	43540	0	46825	31.5%
Total (excl.RES)	**10897**	**72340**	**5300**	**88537**	**29.3%**
RES				30000	
Total (Incl.RES)	**10897**	**72340**	**5300**	**118537**	
Achievement upto October 2013 %	7.6%	34.7%	0.0%	21.9%	



(Source: XII Plan)

The share of new capacity addition during XII plan based on fossil fuel remains high at -82% (excluding RES).

The initiatives taken by Government of India for rapid growth of power sector including setting-up of Ultra Mega Power Projects and development of power projects on tariff based bidding, allocation of captive coal blocks, bulk tendering of super-critical units etc. are expected to yield benefits during XII plan. Already more than 20 GW (excluding RES) of capacity has been added during the financial year 2012-13 i.e. the first year of XII plan, as compared to 9 GW (approx.) added during the first year of XI plan. Thus, first year of the XII plan has ended on a positive note.

The XII plan target seems realizable subject to availability of fuel, land acquisition, environment clearances, availability of water, transmission capacity and Power Purchase Agreements (PPAs).

The Working Group for the XII plan has estimated a requirement of 1403 BU by financial year 2016-17, after taking into account energy conservation measures and demand-supply management.

Current Landscape in Power Sector

Key Parameters	Upto October 2013	FY 2012-13 (A)	FY 2011-12 (B)	(%) Change (A/B)
Capacity(GW)	229.3	223.3	199.9	11.7%
Generation in Billion Units (BU)	561.5	912.1	876.9	4.0%
All India PLF (Coal& Lignite) (%)	61.9	69.9	73.5	
Energy deficit (%)	3.5	8.7	8.5	
Peak Deficit (%)	3.0	9.0	10.6	
Transmission lines installed (ckt kms)	23501	17107	20434	-16.3%
Sub-stations (MVA)	85265	63665	54287	17.3%

(Source: Central Electricity Authority (CEA))

Review of installed capacity & capacity addition during the current year 2013-14 (Upto October 2013)

The total installed capacity in the country as on October 2013 was 229251.7 MW with State Sector having a share of 39.3%, followed by Private Sector with 31.8% share and balance 28.9% contributed by Central Sector entities.

Total Installed Capacity (MW)

Sector	THERMAL				Nuclear	Hydro	RES	Grand Total	% Share
	Coal	Gas	Diesel	Total					
Central	44775.0	7065.5	0.0	51840.5					
State	52228.0	5947.3	602.6	58777.9	0.0	27482.0	3802.2	90062.1	39.3
Private	37885.4	7368.0	597.1	45850.5	0.0	2694.0	24382.1	72926.7	31.8
ALL INDIA	**134888.4**	**20380.9**	**1199.8**	**156469.0**	**4780.0**	**39818.4**	**28184.4**	**229251.7**	**100.0**
% Share	**58.8**	**8.9**	**0.5**	**68.3**	**2.1**	**17.4**	**12.3**	**100.0**	

(Source: CEA) including RES

Capacity addition of 5328.0 MW during the April to October 2013 beneath the target of 8186.3 MW. With maximum contribution of 65.3% by Private Sector, followed by Central Sector of 21.9%.

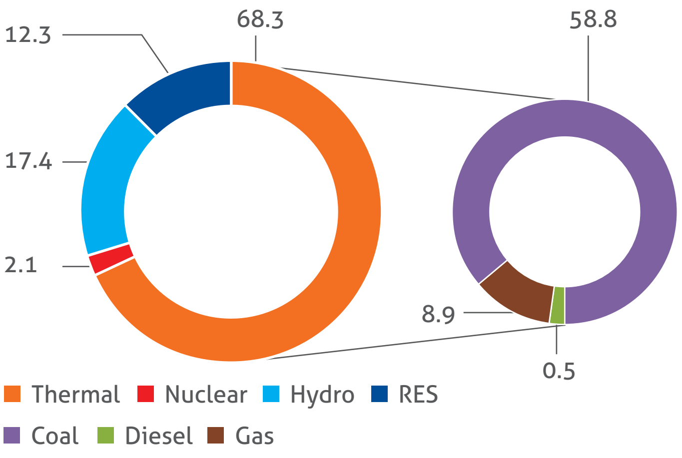
Total Capacity Addition (MW)

	Target 2013-14	Oct'13		APRIL'13-Oct'13		Deviation	% Share
		Target*	Achievement	Target*	Achievement		
Central	6037.3	250.0	530.0	2146.3	683.0	-1463.3	12.8
State	4536.0	0.0	0.0	2846.0	1166.0	-1680.0	21.9
Pvt.	7859.0	0.0	0.0	3194.0	3479.0	285.0	65.3
Total	**18432.3**	**250.0**	**530.0**	**8186.3**	**5328.0**	**-2858.3**	**100.0**

(Source: CEA) * Excluding RES which includes Small Hydro Project, Biomass Power, Urban & Industrial Waste Power, Wind Energy and Solar Power

The total thermal capacity, including gas and diesel stations accounts for about 68.3% of installed capacity of the country followed by hydro capacity at 17.4%. Nuclear stations account for 2.1% and the balance 12.3% is contributed by RES.

Fuel wise Installed Capacity (%)



(Source: CEA)

Power Generation

The electricity generation target for the year 2013-2014 was fixed as 975 Billion Unit (BU). i.e growth of around 6.9% over actual generation of 912.056 for the previous year (2012-2013). The generation during April-October, 2013 was 561.47 BU as compared to 534.26 BU generated during April-October 2012, representing a growth of about 5.09%. The power generation during FY13 was 912.06 BU as compared to 876.89 BU during last year, registering a growth of 4.01%.

Sector wise and fuel wise break-up of generation in BU for the current year 2013-14 (Upto October 2013), FY13 and FY12 is detailed as under:

Sector (in BU)	Upto Oct 2013	FY 14 Target	FY 2012-13	FY 2011-12
Central	224.74	389.58	375.97	364.00
State	202.58	374.47	347.15	367.96
Private	129.19	206.15	184.15	139.65
Bhutan Import	4.96	4.80	4.79	5.28
Total	**561.47**	**975.00**	**912.06**	**876.89**

Fuel (in BU)	Upto Oct 2013	FY14 Target	FY 2012-13	FY 2011-12
Thermal	443.50	812.74	760.68	708.81
Hydro	93.91	122.26	113.72	130.51
Nuclear	19.10	35.20	32.87	32.29
Bhutan Import	4.96	4.80	4.79	5.28
Total	**561.47**	**975.00**	**912.06**	**876.89**

(Source: CEA)

Of the total national generation during the current year 2013-14 (Upto October 2013), the State Sector contributed 42.0%, Central Sector utilities contributed 41.5% where as Private Sector has contributed 15.9%. The overall generation till October 2013 was ~ 5 % more than targeted.

India has abundant sources of power production. Thermal power in India accounts for roughly two-thirds of the power generated in India which includes gas, liquid fuel and coal. Reserves for thermal power generation include 59 billion tonnes of mineable coal, 775 million metric tonnes of oil reserves and natural gas reserves of 1,074 billion cubic metres. Other prominent and fast-growing sources of power are hydro, wind, solar, nuclear, biomass and industrial waste, etc. Presently, out of the total power being generated, 58.8% is coal based, 8.9% is gas based and 0.5% is oil based, hydro contributes for 17.4% of power, while nuclear production is 2.1% and the rest 12.3% is collectively produced by renewable energy sources such as small hydro project, biomass gasifier, biomass power, urban and industrial waste power and wind energy.

For nuclear power, India has one of the world's largest reserves of nuclear fuel thorium. According to the Ministry of Atomic Energy, nuclear power generation in 2013–14 was estimated at 35.2 billion units. The government has targeted an installed nuclear power capacity of 20 GW by 2020 and 63 GW by 2032. For water-based power, India has an untapped hydro potential worth 1,198 MW, only 27% of which has been harnessed until now. Similarly, solar power, biomass and wind power too have high potential for future development.

India has the world's fourth-largest number of wind energy installations. According to the Ministry of New and Renewable Energy (MNRE), wind energy is one of the fastest-growing renewable energy sectors in the country. With a cumulative deployment of over 29,500 MW, wind energy accounts for nearly 70% of the installed capacity in the renewable energy sector in the country.

In July 2009, India unveiled a USD 19 billion plan to produce 20,000 MW of solar power by 2022. The first Indian solar thermal power project (2 X 50 MW) is in progress in Phalodi in the state of Rajasthan. According to MNRE, the share of renewable-based capacity is 12.3% (excluding large hydro) of the total installed capacity of 28,184 MW in the country, up from 2% at the start of the 12th plan period (2012–17). This includes 19.934.78 MW of wind, 3.747 MW of small hydro power, 2,392 MW of (bagasse-based) cogeneration, 1,285 MW of biomass, 99 MW of waste-to-power and 2,080 MW of solar PV for grid connected renewables at the end of October 2013.

According to the Ministry of Power, the scope for investments in the Indian power sector stands at USD 300 billion.

Capacity Utilization

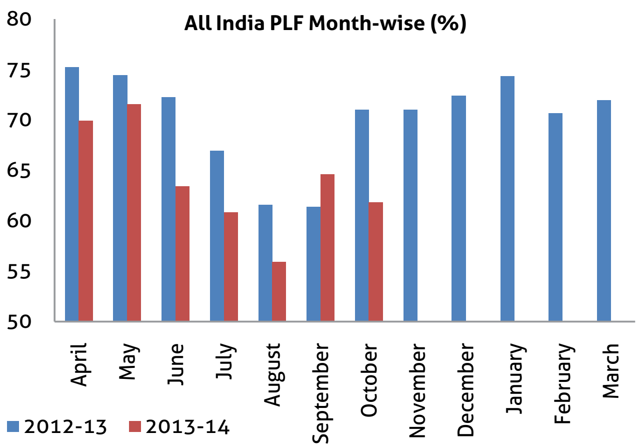
Capacity utilization in the Indian power sector is measured by Plant Load Factor (PLF). The PLF has shown a decline during the period between October 2012 - October 2013.

Sector wise PLF (%)

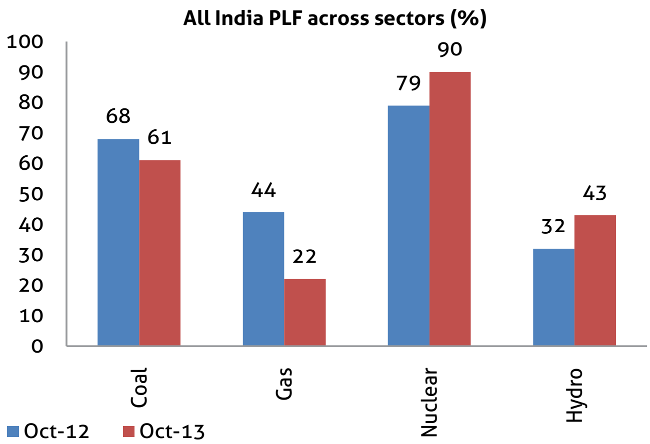
Sector	Oct-12	Oct-13	Change
Central	78.07	68.78	-9.29
State	67.46	54.33	-13.13
Private	59.6	63.25	3.65
All India	**71.04**	**61.85**	**-9.19**

(Source: CEA)

- PLF for coal based plant declined to 61.9% compared to 70.7% in Oct'12 led by lesser agricultural load and lower industrial growth.
- During the month, gas based PLF fell to 22.3% compared to 43.7% in Oct'12, due to constraints in gas supply.
- Nuclear based PLF went up by 10 4% yoy to 88 0%
- The decline in PLF was mainly on account of shortage of raw materials, poor quality of coal, backing down/ shut down of units on account of low schedule from beneficiary states and delays in stabilization of new units.



(Source: CEA)



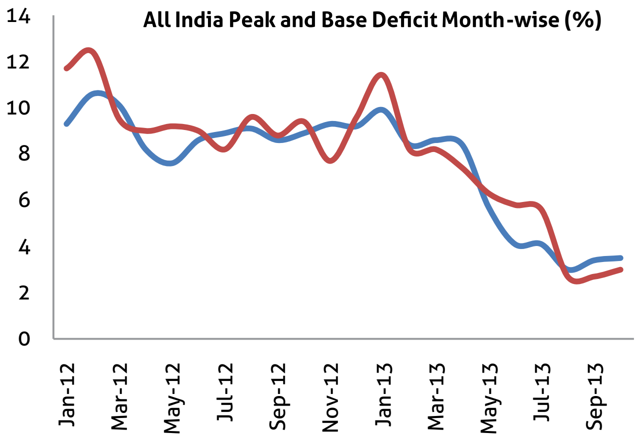
(Source: CEA)

Demand and Supply Position

The energy deficit increased marginally on a year-on-year basis in financial year 2012-13 to 8.7% from 8.5% in financial year 2011-12. However, the Peak deficit, decreased to 9.0% in financial year 2012-13 from 10.6% in the previous year. Overall, the sector is characterized by acute shortages of power.

Region	Energy (MU)							
	Demand		Availability		Deficit (%)		Peak Deficit (%)	
	Oct'12	Oct.'13	Oct.'12	Oct.'13	Oct.'12	Oct.'13	Oct.'12	Oct.'13
Northern	25211	24493	22786	22966	-9.6	-6.2	-10.6	-6.7
Western	26616	24007	25902	23850	-2.7	-0.7	-1.5	-0.1
Southern	24081	21847	20016	20867	-16.9	-4.5	-18.7	-2.2
Eastern	8978	9007	8608	8891	-4.1	-1.3	-5.7	-1.3
North Eastern	1036	1104	977	1049	-5.7	-5.0	-3.3	-4.3
All India	**85922**	**80458**	**78289**	**77623**	**-8.9**	**-3.5**	**-9.4**	**-3.0**

(Source: CEA)



(Source: CEA)

- Peak deficit for Oct'13 fell to 3845 MW or 3.0% compared to 4881 MW in Sept'13 or 3.6%. For Oct'12, the peak deficit was reported at 11673 MW or 9.4%.
- Deficit in northern region has risen (by 80 bps mom to 6.7%) and that for North eastern region improved (by 390 bps mom to 4.3%) owing to higher hydel generation due to heavy monsoon which led 60 bps MoM fall in peak deficit to 3.0%.
- Base deficit for Oct'13 has risen to 2835 MU or 3.5% against 2817 MU or 3.4% in Sept'13. During Oct'12, the base deficit was at 7654 MU or 8.8%.
- Southern region reported drop in base deficit from 17.8% in Oct'12 to 4.5% in Oct'13 due to commissioning of new capacities. On sequential basis, deficit for southern region went up by 1.7%

Transmission and Distribution

Transmission

The large expansion in generation and consumption of electricity has to be supported by a significant expansion and strengthening of the transmission network. The transmission systems that are in place in the country consist of Inter-State Transmission System CISTS) and Intra-State Transmission System (Intra-STS). ISTS is mainly owned and operated by Power Grid Corporation of India Limited which is also Central Transmission Utility.

The power system in the country is demarcated into five regions. Four regional grids have been operating in synchronous mode as a single system for the past few years. Only the southern grid is yet to be connected to the rest of the system. The high voltage Raichur-Sholapur 765 KV line to connect southern grid is under construction and expected to be commissioned during the financial year2013-14.

Transmission lines in the country upto October 2013 are 280982 ckm and Sub Stations are 494816 MVA. A total of about 107440 ckm of transmission lines; 270000 MVA of AC transformer capacity and 12750 MW of HVDC systems are expected to be added during the XII plan. For FY14 a total of about 18674 ckm of transmission lines; 35363 MVA of Sub-station are expected to be added.

The total capacity to transfer power across regions at the end of the XI plan was about 27750 MW and this is expected to increase by 136 % to 65550 MW by the end of XII plan. The proposed expansion of the capacity to transmission capacity can be met if some serious challenges, viz. right of way, flexibility in line loading and regulation of power and improvement of operational efficiency are adequately dealt with.

Voltage Level	Transmission Lines Capacity Addition (In CKms)			Sub-Station Capacity Addition (In MVA)		
	Oct. 2013	Apr.'13 - Oct.'13	FY14 Target	Oct. 2013	Apr.'13 - Oct.'13	FY14 Target
+/- 500 KV HVDC	0	0	0	0	0	0
765 KV	98	1549	3011	6000	13500	12000
400 KV	0	2513	11445	945	3520	13400
220 KV	313	2332	4218	280	4580	9963
All India	**411**	**6394**	**18674**	**7225**	**21600**	**35363**

(Source: CEA)

Distribution: Losses of Utilities selling directly to consumers

The aggregate losses of utilities selling directly to consumers on subsidy received basis increased from Rs 34,728 crore in the financial year 2008-09 to Rs 43,433 crore in financial year 2009-10. In the financial year 2010-11 these losses stood at Rs 38,821 crore a reduction of Rs 4,612 crore (10.62%) over financial year 2009-10.

The aggregate losses without considering subsidy of these utilities increased from Rs 50,441 crore in the financial year 2008-09 to Rs 62,508 crore in the financial year 2009-10. The losses decreased to Rs 59,200 crore in the financial year 2010-11 a reduction of Rs 3,308 crore (5.29%) over financial year 2009-10.

Many States have now started to increase tariffs in the last couple of years to bridge the revenue gap. The Cabinet has also approved a Financial Restructuring Plan (FRP) for Distribution Companies (Discoms).

Under FRP, Cabinet has approved a debt restructuring plan for all State Discoms having accumulated losses and facing difficulties in financing operational losses. The highlights are as follows:

- 50 % of the outstanding short term liabilities (STL) as of 31st March 2012 to be taken over by State Governments. This shall be first converted into bonds to be issued by Discoms to participating lenders duly backed by the State Government guarantee.
- The State Government will take over the liability during the next two to five years by issuance of special securities in favour of participating lenders in a phased manner.
- Balance 50 % of the STL will be rescheduled by lenders and serviced by the Discoms with a moratorium of three years on principal and would be backed by a State Government guarantee.
- The restructuring/re-schedulement of loan is to be accompanied by concrete and measurable action by the Discoms/States to improve the operational performance of the distribution utilities.

Effective implementation of the restructuring package during the XII plan would send a powerful signal that the power sector is on the path of financial viability.

It is important to note that Aggregate Technical and Commercial (AT&C) losses remained high at 26.15% in financial year 2010-11 and needs to be brought down.

T&D and AT&C Losses (%)

	2010-11	2011-12
T&D Losses	23.97	23.65
AT&C Losses	26.15	NA

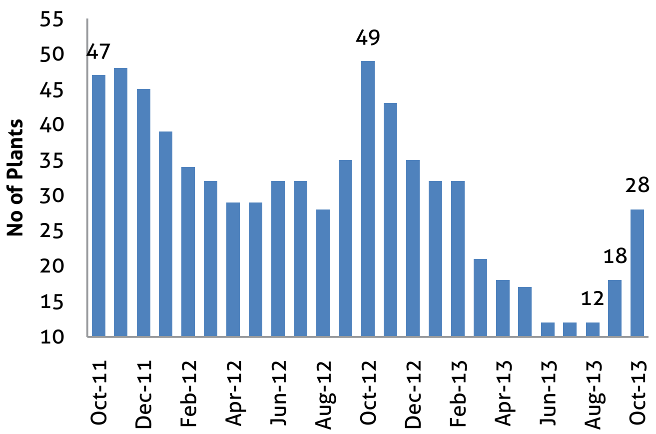
(Source: CEA)

Inventory data

Coal

Coal India has missed its production targets by almost 15 million tonne for the period April-November 2013. Accordingly, coal stocks in thermal power plants have halved during the last couple of months. India's largest producer of coal has also missed its coal sales target by about 12 million tonnes during the same period. According to figures released by CEA out of the 100-odd power stations in the country, 21 stations have stocks that will barely last for four days, and 10 have stocks that is expected to last between 5 and 7 days. Average coal stocks in plants declined to 11 days at present, from a level of 18-20 days a couple of months ago. A few months back, total stocks in power plants was about 19 million tonnes which has declined to 15 million tonne now. In fact, power supply shortage during the last few days of November, as a result has touched 7,000 mw on a national level. It was hovering around 4,000-5,000 mw during the September this year.

Number of power plants facing sub-critical level of inventory (less than seven days)



(Source: CEA)

The coal supply position deteriorated significantly in October 2013, with 28 out of 98 coal based plants facing subcritical inventory levels vs. 18 in September 2013. This was primarily due to increased generation across coal based plants in September 2013, which led to destocking of stocks at the plant level. Also, the cyclone Phailin at the eastern coast impacted coal production at mines and thus supply. The situation, however, was far better compared to 49 plants facing subcritical levels in October 2012. International coal prices though were down 5.1% YoY to US$82.1/tonne, on a landed cost basis it was up 9.3% YoY due to rupee depreciation. Natural gas production continued its declining trend, with output for September 2013 down 14% YoY to 96 mmscmd.

Natural Gas

The recent developments have started to show some light at the end of the tunnel for the gas-based power plants. The Street is expecting the domestic gas production to improve in the coming months after the recent news of Reliance Industries getting government's clearance for the gas price hike to $8.4 per unit compared to $4.2 per unit earlier. With the price hike for gas, the market is hoping for higher gas output and availability to the power sector, which is going to be positive for the power companies. Today about 50% of about all India gas based capacity of 25,000 mw capacity is sitting idle.

Though this could take some time, the experts also believe that one needs to see if these companies will be able to the costly power. If the gas is priced at $8 per unit, the experts believes that the companies will be able to generate power at about Rs 5 per unit, which is definitely considered to be higher compared to earlier, but this is looked positive because even at this rate the companies will be able to produce power at 40-50% cheaper rate than the power produced from the imported gas at around $12-13 unit. Further, many of these capacities have a pass through clause. Even in the worst case, the gas based power can be used for the industrial consumers and could be blended with the cheaper power in the peak seasons.

CERC draft regulation 2014-19; Unexpectedly stringent

CERC released the draft regulations that apply to inter-state generation and transmission utilities for the period April 2014 to March 2019. While CERC has maintained ROE at 16% (comprised of 15.5% plus an additional 0.5% for scheduled commissioning), in line with the existing regulations, it has made the normative operating parameters more stringent. Hence, these draft regulations in the current form seem neutral to negative for NTPC and Power Grid. However, as in the past, the final regulations (to be released before April 2014) could relax some of these norms. A public hearing on these regulations will be held on January 15-16, 2014.

Key excerpts from the draft regulations are as follows:

- Return on equity shall be computed at the base rate of 15.50% for thermal generating stations, transmission system including communication system and run of the river hydro generating station, and at the base rate of 16.50% for pumped storage hydro generating stations and run of river generating station with pondage. An additional return of 0.50% shall be allowed if projects are completed within the scheduled timeline.
- Any financial gains by a generating company on account tof controllable parameters shall be shared between generating company and the beneficiaries in the ratio of 3:1. Controllable parameters include: i) Station Heat Rate; ii) Secondary Fuel Oil Consumption; and iii) Auxiliary Energy Consumption
- Norms for O&M expenses for thermal and hydro generating stations are now excluding water charges. Water charges as applicable shall be allowed separately.
- Incentive to a generating station shall be payable at a flat rate of 50 paise/unit for generation in excess of normative PLF of 85%.
- Normative availability factor for AC transmission system is 99% (98% earlier), for HVDC bi-pole links is 98% (92% earlier) and for HVDC back-to-back stations is 98% (95% earlier).

Comparison of old and new norms and View

	2009-14 Norms	Draft 20014-19 Norms	View
RoE			
Thermal Generating & Transmission systems	15.50%	15.50%	Neutral
Run of the river hydro with storage	16.50%	16.50%	Neutral
Tax	RoE grossed up on actual tax rate applicable for the year and recovered from beneficiaries	Tax other than on RoE shall not be recovered from beneficiaries. Benefits of Section 80 IA to be passed on to beneficiaries	Negative for NTPC
Availability for fixed cost recovery			
Thermal generating stations	85%	85%	Neutral
AC System	98%	98%	Neutral
HVDC bi-pole	92%	95%	Neutral
HVDC back to back	95%	95%	Neutral
Incentive structure			
Thermal generating stations	As a % of AFC over and above the normative PAF	Flat rate of 50 paise/kWh beyond normative PLF(85%)	Negative for NTPC
AC System	98%	99%	Negative for PGCIL
HVDC bi-pole	92%	98%	Negative for PGCIL
HVDC back to back	95%	98%	Negative for PGCIL
Gross station heat rate			
200/210/250 MW Sets	2500 KCal/kWh	2425 kCal/kWh	Negative for NTPC
500 MW Sets (Sub-critical)	2425 kCal/kWh	2375 kCal/kWh	Negative for NTPC
New Stations achieving COD	1.065 X Design Heat Rate	1.045 X Design Heat Rate	Negative for NTPC
Gains from fuel efficiency and SHR	Retain 100% benefits	25% benefit to be shared with beneficiaries	Negative for NTPC
Secondary fuel oil consumption			
Coal based			
Pit Head Stations	1.0 ml/kWh	0.5 ml/kWh	Neutral
Non-Pit Head Stations	1.0 ml/kWh	1.0 ml/kWh	Neutral
Normative auxiliary consumption			
200 MW series	8.50%	8.50%	Neutral
300/330/350/500 MW and above			
Steam driven boiler feed pumps	6.00%	6.00%	Neutral
Electrically driven boiler feed pumps	8.50%	8.50%	Neutral

While the proposed draft regulation seems very stringent, the final regulations (expected by February 2014) may witness some relaxation, similar to what has happened in the past. However, the impact may still be negative compared to the earlier tariff as the quantum of negativity in the proposed draft is much higher compared to previous draft regulations.

Policy and Promotion

Foreign direct investment

Foreign direct investment (FDI) up to 100% is permitted under the automatic route for:

- Generation and transmission of electric energy produced in hydro electric, coal/lignite-based thermal, and oil- and gas-based thermal power plants

- Non-conventional energy generation and distribution
- Distribution of electric energy to households, industrial, commercial and other users
- Power trading

There is no requirement of licenses to set up new power plants, though FDI is not allowed in the nuclear segment. The power sector received FDI worth USD 8,049 million between April 2000 and September 2013, which was 4% of the total FDI inflows achieved, according to the Department of Industrial Policy and Promotion, which formulates the country's FDI policy and is part of the Ministry of Commerce and Industry. An income tax holiday for 10 years in the first 15 years of operation and waiver of capital goods' import duties on mega power projects, above 1,000 MW generation capacity, is provided as incentive for investing in the sector.

Rural Electrification

The Central Government launched a scheme 'Rajiv Gandhi Grameen Vidyutikaran Yojana' (RGGVY) in April 2005 with the goal of electrifying all un-electrified villages and hamlets and providing access to electricity to all households. Under RGGVY, over 1 lakh villages have been electrified and over 2 crore connections have been provided to Below Poverty Line (BPL) households up to 15.06.2013. Rural electrification contributes in a long way to the Government's objective of inclusive growth.

R-APDRP

Restructured Accelerated Power Development and Reforms Programme (R-APDRP) was approved as a Central sector scheme on 31.07.2008 with total outlay of Rs 51,577 crore. The focus of R-APDRP is on actual, demonstrable performance in terms of reduction in Aggregate Technical and Commercial (AT&C) losses through application of information technology for energy auditing and accounting and through technological up-gradation and strengthening of distribution infrastructure. Projects under R-APDRP are presently taken up in two parts.

Part A focused on establishing reliable and automated system for sustained collection of accurate baseline data, and the adoption of IT in the areas of energy accounting and auditing and consumer-based services. Part B includes projects to strengthen the distribution system. Most of Part A projects have been awarded. These are under implementation and at a stage of advanced progress in several States.

APDRP and R-APDRP have been successful in bringing down the AT&C losses from 38.86% in 2001-02 to 26.15% in 2010-11. However, losses are still at a higher level and far behind the targeted reduction of AT&C losses to 15%.

Major policy/ plans/regulatory initiatives of the government:

- Development of power projects on tariff based bidding
- Development of Ultra Mega Power Projects
- Allocation of captive coal blocks
- Hydro power policy, 2008
- Private sector participation in transmission Sector
- Jawaharlal Nehru National Solar Mission -towards building solar India
- R-APDRP
- Inter-State Trading Margin Regulations, 2010
- New Indian Electricity Grid Code (IEGC), 2010
- CERC (Open Access in Inter-State Transmission) Regulations, 2008
- Regulations on "Terms and Conditions for Tariff determination from Renewable Energy Sources", 2009.
- Financial Restructuring Plan for Discoms
- Demand Side Management Initiatives e.g.
    - National Mission for Enhanced Energy Efficiency (NMEEE)
    - Perform Achieve and Trade Scheme
    - Energy Conservation Building Code (ECBC)

Sector Outlook

Opportunities are coming up in power generation, transmission, distribution and equipment and servicing with capacity additions for power generation, captive power plants being set up, government promoting private sector participation in transmission and distribution, transmission projects being awarded on tariff-based bidding, privatization of distribution franchisees, scope for rural electrification, more focus on improving efficiency and introducing advanced technology and greater need for operational and maintenance services.

The power situation is expected to be less stagnant, with capacity addition in North and West and less deficit in the South. Expectation of deficits moderating is based upon estimates of requirement figure which will depend on state of SEBs and elections. On the other hand, energy requirement met will largely depend upon fuel availability, O&M scheduling and transmission network efficiency. The environment will be conducive on the back of moderate imported coal prices and moderate merchant rates. A reasonably good monsoon and higher demand growth in the North will help newer capacities added to the generation. The generation target for FY 14 is 5% which looks within reach as yet. Tariff revision in 21 states, signing of new FSAs with CIL and a higher expectation for reforms is still challenged by a delay in clearances and ailing financials of the corporate.

Long Term Outlook

The long term outlook of the sector can be gauged from the following statistics relating to electricity as projected by the 18th Electric Power Survey (18th EPS):

Parameters	FY 2021-22	FY 2026-27	FY 2031-32
Electrical Energy Requirement (BU)	1904.86	2710.06	3710.08
Peak Electric Load (GW)	283.47	400.71	541.82
T&D Losses (%)	15.39	15.34	15.29
Load Factor	76.93	76.43	75.93

As reflected above, the demand is set to double from financial year 2021-22 to financial year 2031-32, indicating huge growth potential of the sector.

Valuation Matrix

	CMP (Rs)	Market Cap (Rs cr)	Sales (Rs cr)	EBITDA Margin (%)	PAT Margin (%)	P/E Ratio (x)	P/E FY14E (x)	P/Bv Ratio (x)	ROE (%)	ROE FY14E (%)
NTPC	137.2	113087	693768	26.4	18.1	10.5	9.8	1.4	16.2	12.5
Power Grid Corpn	99.0	51793	131155	86.5	32.9	9.0	8.0	1.7	17.3	17.4
NHPC Ltd	19.0	23310	64021	67.3	40.9	10.0	8.8	0.8	8.9	8.1
Tata Power Co.	89.9	21334	330254	20.1	-0.3	23.9	17.4	1.9	-0.7	10.1
Reliance Power	72.6	20365	49266	34.8	20.5	20.9	17.6	1.1	5.6	5.8
Reliance Infra.	427.1	11232	155101	19.3	14.5	6.9	6.2	0.4	8.9	6.7
Adani Power	39.5	11344	67748	16.2	-33.9	N/A	135.7	2.2	-44.4	-1.3
Neyveli Lignite	60.6	10159	55901	N/A	26.1	N/A	N/A	0.8	11.7	N/A
JSW Energy	56.0	9184	89343	31.3	10.1	8.3	8.9	1.5	15.2	14.1
SJVN	20.7	8542	16821	86.3	62.6	N/A	N/A	1.0	13.0	N/A
CESC	441.9	5520	75707	20.6	6.1	10.8	8.9	1.1	9.2	10.3
JP Power Ven.	18.7	5479	24586	79.7	14.3	16.4	7.3	0.8	5.9	9.4
Torrent Power	119.0	5620	79701	17.4	4.9	N/A	13.5	0.9	6.5	7.3
KSK Energy Ven.	63.4	2362	22070	41.6	6.8	84.5	7.2	0.7	4.8	7.7

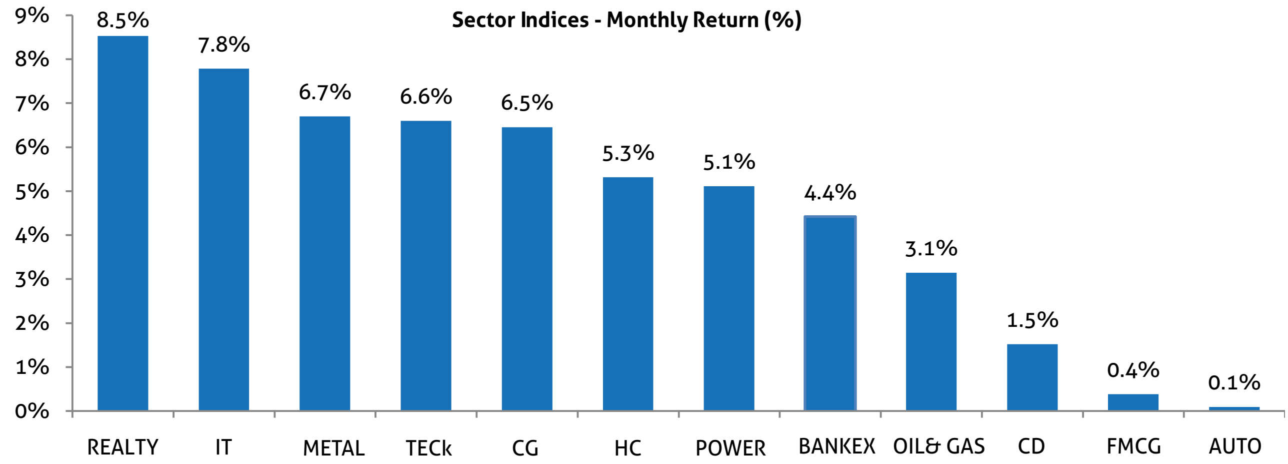
Market Diary

BEST PERFORMERS FOR THE MONTH (CNX 100)				
Sl No.	Co. Name	CL. Price 28.11.2013	CL. Price 26.12.2013	CL. Price Var (%)
1	BOSCHLTD	8487.7	10600.0	24.9%
2	GLAXO	2390.0	2954.2	23.6%
3	CANBK	240.6	283.0	17.6%
4	PNB	532.3	625.2	17.5%
5	HCLTECH	1062.2	1246.0	17.3%
6	WIPRO	472.6	550.0	16.4%
7	BHEL	151.0	175.2	16.1%
8	AXISBANK	1120.3	1300.0	16.0%
9	TATAPOWER	78.1	90.3	15.6%
10	SRTRANSFIN	575.3	662.5	15.2%
11	HINDPETRO	207.6	237.5	14.4%
12	DLF	149.4	170.8	14.3%
13	UNIPHOS	168.7	190.4	12.9%
14	BHARATFORG	293.2	330.9	12.9%
15	NMDC	124.5	138.2	11.0%
16	JPASSOCIAT	49.5	54.7	10.5%
17	FEDERALBNK	76.4	84.4	10.5%
18	UNIONBANK	117.1	128.8	10.0%
19	RANBAXY	420.1	462.0	10.0%
20	CUMMINSIND	427.0	469.1	9.9%

WORST PERFORMERS FOR THE MONTH (CNX 100)				
Sl No.	Co. Name	CL. Price 28.11.2013	CL. Price 26.12.2013	CL. Price Var (%)
1	GODREJCP	904.2	831.0	-8.1%
2	NTPC	147.9	137.2	-7.3%
3	UBL	796.6	739.3	-7.2%
4	TATAMOTORS	397.9	370.2	-7.0%
5	ULTRACEMCO	1910.4	1800.0	-5.8%
6	HDFC	814.1	776.3	-4.6%
7	IDEA	175.1	167.0	-4.6%
8	HINDUNILVR	589.8	564.5	-4.3%
9	RELCAPITAL	368.4	354.0	-3.9%
10	RCOM	135.5	130.4	-3.8%
11	MCDOWELL-N	2628.2	2534.0	-3.6%
12	PETRONET	127.6	123.0	-3.6%
13	KOTAKBANK	751.9	725.8	-3.5%
14	ASIANPAINT	504.9	489.0	-3.1%
15	TATACHEM	273.1	270.2	-1.1%
16	RECLTD	218.3	216.5	-0.8%
17	BAJAJFINSV	718.8	713.1	-0.8%
18	OIL	479.4	476.0	-0.7%
19	SBIN	1763.6	1751.8	-0.7%
20	HINDALCO	121.4	120.9	-0.4%

(Source: BSE)

INDICES PERFORMANCE 28.11.2013 –26.12.2013



(Source: BSE)

Valuation at a glance

Sl	CNX100 Company	CMP (Rs.)	Mkt Cap (Rs. Cr.)	Est. P/E FY14	Est. P/E FY15	Est. P/B FY14	Est. ROE FY14	Est. ROE FY15	DPS FY13	Dividend P/O FY13	Dvd Yield FY13
1	Aditya Birla Nuvo	1220.0	15870	12.3	9.6	1.6	12.5	13.2	6.5	7.4	0.5
2	ACC	1110.5	20849	20.7	16.8	2.8	14.8	14.6	30.0	53.2	2.7
3	Ambuja Cements	184.3	28476	20.8	16.7	3.2	15.3	15.1	3.6	42.9	2.0
4	Adani Enterprises	269.8	29673	25.4	11.1	1.4	7.9	12.1	1.4	9.5	0.5
5	Adani Ports	160.0	33110	17.9	14.4	5.0	29.0	23.6	1.0	13.0	0.6
6	Apollo Hospitals	884.9	12310	34.9	28.7	4.5	11.6	13.5	5.5	25.1	0.6
7	Asian Paints	489.9	46986	35.6	30.3	13.9	36.3	36.0	4.6	39.6	0.9
8	Axis Bank	1297.1	60862	N/A	N/A	1.8	18.7	N/A	18.0	18.9	1.4
9	Bharti Airtel	329.6	131734	34.4	20.6	2.2	3.7	9.8	1.0	16.7	N/A
10	BHEL	174.8	42784	11.0	11.9	1.4	23.9	12.0	5.4	19.8	3.1
11	Bharat Forge	332.6	7742	21.2	16.7	3.4	11.2	16.5	3.4	29.9	1.0
12	Bajaj Auto	1949.5	56412	15.8	13.8	7.0	44.3	37.4	45.0	41.6	2.3
13	Bajaj Finserv	712.2	11333	6.6	6.1	1.5	24.4	18.5	1.5	1.5	0.2
14	Bajaj Holidings	897.4	9987	N/A	4.7	1.0	19.5	N/A	25.0	15.0	2.8
15	Bank of Baroda	646.9	27249	N/A	N/A	0.8	15.5	N/A	21.5	22.1	3.3
16	Bank of India	228.9	14698	N/A	N/A	0.6	12.3	N/A	10.0	24.7	4.4
17	Bosch Ltd	10599.4	33281	N/A	N/A	6.0	18.6	N/A	60.0	19.7	0.6
18	BPCL	354.5	25630	12.8	11.0	1.5	11.5	12.1	11.0	42.3	3.1
19	Cairn India	320.1	61163	5.2	5.5	1.3	25.1	17.9	11.5	18.2	3.6
20	Canara Bank	284.2	12588	N/A	N/A	0.5	12.3	N/A	13.0	19.4	4.6
21	Container Corp	715.8	13956	14.2	13.1	2.2	15.8	14.6	11.7	24.4	1.6
22	Cipla Ltd	398.1	31960	20.3	17.5	3.5	18.5	16.3	2.0	10.4	0.5
23	Colgate-Palmolive	1296.7	17634	N/A	N/A	53.4	159.2	N/A	20.0	62.7	1.5
24	Coal India Ltd	282.1	178185	10.7	9.8	3.7	39.0	30.4	14.0	50.9	5.0
25	Crompton Greaves	131.8	8452	25.0	15.7	2.4	-1.0	13.6	1.2	N/A	0.9
26	Dabur India Ltd	173.0	30159	32.6	27.3	14.2	39.7	36.7	1.5	34.2	0.9
27	Divi's Lab	1177.4	15627	21.0	17.6	6.2	26.0	26.5	15.0	33.1	1.3
28	DLF Ltd	170.5	30366	38.6	21.0	1.1	2.8	4.6	2.0	50.0	1.2
29	Dr Reddy's Lab	2513.5	42736	21.4	18.7	5.8	27.3	23.0	15.0	15.2	0.6
30	Exide Industries	118.7	10085	15.6	13.4	3.3	19.1	20.4	1.6	24.8	1.3
31	Federal Bank	84.1	7190	N/A	N/A	1.1	14.4	N/A	1.8	18.1	2.1
32	GAIL	340.4	43179	9.7	9.4	1.5	16.3	13.8	9.6	27.8	2.8
33	Godrej Consumer	831.3	28296	34.9	27.9	8.5	26.0	23.9	5.0	21.4	0.6
34	GlaxoSmith Pharma	2954.6	25026	44.0	37.7	12.5	28.5	31.8	50.0	86.7	1.7
35	Glenmark Pharma	532.4	14435	20.4	16.1	5.2	23.8	22.7	2.0	8.8	0.4
36	Grasim Inds	2722.2	24995	10.1	8.8	1.3	14.8	12.2	22.5	7.6	0.8
37	HCL Tech	1244.9	86997	15.5	13.8	5.5	33.5	29.5	12.0	20.7	N/A
38	HDFC	779.3	121511	22.2	18.0	3.8	23.6	22.6	12.5	29.1	1.6
39	HDFC Bank	669.1	160128	18.8	15.0	4.3	20.6	N/A	5.5	19.1	0.8
40	Hero Motocorp	2098.0	41894	N/A	N/A	8.4	45.6	N/A	60.0	56.6	2.9
41	Hindalco	121.1	25002	9.8	8.5	0.7	9.0	7.4	1.4	8.9	1.2
42	HPCL	237.0	8024	9.1	7.4	0.6	3.7	8.5	8.5	57.4	3.6
43	Hindustan Unilever	563.6	121886	33.7	30.8	42.5	117.0	99.6	10.5	59.3	1.9
44	ICICI Bank	1099.7	126958	12.2	8.8	1.9	14.9	15.7	20.0	24.0	1.8
45	IDBI Bank	65.7	8750	N/A	N/A	0.4	9.3	N/A	3.5	24.7	5.3
46	Idea Cellular	165.8	54993	27.5	20.0	3.8	7.4	15.1	0.3	9.8	0.2
47	IDFC	106.3	16117	8.2	7.4	1.2	14.1	13.7	2.6	21.4	2.4
48	IndusInd Bank	419.8	22012	N/A	N/A	2.6	18.3	N/A	3.0	14.8	N/A
49	Infosys	3520.7	202168	19.3	16.4	4.7	24.1	23.9	42.0	25.6	N/A
50	ITC	320.3	254134	28.8	24.3	10.9	35.7	37.6	5.3	54.5	1.6

N/A: Not Available

(Source: Bloomberg Consensus as on December 26, 2013)

Valuation at a glance cont...

Sl.	CNX100 Company	CMP (Rs.)	Mkt Cap (Rs. Cr.)	Est. P/E FY14	Est. P/E FY15	Est. P/B FY14	Est. ROE FY14	Est. ROE FY15	DPS FY13	Dividend P/O FY13	Dvd Yield FY13
51	Jaiprakash Associates	54.7	12127	26.4	11.2	1.0	3.8	7.1	0.5	24.0	0.9
52	Jindal Steel & Power	262.2	24507	9.0	7.6	1.2	14.8	12.6	1.6	5.1	0.6
53	JSW Steel	998.8	24142	14.0	11.2	1.3	5.6	10.4	10.0	23.9	1.0
54	Cummins India	469.8	13021	20.2	16.5	8.8	34.0	N/A	4.7	38.5	1.0
55	Kotak Mahindra Bank	725.9	55830	21.9	18.3	3.5	15.5	15.0	0.7	2.4	0.1
56	LIC Housing Finance	215.5	10873	8.5	6.9	1.7	17.1	19.1	3.8	18.3	1.8
57	Lupin	907.0	40650	24.3	20.3	7.8	28.5	26.2	4.0	13.6	0.4
58	Larsen & Tourbo	1072.7	99339	19.9	17.4	2.9	16.5	14.0	12.3	21.9	1.1
59	Mahindra & Mahindra	960.9	59178	12.8	11.1	2.8	22.4	19.0	12.5	19.5	1.3
60	M & M Financial	317.4	18053	16.7	13.6	3.9	24.4	21.9	3.6	22.1	1.1
61	Mphasis	425.3	8937	11.3	10.5	1.8	15.9	15.4	17.0	48.0	4.0
62	Maruti Suzuki	1793.6	54181	18.3	16.0	2.8	14.2	14.7	8.0	9.8	0.4
63	NMDC	138.7	54971	N/A	N/A	4.7	43.6	N/A	2.2	20.1	1.6
64	NTPC	137.2	113087	10.5	9.8	1.4	16.2	12.5	4.5	37.7	3.3
65	Oracle Financial Servc	3239.7	27247	19.7	18.3	3.7	15.7	15.3	0.0	0.0	0.0
66	Oil India	476.8	28659	7.9	6.8	1.5	19.4	18.8	30.0	50.2	6.3
67	ONGC	292.3	250077	9.6	7.8	1.6	16.8	17.7	9.5	33.6	3.3
68	Petronet LNG	122.2	9161	N/A	N/A	2.1	28.8	N/A	2.5	16.3	2.0
69	PNB	627.4	22177	4.8	4.1	0.6	15.6	N/A	27.0	19.3	4.3
70	Power Finance	161.0	21253	4.1	3.7	0.9	19.7	19.7	7.0	20.8	4.3
71	Power Grid Corp	99.0	51793	9.0	8.0	1.7	17.3	17.4	2.8	30.6	2.8
72	Ranbaxy Lab	461.6	19558	64.1	13.0	4.8	26.5	33.5	0.0	0.0	0.0
73	Reliance Capital	354.5	8706	14.2	12.2	0.7	6.8	5.3	8.0	39.3	2.3
74	RCOM	130.5	26925	21.7	18.9	0.8	3.4	4.2	0.3	7.7	N/A
75	Rural Electrification	216.1	21339	5.0	4.2	1.2	23.8	23.0	8.3	21.3	3.8
76	Reliance Industries	887.6	286789	12.5	10.9	1.4	11.9	12.1	9.0	14.7	1.0
77	Reliance Power	72.6	20365	20.9	17.6	1.1	5.6	5.8	0.0	0.0	0.0
78	Steel Authority of India	71.5	29530	11.9	10.3	0.7	5.7	6.3	2.0	35.5	2.8
79	State Bank of India	1753.5	119942	8.4	6.9	1.0	15.5	12.6	41.5	15.8	2.4
80	Shriram Transport Fin	662.2	15024	9.9	8.4	2.0	21.9	18.8	7.0	10.9	1.1
81	Siemens	669.7	23849	41.1	33.7	6.0	24.5	15.5	6.0	23.5	0.9
82	GlaxoSmithKline Cons	4410.3	18548	N/A	N/A	13.6	34.9	N/A	45.0	43.3	1.0
83	Sesa Sterlite	199.5	59130	8.4	6.6	1.0	14.0	12.1	0.1	0.4	0.1
84	Sun Pharma	569.9	118032	25.0	20.8	7.9	21.9	28.1	2.5	17.3	0.4
85	Tata Steel	425.4	41311	12.0	10.0	1.2	-18.4	10.8	8.0	N/A	1.9
86	TCS	2100.3	411392	22.2	18.8	8.9	38.4	36.2	22.0	31.0	N/A
87	Tech Mahindra	1826.4	42583	15.0	13.4	4.3	27.2	28.2	5.0	5.0	0.3
88	Tata Global	161.1	9959	21.5	18.7	2.1	8.0	10.0	2.2	35.7	1.3
89	Tata Power	89.9	21334	23.9	17.4	1.9	-0.7	10.1	1.2	N/A	1.3
90	Titan Industries	230.0	20415	25.2	21.6	10.4	42.3	33.2	2.1	25.7	0.9
91	Tata Chemicals	271.0	6903	11.0	8.6	1.1	6.3	11.5	10.0	63.6	3.7
92	Tata Motors	370.3	109016	8.6	7.3	3.1	28.1	27.2	2.0	6.5	0.5
93	United Breweries	738.2	20145	89.5	60.6	13.6	12.4	18.5	0.7	10.9	0.1
94	Union Bank of India	129.1	7705	N/A	N/A	0.4	13.5	N/A	8.0	22.1	6.2
95	United Spirits	2526.4	36716	81.7	45.0	6.9	-2.1	9.6	2.5	N/A	0.1
96	United Phosphorus	189.7	8394	9.2	7.9	1.8	17.6	17.8	2.5	14.3	1.3
97	Ultratech Cement	1779.9	48810	19.2	16.3	3.2	19.1	15.9	9.0	9.2	0.5
98	Wipro	548.6	135258	17.8	15.6	4.4	22.7	23.4	7.0	28.1	N/A
99	Yes Bank	371.2	13383	9.3	7.5	2.3	N/A	22.1	6.0	16.5	1.6
100	Zee Enternainment	281.5	27031	31.3	26.2	6.9	19.6	21.6	2.0	26.7	0.7

N/A: Not Available

(Source: Bloomberg Consensus as on December 26, 2013)

Technical view

Key takeaways from December 2013

- CAD narrowed sharply to $5.2bn from $21bn.
- HSBC India Manufacturing PMI climbed from 49.6 in October to 51.3 in November.
- Wholesale price Index surged to 14-month high at 7.52% in November.
- Consumer Price Index for the month of November stands at 11.74% v/s 10.53 in October.
- IIP data contracted to -1.8% in October against 1.96% previously.
- RBI left the repo rate unchanged at 7.25%.
- Fed decided to unwind its monetary stimulus program by $ 10billion a month since January 2014 onward.

Fatigue scaling

Classical theory of Technical Analysis

After taking a breather in the last month Nifty again maintained its upward trajectory and ended the month of December with a decent gain of 3.07%. Volatility in the market was clearly visible due to the presence of event risk in the market however with fading of crucial event from the market brought forward renewed buying interest amongst investors at lower levels. On the weekly chart higher high and higher low formation remains perfectly in place indicating that the broader trend in the market to remain positive with occasional hiccups. Advance decline ratio remained evenly poised while the bulls gained momentum at the latter half. FII remained confident on Indian market and continued with their buying spree. Volume in the market also remained firm.

After much anticipation and agony Nifty was able to breach past the crucial resistance of 6357 which happens to be the inflexion point of six year old triangle. Nifty faltered a number of times in the past around those level however on technical parlance the intensity of such resistance level are normally breached with a 'Breakaway gap' situation which it did after BJP won the majority in the assembly election of the four major states.

Since August 2013 onward Nifty had been trading within the rising channel formation and it seems Nifty has completed its 5th leg of the pattern. Nifty presently is in a make or break level where breach past the recent high of 6415 might be judged as breakout from the said pattern and momentum in the market is likely to continue while inability to sustain higher level or facing resistance might reckon that a correction is due in the market which might drag the Index till the level of 5800 in near term. However onus remains on the positive side as the textbook pattern normally initiates breakout after completion of its 5th leg.

Since January 2013 onward Nifty seems to have developed into a broadening pattern in weekly chart and presently it seems that 5th leg of the pattern might have been completed after facing resistance at 6415. However the elevated trendline resistance presently exists at 6500 which might be the immediate cap in Nifty. Formation of such pattern calls for a cautious approach in the market and breach past the psychological level of 5920-5980 (38.2% retracement level of the entire rise since August 213 onward) could deteriorate the existing bullish sentiment in the market and might lead to a sharp decline.

Modern approach in Technical Analysis

On the oscillator front momentum oscillator continues to remain positive in both daily and weekly time frame with buy crossover. Prices are still trading in neutral prices territory hence indicates that upside potential in the Index still remains. On technical front the recent pullback in Nifty was due to the presence of positive divergence through RSI hence it seems that fresh downside risk in the market exist only if Nifty breach past the support level of 5950.

According to Bollinger Band study Nifty had been trading decisively above the mid band of the indicator in both daily and weekly time frame. Change of trend in the market would only be noted if Nifty breaches the psychological level of 6000 which coincides with the mid band in weekly time frame. While on the upside Nifty might face resistance from the upper band of the study at 6373 and 6529 in daily and weekly time frame respectively. To conclude it can stated the broader trend in the Index would continue to remain positive if it trades above 6000.

Moving average helps in identifying the trend in the market. Presently Nifty had been trading above all the crucial moving averages (notably 50/100/200) hence confirming that the short to medium term trend in the market remains positive. However, due to some exuberant rally during the past few months has resulted in Nifty to distance away from its crucial averages. Such formation in Technical parlance is denoted as an overbought situation in Nifty. Inability to breach the previous swing high of 6415 might result in some amount of correction in the market and might drag the index closer to its long term averages.

Indian VIX

The Volatility Index (VIX) is a key measure of market expectations of near term volatility conveyed by stock index option prices. The VIX index is also known as fear and greed index in the market. VIX is based on real-time option prices, which reflect investors' consensus view of future expected stock market volatility. During periods of financial stress, which are often accompanied by steep market declines, option prices - and VIX - tend to rise. Greater the fear, higher is the VIX level. As investor fear subsides, option prices tend to decline, which in turn causes VIX to decline. Indian VIX presently trading at its historical support level of 16. A negative correlation has been observed between Nifty with that of VIX hence VIX remaining confined at such low level would turn favorable for Indian market.

Gann Theory of Time cycle

Medium term perspective: The rally since February 2009 till date witnessed a cyclical pattern. The first cycle of 21 months of buoyancy was from February 2009 till November 2010 while the second cycle i.e. from November 2010 till December 2011 witness price correction of 14 months. While the third cycle since December 2011 till date came up with two possible outcomes. First alternative according to the theory of repetition indicates that the present corrective decline in the market might extend till April 2014 while the second alternative according to the theory of alteration indicates that corrective decline in the market might have ended and Nifty might trade with positive bias from here onward.

Short term perspective: On short term perspective the rally since December 2011 onward if considered as the beginning of an impulse wave then Nifty presently is trading at its 5th wave. Previously impulse wave 1 took 9 weeks in the making and hence two possible alternatives might emerge from here onward. First according to theory of repetition the recent rally can end during this particular calendar year i.e. December 2013 might earmark as the top while the second alternative according to the theory of alteration might extend till June 2014.

"Jan Top Cycle"

In the last 14 years since 2000, Nifty formed a top during January of the year in 7 out of 14 cases. In 4 cases, the top was formed during February, and in 2 cases, it was formed during March. Thus, except during 2006, all significant tops were formed during the 1st quarter of each year ever since 2000. This phenomenon may also be seen as "NAV Pop-Up Exercise" by fund managers at the end of a Calendar Year. Based on this, it was argued that Nifty could hit a major top during Jan'14.

Retracement principle

Retracement level helps in identifying trend deciding level for the market. Hence two different time periods are being considered for trend identification. First being the rally since August 2013 onward while the second cycle from June 2012 has been considered. An area of congruence has been observed around 5970, Nifty sustaining above the said support level would maintain its upward trajectory.

Future Projection – January 2014

In the long term perspective Nifty provided the much awaited breakout from the 5 year old Contracting Triangle. On technical parlance formation of the said pattern has a bullish implication and with a valid breakout it can be concluded that Nifty is poised for further upside potential and might take indices to take a bigger and larger leap.

In medium term perspective the rally since September 2013 onward has developed into a 5 legged 'Bow tie diametric' formation and presently it seems that Nifty might be in the formation stage of its f-leg. While pattern within a pattern reveals that the broader term corrective ZigZag pattern projects a much higher target. The f-leg of the 'Bow tie diametric' pattern has an upside potential with a magnitude of c-leg which stands around 6500.

In short term perspective a new impulse wave might be in the making and it seems Nifty might be in the formation stage of wave 5 which might unfold to from the last leg of uptrend. According to Elliot wave principle the minimum target of wave 5 stands at an equidistance level of wave 1. Abiding by the said principle the minimum target price of Nifty presently stands around 6550.

Inter-market analysis:

U.S Market: With consecutive higher high formation in both daily and weekly chart helps to conclude that the primary trend in the US market to remain unabated. Further on technical parlance during the period of May 2013 till October 2013 price consolidation has led to form a bullish upward rising channel formation which projects a minimum upside potential in the US market till the level of 16700 in medium term perspective. However negative divergence through RSI might be a cause of concern for the bulls but with consecutive high formation in daily chart it would be wiser to follow the trend rather than picking top hence as long as DJIA trades above 16000 the intermediate term trend in the market to remain up.

Dollar Index: The currency might have bottomed out since it took support from its 50% retracement level at 79 during the month of October. However volatility in the Dollar index is likely to persist as downward sloping trendline since July 2013 is not yet breached. Further it seems Dollar Index might be in the formation stage of bullish Flag formation in daily chart. The classical pattern if materializes then the currency might head northward and sharp rally can be seen breach past the resistance level of 80.90. An inverse correlation exists between Dollar Index with the emerging markets resulting in fund outflow from emerging economies.

Nymex Crude: Since 2010 onward Crude oil had been honoring the rising trendline and taken support multiple number of times. During the month of December also Nymex crude took support from the rising trend line at 91.79 and provided the pullback. Sustaining above the said support level would maintain a positive bias in the commodity. An Inverse correlation exists between Indian equity market with that of the Black Gold.

10 Year Bond Yield US: 10 year bond yield in US has been rising during the last month which indicates that there could be pressure on fund outflow from emerging economics. An inverse correlation exists between the US bond yields with that of our domestic market.

10 Year Bond Yield India: Steady rise in bond yield throughout the month of December led to attract consistent participation from FII. Rise in bond yield would keep investors guessing about the next possible move by RBI and the horror of rate hike would remain. However, the long term trend for bond yield continues to remain a concern.

Indian Rupee: Indian rupee had been consolidating within a narrow band for the past couple of week and yet to provide a decisive breakout or breakdown in price action. On technical parlance it seems the currency might be in the formation stage of a Symmetrical Triangle. The said pattern has a bullish implication and further price depreciation can be seen if USDINR beach past the crucial 63 level mark. Rupee if depreciates gradually from present level would have a negative implication and might lead to correction in domestic index.

Summing it up:

Positives:

1. Breakout initiated in 6 year old triangle pattern.
2. Rising channel formation in daily chart.
3. Nifty still trading in neutral price territory with buy crossover in both daily and weekly chart.
4. Nifty trading decisively above all the crucial moving averages (notably 50/100/200)
5. Indian VIX is near its 8-month low level.
6. According to Gann theory the existing bullish sentiment might extend till April-June 2014.
7. According to Elliot wave theory further upside potential in Nifty exist till the level of 6500-6550.
8. Broader term trend in the US market continues to remain positive as long as DJIA stays above 16000.

Negatives:

1. Bearish Broadening pattern in weekly chart.
2. Upside cap though Bollinger band exist at 6373 followed 6529
3. Nifty could hit a major top in January 2014 as 7 out of 14 times historically the Index has peaked during the month of January.
4. Crucial trend deciding level for Nifty exists at 5970 through retracement principle, breach of which might be extremely negative for the market.
5. Bullish Flag formation in Dollar Index has a negative implication in our domestic market.
6. Crude oil has taken support from its historical trendline.
7. 10 year US bond yield has raised last month.
8. Negative pattern development in USDINR and could deteriorate the existing bullish sentiment in the market.

To sum up, Nifty during the month started with a bang and breach past the all time resistance level of 6357 and recorded high of 6415 but ultimately ended the month with a modest gain of 3.07%. Improving macro variables at the beginning of the month were the main driver behind its continuing winning streak. Narrowing of the current account deficit and strengthening of the Rupee against dollar at 61.50 supported Nifty to maintain a firm foothold. However the bigger nudge came after BJP won the majority in the recently concluded assembly election in four states. At the latter half contraction in IIP numbers followed by shocking rise of CPI and WPI numbers weighed heavily on investor's sentiment and fear of rate hike was back in the forefront. Hence Indices were unable to sustain such high levels and plunged. Central banks decision awaited at the latter half to provide a directional movement in the market. On the domestic front contrary to market expectation RBI left repo rate unchanged at 7.75% even when both CPI and WPI data were accelerating. RBI's measure to bolster economy was cheered by the market. Meanwhile on the international front Fed in its recently concluded meeting decided to reduce its bond buying program by $10 billion a month since January 2014 onward. Foreign Institutional Investors continued to remain positive on Indian equity even after RBI and FED's policy move. Going ahead, fresh trigger for the market awaits in the form of upcoming result season and the FII flows need to be clearly watched as calendar year comes to an end and NAV adjustment begins. On the technical parlance Nifty continues to remain confined within a narrow range and positive momentum is likely to take place after Nifty provides a decisive close above 6350. Despite lack of any apparent reversal at this point the changing dynamics in the market exhibit signs of fatigue in the market hence cautious approach need to be maintained and price correction need to be utilized as an entry opportunity.

Derivative Segment

Market has started the January 2013 series with a market open interest (OI) position of Rs. 89,887 Cr, a decrease of 7% compared to previous month. January month expiry started with an increase in Index Future by 9% and increase in Stock Future Open Interest by 6%. Index Option OI decreased by 21% and Stock Option OI increased by 9%. Nifty had witnessed a gain of 3.07% last month after giving negative return of 3.29% in the previous month i.e. November 2013 (expiry to expiry basis).

The table below showing the open interest positions on the first day of the new series:

Market OI	26/12/2013	28/11/2013	31/10/2013	26/09/2013	29/08/2013	25/07/2013
Index Future	14502	13319	17672	12846	10814	13290
Stock Future	33782	31736	28233	24195	24401	26766
Index option	38667	48773	48885	49972	53023	48811
Stock option	2936	2685	2767	2685	2897	3293
Total OI	89887	96513	97557	89698	91135	92160

Nifty Rollover Statistics						
	DECEMBER, 13	NOVEMBER, 13	OCTOBER, 13	SEPTEMBER, 13	AUGUST, 13	JULY, 13
Nifty R/O*	68.22%	72.75%	73.10%	64.89%	51.87%	75.92%
Nifty CoR**	0.67%	0.82%	0.59%	0.64%	0.59%	0.53%
Nifty Closing	6278.9	6091.85	6299.15	5882.25	5409.05	5907.5
Monthly Return	3.07%	-3.29%	7.09%	8.75%	-8.44%	3.96%

*R/O: ROLLOVER **CoR: COST OF ROLLOVER

From the current CALL/ PUT data we anticipate Nifty to trade in the range of 5900-6500. Nifty 6000 put witnessed highest open interest and Nifty 6500 call witnessed highest open interest at the beginning of the series.

Stock Futures Highest Rollover			
Instruments	Rollover On 26/12/2013	3 Months Average Rollover	*CoR on 26/12/2013 (Expiry Day)
UPL	97%	60%	1.24%
MCDOWELL-N	96%	92%	0.99%
JISLJALEQS	94%	91%	1.35%
GLENMARK	92%	56%	1.34%
FEDERALBNK	92%	74%	1.25%

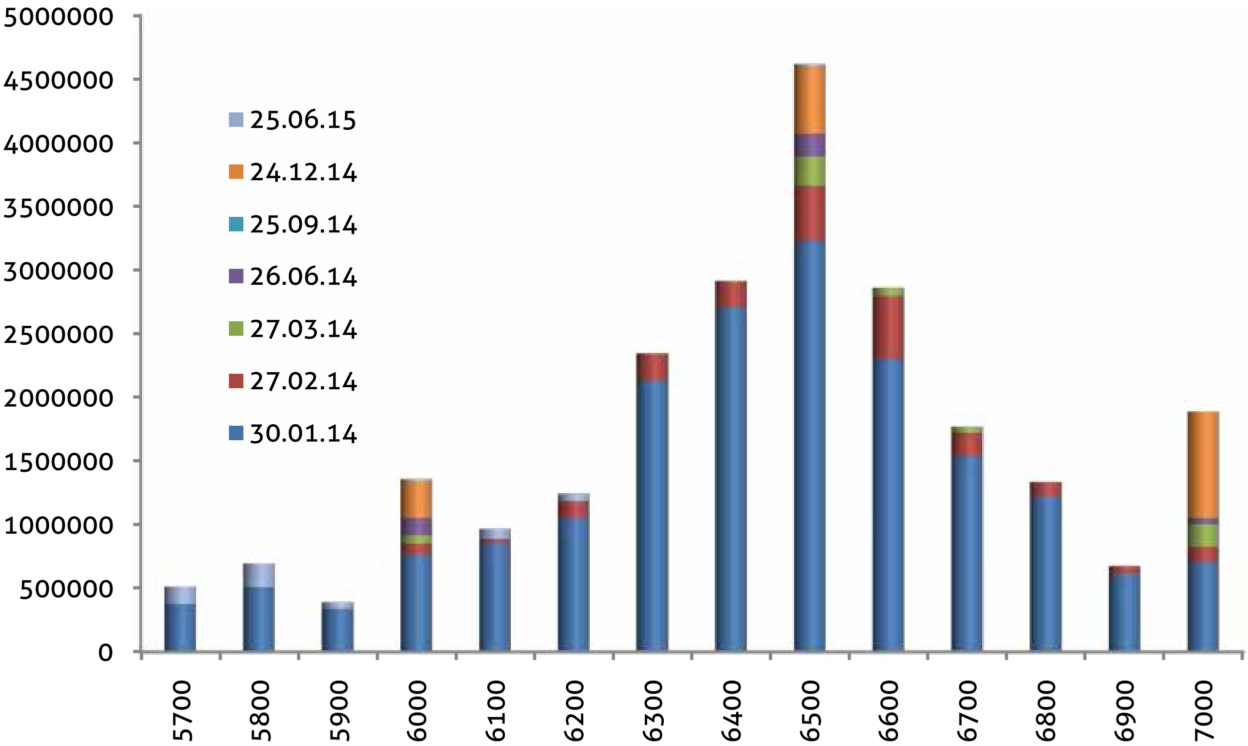
Stock Futures Lowest Rollover			
Instruments	Rollover On 26/12/2013	3 Months Average Rollover	*CoR on 26/12/2013 (Expiry Day)
POWERGRID	52%	78%	0.81%
IOB	57%	83%	-1.24%
HDIL	62%	78%	0.64%
HAVELLS	65%	78%	0.40%
ARVIND	65%	73%	1.09%

Stock Futures With Positive Cost Of Rollover (CoR)			
Instruments	Rollover On 26/12/2013	3 Months Average Rollover	*CoR on 26/12/2013 (Expiry Day)
JPPOWER	88%	78%	1.61%
NHPC	88%	84%	1.58%
GSKCONS	70%	42%	1.51%
MCLEODRUSS	88%	89%	1.44%
ALBK	87%	81%	1.42%
DISHTV	85%	76%	1.41%
SYNDIBANK	87%	81%	1.39%
HINDZINC	89%	82%	1.37%
ADANIENT	83%	80%	1.37%
TATAGLOBAL	91%	86%	1.37%

Stock Futures With Negative Cost Of Rollover (CoR)			
Instruments	Rollover On 26/12/2013	3 Months Average Rollover	*CoR on 26/12/2013 (Expiry Day)
BHEL	85%	83%	-3.60%
IOB	57%	83%	-1.24%
IOC	88%	85%	-0.05%

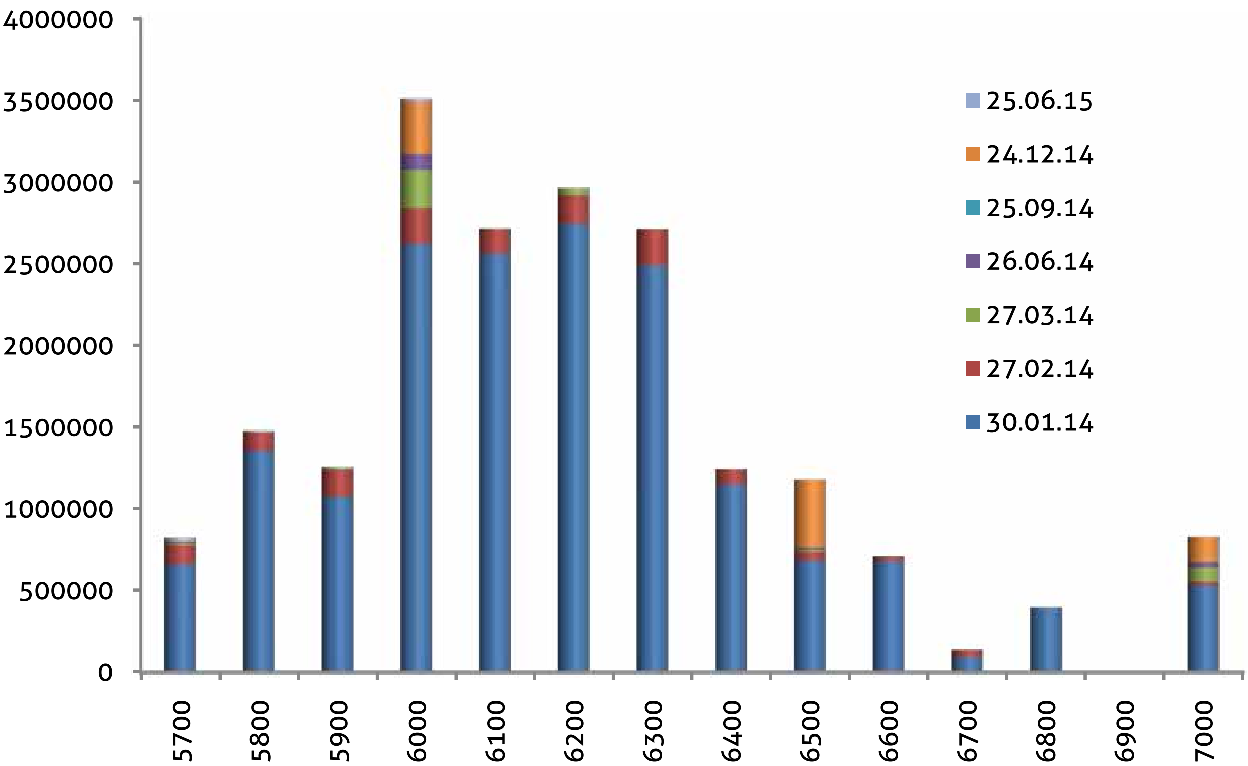
Call Options Open Interests Distributions

(Jan'14, Feb'14, Mar'14, June14, Sep'14, Dec'14, June'15)



PUT Options Open Interests Distributions

(Jan'14, Feb'14, Mar'14, June14, Sep'14, Dec'14, June'15)



Mutual Fund Overview

Axis Equity Fund (G)
Equity: Large Cap

Fund Objective: To achieve long term capital appreciation by investing in a diversified portfolio predominantly consisting of equity and equity related securities including derivatives.

Fund Commentary: The fund has has consistently outperformed the benchmark since inception. The top holdings are in bluechip funds with highest allocation in communication. The beta of the fund suggest that the fund is not over aggressive, however, the risk is on the higher side as suggested by standard deviation. The alpha for the fund is ~3%, which is justified. The fund can be considered keeping a long term investment horizon.

IMPORTANT INFORMATION	
NAV	13.61
Inception Date	December 8, 2009
Fund size(in Rs cr)#	558.13
Fund Manager	Chandresh Nigam
Entry load	N.A.
Exit Load	1%, if redeem within 1 year
Benchmark	CNX Nifty
Min Investment	Rs. 5000
Min Sip Investment	Rs. 1000

as on Nov, 2013

KEY RATIOS	
Beta	0.86
Standard deviation (%)	16.73
Sharpe Ratio	0.01
Alpha	2.70
R Squared	0.97
Expense ratio (%)	2.88
Portfolio Turnover ratio (%)	541.00
Market cap (Rs in cr)	57,829

as on Nov, 2013

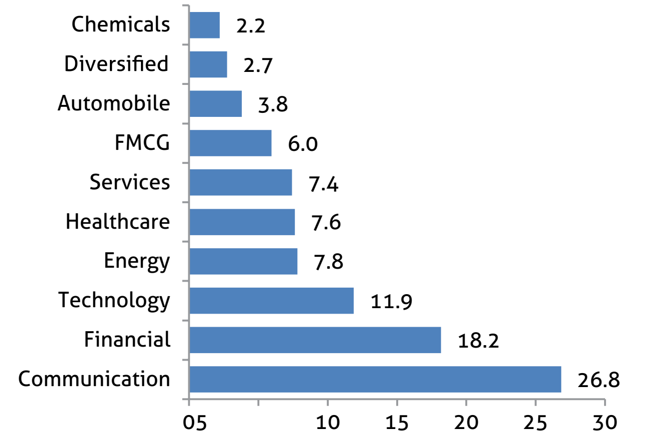
TOP TEN HOLDINGS

Stocks	% of Net assets
ITC	7.44
Infosys	7.35
HDFC Bank	6.69
SBI	6.04
ICICI Bank	5.76
TCS	5.49
HDFC	4.92
Reliance	4.46
Larsen	3.82
Sanofi India	2.85

ASSET ALLOCATION

Equity	Debt	Cash & Equiv.
95.22	1.51	3.27

% SECTOR ALLOCATION



Month of Recom.	Recommended in the Past	Returns till date (%)
Jan-13	ICICI Prudential Tax Plan (G)	11%
Feb-13	Franklin India Tax Shield (G)	4%
Mar-13	Axis Long Term Equity Fund (G)	21%
Apr-13	UTI Opportunities Fund (G)	13%
May-13	Franklin India Bluechip Fund (G)	7%
Jun-13	BNP Paribas Equity Fund (D)	-2%
Jul-13	SBI Magnum Bluechip Fund (G)	13%
Aug-13	HDFC Balanced Fund (G)	13%
Sep-13	HDFC Top 200 Fund (G)	26%
Oct-13	BNP Paribas Equity Fund (G)	6%
Nov-13	Birla Sun Life Frontline Equity Fund (G)	3%
Dec-13	ICICI Prudential Focused Bluechip Equity (G)	4%

PERFORMANCE OF THE FUND

	1 month	3 months	6 months	1 year	3 Years	5 Years	Since Inception
Fund (%)	3.8	8.0	10.7	13	5.5	--	5.5
CNX Nifty (%)	3.6	6.7	12.3	6.3	1.5	17.1	--

Commodities - Monthly Round up

"Your success and happiness lies in you. Resolve to keep happy, and your joy and you shall orm an invincible host against difficulties"

-Helen Keller

Zinc

Inventories of zinc now hit the lowest since 2012 March. The metal is a star performer for the last few days for the month of December. The up move is the resultant of tighter supply side pressure and robust demand from China. Latest trade data showed that Chinese import was 91.05% up for the month of November. At the same time, zinc stocks in LME-monitored warehouses dropped 4,200 tonnes, latest exchange data showed, bringing the total down to 890,625 tonnes, a fall of 175,225 tonnes or 16 percent over the past two months or so. Cash prices for zinc traded at a $2.50 discount for three-month futures prices.

Technical Analysis

One of the most bullish commodities in metal sector is going to be the Zinc. For the first time market is breaking off from its consolidation area which was there from 2013 March until December. Daily RSI is in a mega overbought condition which is another indication that the current up move is there to stay. Long term support is at 2010 level in LME, which is going to act as strong support if there is any major pullback which is normal in this type of Bull Run. Minimum objective after this major breakout will be around 2225 at LME. After that 2500 level will act as a psychological barrier in the market. Long term recommendation is off course be long only positions. Traders can put stop below the 2000 level at LME.

Weekly Chart: ZINC LME

In MCX, the metal gave a huge run just before Christmas Day, a rally of nearly 6% which is very unusual for zinc. Short term support seems to be at 125 but a break below of 115 will be the complete trend reversal sign for this commodity. For traders we would like to recommend going long in the metal after a brief pullback near 125 or waiting for the market to clear the hurdle of 136.90 which is its previous significant swing high. If it can clear 136.90 convincingly then the minimum objective for this long trade will be around 160 and finally near 170 areas. Every oscillators and other indicators are supporting this bull trend so we are not mentioning them. 14 weeks SMA is at 120 which may be another support for the market. A short call will be triggered after it breached the low of 112.80 in the near term then the market may again touch 100 areas which is really the base for this current bull run.

Weekly Chart: MCX Zinc

Jeera

Jeera sowing has started in the key cultivating areas. Jeera, or cumin seed, is a winter crop sown from October and farmers mainly depend on rains to moisten the land for sowing. The weather is favourable and soil moisture is sufficient. Jeera production is expected to be higher this season. According to an Unjha-based jeera trader, export demand is supporting prices, but the short-term trend looks weak because production is expected to be higher. According to market sources, around 70 per cent of the sowing has already been completed in major parts of Gujarat and Rajasthan. Sources estimated current year's jeera production to be around 40-42 lakh bags, up almost 5-7 lakh bags from last year.

Technical Analysis

If we look at the weekly chart of Jeera NCDEX, it's clearly showing some range bound movements. If the current weakness persists then 11850-11900 area will be a good support for the market. Only a break below that mentioned zone may take jeera near 11500 levels. Weekly RSI again dip below 50 marks which is a sign of short term weakness. For the time being there is nothing for the bulls but the opportunity for the bulls will arrive if it breaks above 13500 levels. Then only we can have an uptrend move towards 16000.

Weekly Chart: NCDEX Jeera

GBPYEN

The yen has tumbled 15 percent this year, the most among 10 developed-market currencies, the US dollar has gained 4.1 percent, while the Euro and Pound have been the best performer, jumping nearly 8 percent. The Japanese Central Bank retained its plan to increase the monetary base by ¥60-¥70 trillion on an annual basis. This will consist of around ¥50 trillion worth of government bonds (JGBs), ¥3.2 trillion worth of corporate bonds, ¥2.2 trillion worth of CP bonds, ¥1 trillion worth of exchange-traded funds (ETFs) and ¥30 billion worth of real estate investment trusts (J-REITs) per year. The BoJ struck a mildly optimistic tone with regards to the domestic economy, commenting that business investment and industrial production are continuing to improve; however, the Bank mentioned that private consumption could slide slightly following the 2% tax hike on April 2014. The Bank of Japan still aims to bring the Consumer Price Index inflation rate up to 2.0%, and stands ready to act with additional asset purchases if CPI begins to slip.

In contrary the stronger-than-expected UK labour market report built upon positive sentiment from recent private sector PMI surveys, which have reached a series of multi-year peaks, and robust economic growth in the second and third quarters. If job growth in Britain continues at this pace then the headline Unemployment Rate could fall to the Bank of England's 7.0% threshold during the first half of 2014. Sterling hit a fresh 5-year high of 171.19 against the Japanese Yen. In addition to the 5-year high that Sterling struck against the Japanese Yen (GBP/JPY), the Pound also reached a fresh 4-year high against the Australian Dollar (GBP/AUD) and posted strong gains against the Euro, US Dollar, Canadian Dollar and New Zealand Dollar. The Pound's gains against the Japanese Yen were accentuated by the Federal Reserve's decision to taper its QE3 scheme by $10 billion per month.

Technical Analysis

The pair in monthly chart is showing Rounding Bottom formation. This formation always signifies a trend reversal and the pattern occurred in monthly chart which means the pattern has its good confirmation. In November, 2013 we had the first breakout candle in the formation, last month only that breaks the high of November month breakout candle which doubly assured the high probability of success for the pattern. And the pattern is itself a good performer amongst all other technical analysis pattern family. We are recommending a strong buy for this pair and should say every fall can prove to be a buying opportunity for the traders. Any correction must be guarded by 163 which is its breakout point. The minimum target objective for this pattern is at 207. So buying within 173-175 with a stop below 163 shouldn't be a bad trade idea if portfolio permits. In its journey towards 207, the market may face some minor resistance near 178.80 and then at 192. But that's not enough to deter the bulls because of the strong pattern in long term monthly chart. Monthly RSI is above 70 and indicating condition of Mega overbought which is another bullish sign for the market.

Monthly Chart: GBP/JPY Spot

World Economic Event Calendar-January 2014

Monday	Tuesday	Wednesday	Thursday	Friday
		1	2	3
		CH: Manufacturing PMI	US: Initial Jobless Claims US: ISM Manufacturing EC: PMI Manufacturing US: Construction Spending MoM CH: HSBC Manufacturing PMI	EC: M3 Money Supply YoY UK: Mortgage Approvals UK: PMI Construction CH: Non-manufacturing PMI
6	7	8	9	10
US: Factory Orders UK: Halifax House Prices MoM EC: PMI Composite EC: PMI Services US: ISM Non-Manf. Composite	EC: CPI Estimate YoY US: Trade Balance JN: Monetary Base YoY EC: PPI MoM EC: CPI Core YoY	US: MBA Mortgage Applications US: ADP Employment Change EC: Unemployment Rate CH: Trade Balance EC: Retail Sales MoM	UK: Bank of England Bank Rate US: Initial Jobless Claims EC: ECB Announces Interest Rates CH: CPI YoY EC: Consumer Confidence	US: Change in Nonfarm Payrolls UK: Industrial Production MoM US: Unemployment Rate US: Wholesale Inventories MoM IN: Exports YoY
13	14	15	16	17
IN: Industrial Production YoY IN: CPI YoY	UK: CPI YoY CH: GDP YoY JN: BoP Current Account Balance UK: CPI MoM US: Retail Sales Advance MoM	US: MBA Mortgage Applications US: PPI MoM US: Empire Manufacturing JN: Machine Tool Orders YoY US: PPI Ex Food and Energy MoM	US: Initial Jobless Claims JN: Machine Orders MoM US: CPI MoM EC: CPI YoY US: Philadelphia Fed Outlook	US: Univ. of Michigan Confidence US: Housing Starts US: Industrial Production MoM UK: Retail Sales Ex Auto MoM US: Building Permits
20	21	22	23	24
JN: Industrial Production MoM EC: Consumer Confidence JN: Machine Tool Orders YoY UK: Rightmove House Prices MoM	EC: ZEW Survey Expectations	UK: Jobless Claims Change US: MBA Mortgage Applications JN: All Industry Activity Index UK: Claimant Count Rate CH: HSBC Flash Mfg PMI	US: Initial Jobless Claims US: Existing Home Sales US: Leading Index EC: PMI Manufacturing US: House Price Index MoM	
27	28	29	30	31
UK: Nationwide House PX MoM US: New Home Sales JN: Trade Balance US: Dallas Fed Manf. Activity US: New Home Sales MoM	UK: GDP QoQ US: Consumer Confidence Index US: Durable Goods Orders IN: RBI Repurchase Rate US: Durables Ex Transportation	US: MBA Mortgage Applications	US: Initial Jobless Claims US: FOMC Rate Decision US: GDP Annualized QoQ EC: Consumer Confidence US: Pending Home Sales MoM	JN: Industrial Production MoM JN: Jobless Rate US: Univ. of Michigan Confidence JN: Tokyo CPI Ex-Fresh Food YoY US: Personal Income

IN: India, US: United States, EC: European Union, UK: United Kingdom, CH: China, JN: Japan

Group Companies

Ashika Credit Capital Ltd.

(RBI Registered NBFC)

Ashika Global Securities Ltd.

(RBI Registered NBFC)

Ashika Capital Ltd.

(SEBI Authorised Merchant Banker)

Ashika Stock Broking Ltd.

(Member : NSE, BSE, MCX-SX, Depository participant of CDSL / NSDL)

Ashika Commodities & Derivatives Pvt. Ltd.

(Member : NCDEX, MCX, NMCE, ICEX, NSEL, NSPOT & ACE)

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