INSIGHT

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ELECTION OF direction

INDEX

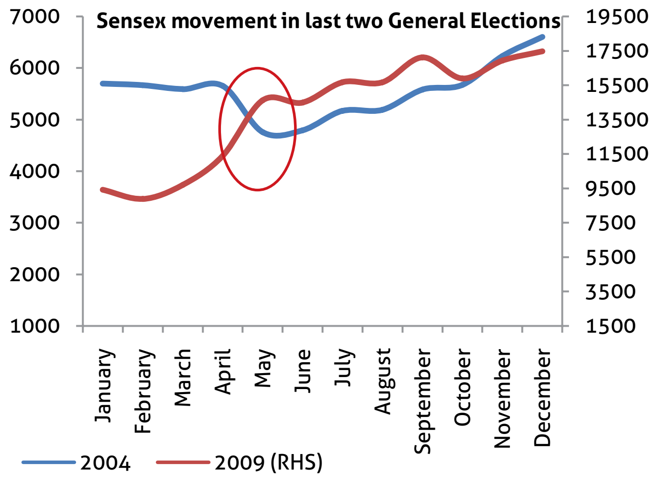
Market Overview

Upcoming Lok Sabha election in 2014 would set the direction of the Indian equity market as well as decide the growth prospects of the country. Recent ongoing polling analysis shows that BJP will come in ruling seat by defeating Congress party in majority vote. However it is very tough to predict the election outcomes, especially in politically uncertain environment. The 16th Lok Sabha election in India most probably will be held on May 2014, however the state elections in four states will gauge the response to Narendra Modi led BJP's elevation as Prime minister. Going forward, it is believed that the election could act as a catalyst to boost the nominal gross domestic product (GDP) growth and return on equity.

Importance of 2014 election

India's economic condition is going through hard times with GDP growth touching new lows and creeping inflation is not giving room for RBI to lower the key policy rates (repo rates). Moreover, the rupee has plunged against the US dollar, increasing current account deficit and refraining foreign investors from investing in India. Moreover it is witnessed that corporate profitability is shrinking on quarter on quarter basis. These domestic macro concerns put the upcoming 2014 elections in a different context compared to the last three elections held in India. The responsibility of the new government will be to reverse the economic free fall, which will require strong policy action to encourage investments. Hence a government with big majority is best placed to drive India's growth revival and for that a clear and decisive mandate from voters is needed to allow such government to pursuing reforms with greater vigor and meaningful impact.

Stock market always reacted to the outcomes of the elections held in India. It has been seen that the electoral results have had strong impact on the stock market, following the 2009 election results, the market rallied 17% over two days as the ruling congress won the election with a clean majority sweep. In 2004, after BJP lost decisively to Congress coalition (supported by left-wing parties) unexpectedly, market plunged 17% in two days, proving that there is a strong correlation between election results and stock market as the strong and clear majority government would be able to improve the macro economic conditions of a country. The new government in the country is likely to set the tone for policy and growth over the next five years, deciding the country's economic growth prospect. The current UPA Government's populist agenda including the National Rural Employment Guarantee Scheme (NREGS) has been the hallmark of its five year term. However, in contrast, the BJP is more fiscally conservative, with a development focused agenda.

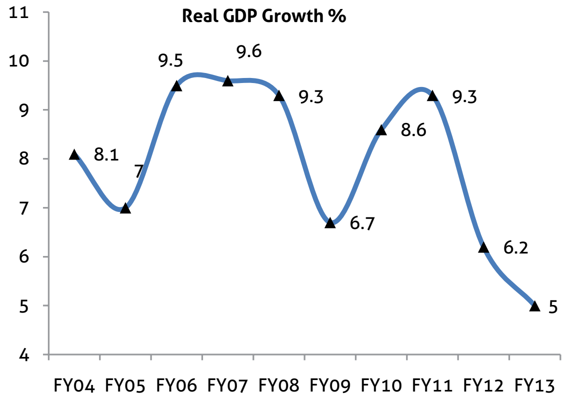


Source: bseindia & capital line

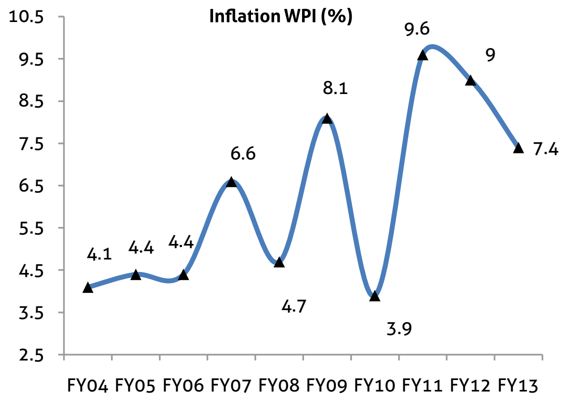
The uncertainty around the election is always a key risk to the Indian economy, when an unclear mandate emerges. This happened when Congress formed government with much weaker mandates in 2004 (145 seats) and 2009 (206 seats). It has been seen that a weak leadership largely made up of regional parties, each with their own agenda were incompetent of pursuing the bold reforms needed to kick start India's economic growth. In this scenario, it would lead a period of prolonged weak and patchy policy making.

Economic downfall during UPA - 2 regime

The biggest failure of the current government has been on the economic front, with GDP growth slowing down from an average of 8.5% over FY04-FY11 to 4.4% in 1QFY14 due to lack of policy reforms, delay in large projects approval, resulting in stalled projects and inability to pick up investment cycle. Moreover, the slowing growth is compounded with rising inflation, which is eating the profitability of the corporate as well as lowers the savings of the common people. Headroom for the central bank to respond has been limited due to inflation, high fiscal and current account deficits and rupee depreciation (down 43% in the current government's rule to an all-time low). Even in 2012, April, the economic condition has been so severe that rating agency Standard and Poor downgraded India's international ratings outlook to negative, which caused a serious threat to economic growth of the country. Besides economic slowdown, two major scamps which comes to the forefront are the 2G spectrum allocation and coal blocks allocation.



Source: Government of India



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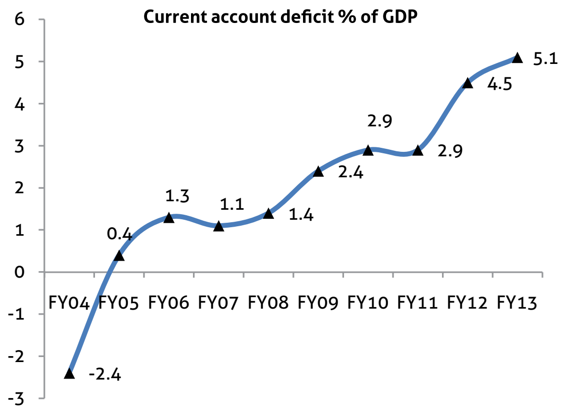
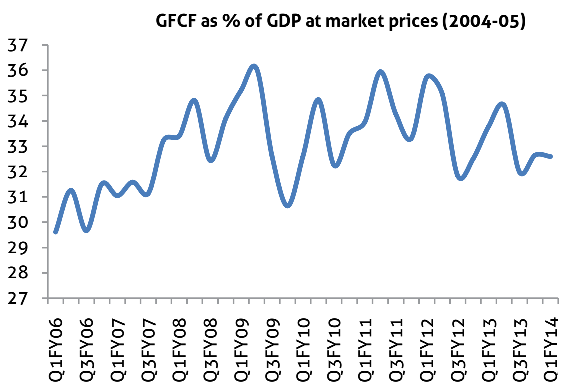


Source: Government of India



Source: RBI

Scams during UPA regime

Scam	Value (Rs billion)
2G Spectrum allocation	1760
Commonwealth Games	350
Coal-block allocation	1860

Source: CLSA report

Current India's Parliamentary structure

Parties	Seats	Share (%)
UPA including outside support	**283**	**52.1**
UPA	**234**	**43.1**
Indian National Congress	206	37.9
Nationalist Congress Party	9	1.7
Others/Independents	8	1.5
Rashtriya Lok Dal	4	0.7
J&K National Conference	3	0.6
Indian Union Muslim League	2	0.4
Jharkhand Vikas Morcha	2	0.4
Supporting parties	**49**	**9**
Samajwadi Party	22	4.1
Bahujan Samaj Party	21	3.9
JDS	3	0.6
Rashtriya Janata Dal	3	0.6
NDA	**134**	**24.7**
Bhartiya Janata Party	116	21.4
Shiv Sena	11	2
Shiromani Akali Dal	4	0.7
Others	3	0.6
Others	126	23.2
Janata Dal (United)	20	3.7
Left parties	25	4.6
All India Trinamool Congress	19	3.5
Dravida Munnetra Kazhagam	18	3.3
Biju Janata Dal	14	2.6
Others	**12**	**2.2**
AIADMK	9	1.7
Telugu Desam Party	6	1.1
TRS (not a formal alliance)	2	0.4
Viduthalai Chiruthaigal Katchi (VCK)	1	0.2
Lower-house (Lok Sabha) seats	**543**	**100**

Source: CLSA report

Opinion poll shows BJP might have an upper hand

The latest opinion poll shows that the electorate is giving a more decisive mandate in favour of BJP with 175 seats as opposed to the findings of July 2013 poll which suggest's that the base case was of a BJP led coalition forming the Government in the Central. The prediction of BJP getting the 175 seats and at the same time forming the Government, BJP would likely garner the support from seven regional parties namely Shiv sena, Akali Dal, Trinamool congress, AIADMK, BSP, BJD and TDP, thereby generating a tally of 273 seats. Thus it is expected that BJP coalition would form the government, breaching the 272 seat mark comfortably. On the other hand it is expected that the Congress is likely to get 233 seats (Congress + UPA allies + Left Front + SP + DMK + JDU + TRS + YSR Congress + JDS). Narendra Modi's pro business approach getting popularity among young generation and survey shows that Modi leads popularity by a very wide margin when it comes to first-time voters. The survey only covers the currently enrolled voters and it is expected that the enrolments amongst first time voters are likely to increase as the General Election will approach. This dynamic could increase the number of seat counts for BJP in coming Lok Sabha election.

India opinion polls (seat projection for 2014 election)

Party	2009 seats	July'13 poll	Oct' 13 poll	Change from July poll
Congress	206	119	102	-17
Congress Allies	18	17	15	-2
UPA	224	136	117	-19
BJP	116	131	162	31
BJP Allies	18	25	24	-1
NDA	134	156	186	30
Others	185	251	240	-11
Total	**543**	**543**	**543**	**0**

State Elections in four states is an important event to watch out

Before the general elections in April 2014, state assembly elections will be held in Chhattisgarh, Rajasthan, Madhya Pradesh and Delhi and the outcomes of these elections is important to gauge the response to Narendra Modi's elevation as the BJP's prime ministerial candidate. The opinion polls of the four state elections show that BJP is set to win 3 of the 4 election bound states. The results of all the four state elections will be announced on 8 December 2013, which seems to be an important event from a stock market perspective. Market will factor the outcomes of the elections and any deviation from the expectation would have an adverse effect on the stock market. Of these four states, Rajasthan is the state that will be a litmus test of the pro BJP sentiment. If on 8 December 2013, it becomes clear that the BJP wins Chhattisgarh, MP as well as Rajasthan then the market is likely to factor in BJP's victory in General Election. Though there are many slip in between the lip and the cup and predicating a concert election outcome is impossible. Only probabilities can be assign to the outcomes.

Opinion polls of four state elections

States	Seats	Prediction of BJP getting seats	%
Madhya Pradesh	230	154	67%
Rajasthan	200	120	60%
Chhattisgarh	90	66	73%
Delhi	70	25	36%

Source: news

The momentum of the Indian stock market would sustain for prolonged period if the 2014 election outcomes comes in line with the expectation. The 2014 General election could act as a key catalyst for Indian economy as the economy is facing of number macroeconomic challenges following with slowing growth, rising inflation, lack of policy reforms and large number of stalled projects. A strong, sustainable and pro active government in the Central would improve the macro factors of the country and also resume the investment cycle which as of now remains sluggish. Implementation of reforms at different levels would regain the investors' confidence and thus boost economic growth of the country. Whilst it is expected that India would attract more foreign investments and the stock market could witness more inflows from abroad, which could drive the index to a newer orbit altogether.

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Economy Review

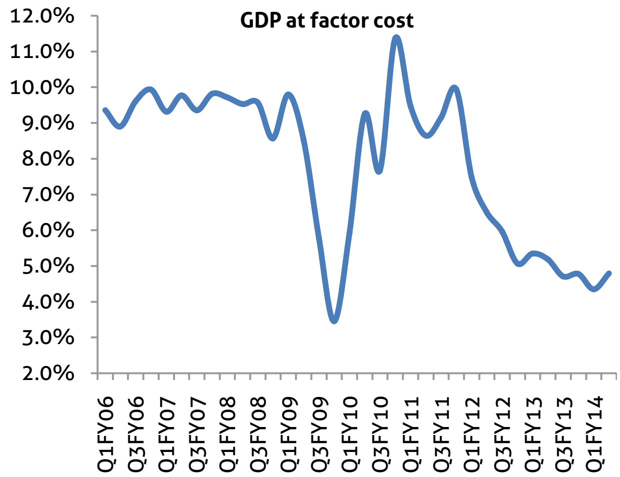
An early exit for the US asset purchase program – Is Indian economy ready for it!

The latest set of announcements from the US Fed has sent mixed signals and has left the Asian markets in a baffling situation. There could be an early tapering of the US asset purchase program than expected as signalled in the FOMC meeting minutes in October. The FIIs are in a fix as the Indian markets continue to oscillate between hope and despair for the last few months, thus resulting in high volatility which makes the investors nervous. Clearly the timing with regards to the tapering of the US QE (quantitative easing) and by what amount and the possible impact on the Indian markets will be at the helm of the discussions. In fact, economists at Fed are themselves quite uncertain as to how to trim the asset purchase program without causing a tightening of financial conditions. One of the reasons why the Indian markets have so far being able to sustain new highs has been high liquidity flows in the country. Over the last few years, there has been a wide disconnect between the macroeconomic and stock market performance, as politicians, central bankers and fund flows drove markets more than the underlying fundamentals. However, the era for the easy money seems to coming to an end. Now what implication can it have on the direction of the Indian markets? Well, the answer is a straightforward one. The impact is certainly going to be huge and thus the uncertainty is resulting in huge volatility as fundamentally nothing has changed for Indian economy. Thankfully, the money markets are now in the able hands of Mr. Raghuram Rajan. The new RBI Governor has been able to surprise the markets and have been proactive since the day he joined the office and has garnered the faith of foreign investors by taming the currency depreciation.

Leaving aside the optimism around Raghuram Rajan, there are also a few green shoots which need to be considered. The recently ended earnings season has been better than expected, the CAD (current account deficit) situation improving and an above normal monsoon. Besides, the growing optimism with regards to Mr. Narendra Modi as the next PM has been perceived. However, the uncertainty around these factors will lead to volatility in the markets. Let us go through the fundamental factors underlying the Indian economy keeping in the hindsight the possible impact of the early tapering of the US QE.

GDP figure suggests that the Indian Economy is not out of the woods

Although Finance Minister P. Chidambaram continues to remain optimistic over the full year GDP estimates for the economy, rating agency S&P seems to be not humming the same tune. The rating agency clearly warned that India's sovereign rating would be lowered if "the policy drift "is not checked and blames "policy paralysis" for India's economic problems. However, finance minister is confident that the economy will clock between 5-5.5% for this fiscal year. Chidambaram's optimism is based on the 'green shoots' in the economy. While referring to the green shoots he meant a turnaround in exports for the past three months helped in curbing the merchandise trade deficit and the ballooning current account deficit, the last month's core sector growth figures and the constitution of a high-level Cabinet committee to push through stalled projects in order to help in investment revival. The latest set of figures for Q2 came in at 4.8%, is a tad better than the previous quarter figure of 4.4%. However, let's all not jump off the seats in enthusiasm as the numbers are still lower than even 5% mark. So, as per our Govt estimates, to even clock a growth of 5% for full year, the economy needs to grow at 5.4% in the second half of FY14. Now, going through the GDP number, the growth has been led by a slight recovery in the industry and supported by growth in agriculture. Services, which constitutes almost 60% of GDP was a major dampener as it recorded the slowest growth in a decade. Within Industry, the growth was led by Electricity, gas and water supply (7.7% in Q2 vs 3.7% in Q1), Construction (4.3% in Q2 vs 2.8% in Q1), Manufacturing (1% in 2 vs -1.2% in Q1) while Mining & Quarrying reported a lower decline of 0.4% in Q2 compared to a decline of 2.8% in growth in Q1. Agricultural GDP posted a strong rebound with a growth of 4.6% as against 2.7% reported in the last quarter. The uptick in the agricultural GDP is mainly led by above normal monsoons. The data for the third quarter is expected to capture the full impact of monsoons. The worrying factor for the GDP growth has been the 5.7% growth in the services sector for Q2 compared to 6.2% in the previous quarter. The decline in growth can be attributed to 'community, social and personal services' segment, which accounts for govt. pending growing by just 4.2% in Q2 against 9.4% in Q1. GDP at market price or nominal GDP growth recorded a growth of 5.6% in Q2 from 2.4% in Q1 led by private consumption (up 2.2% in Q2 vs 1.6% in Q1), Investments (up 2.6% vs -1.2% in Q1) and exports (up 16.3% vs 1.2% in Q1). However, sharp govt spending cut can be clearly seen with govt consumption declining by 1.1% in Q2 as opposed to a growth of 10.5% in previous quarter. The cut in Govt expenditure is part of the plan to rein in the burgeoning fiscal deficit trying to negate the effect of lower tax revenue collection as well as higher subsidy burden. It all now needs to be seen what the rating agencies make out after dissecting the GDP numbers.



Supply-Side components (%yoy)

	Q1FY13	Q2FY13	Q1FY14	Q2FY14
GDP at factor cost	5.4	5.2	4.4	4.8
Agriculture	2.9	1.7	2.7	4.6
Industry	1.8	1.3	0.2	2.4
Mining & Quarrying	0.4	1.7	-2.8	-0.4
Manufacturing	-1.0	0.1	-1.2	1.0
Electricity, gas and water supply	6.2	3.2	3.7	7.7
Construction	7.0	3.1	2.8	4.3
Services	7.7	7.6	6.6	5.9
Trade, hotels, transport & communication	6.1	6.8	3.9	4.0
Financing, insurance, real estate and business services	9.3	8.3	8.9	10.0
Community, social & personal services	8.9	8.4	9.4	4.2

Demand- side components (%yoy)

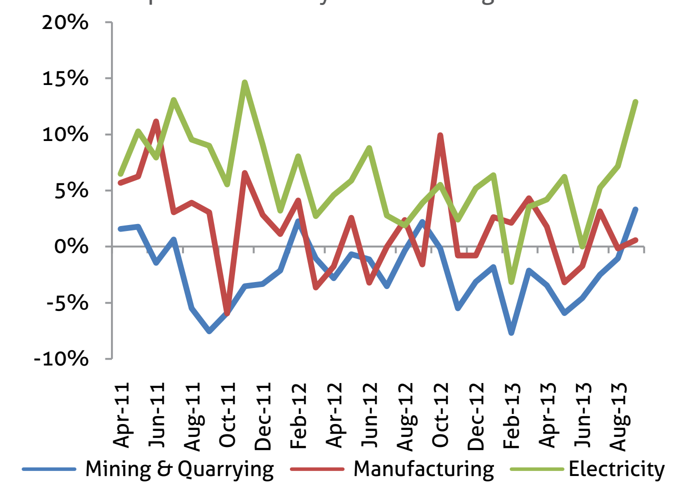
	Q1FY13	Q2FY13	Q1FY14	Q2FY14
GDP at market price	3.4	2.5	2.4	5.6
Private Consumption	4.3	3.5	1.6	2.2
Govt. Consumption	7.2	6.9	10.5	-1.1
Fixed Investment	-2.2	1.1	-1.2	2.6
Change in Stocks	69.8	71.7	-0.4	2.3
Exports	12.2	5.0	-1.2	16.3
Imports	10.7	9.5	0.7	0.4

Investment cycle needs to pick up

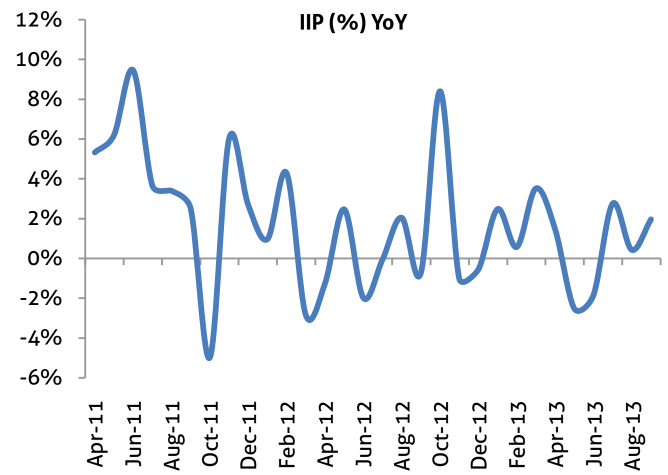
India's investment cycle collapsed in 2009 and yet to pick up. Although, there have been promises from the present Govt but were largely devoid of any results. As can be seen from the below graph, the investment as % of nominal GDP still languishes at 32.5% way below the highs of 36% recorded before the global crisis set in. The investment cycle is a key parameter which has the gigantic power to revive the economy on its own. The issue has finally drawn some attention of prime minister; Manmohan Singh considering the precarious scenario we are in which needs to be urgently addressed to bring back some growth. A special cell under the cabinet committee on investments (CCI) has been set up to address the issues of the companies. According to news reports, there are over 250 projects worth Rs 11 lakh crore are now being considered by the PM-backed cell, more than double the 120 cases worth Rs 5 lakh crore it started with in July. If the present Govt. manages to pull this one issue off, it will be able to salvage some respect. However, with the central elections six months from now, there is a growing optimism that the possible election of Narendra Modi as PM might act as a catalyst as industry fraternity are also seen to have great trust in the man who has done wonders for the state of Gujarat.

IIP showing signs of improvement, but still far from satisfactory

The index of Industrial production (IIP) grew 2% YoY in September led by power (12.9%) and mining (3.3%) sectors. Interest sensitive sectors capital goods (which declined 6.8% in Sep'13 vs. 2% in Aug'13) and durables (-10.8% in Sep'13 vs. -7.7% in Aug'13) were mainly responsible for pulling down the growth. The manufacturing sector, which constitutes about 76% of industrial production, grew at 0.6% YoY. In the face of an elevated inflation, the RBI is likely to maintain a hawkish stance towards the monetary policy which doesn't augur well for the already bleeding interest sensitive sectors. The growth in the September IIP was led by Consumer non-durables owing to higher exports on the back of rupee depreciation and higher growth in electricity generation. However, due to the erratic nature in the electricity growth, there is less reliability on the repetition of the same. Nevertheless, there is growing optimism that the figures have bottomed out and IIP is expected to remain in the positive territory for the coming months.



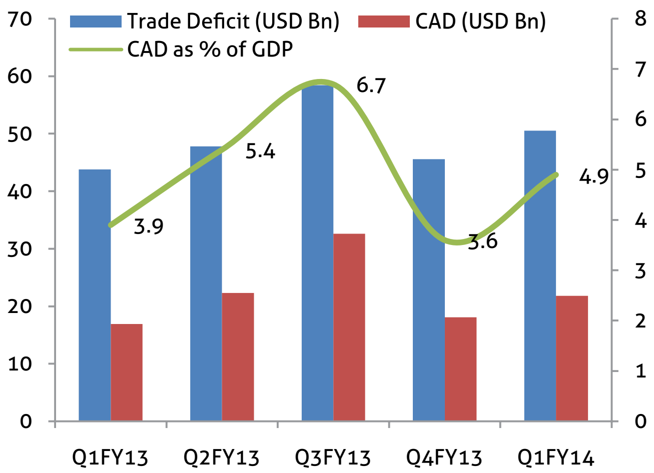
Source: RBI



Source: RBI

Lower trade deficit promises for a check on CAD

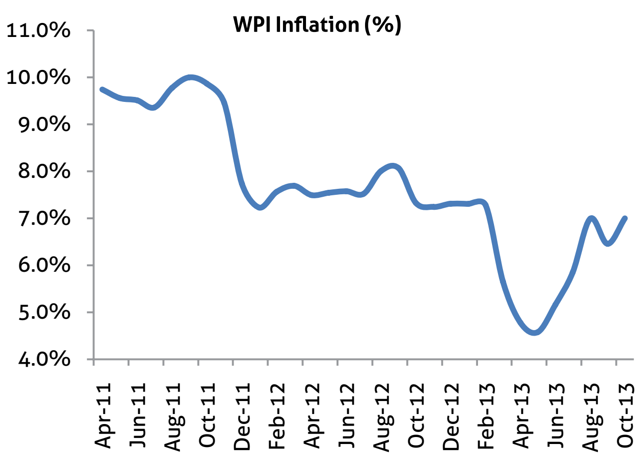
The CAD (current account deficit) widened to USD 21.8 billion (4.9% of GDP) in Q1FY14 from USD 16.9 billion (3.9% of GDP) in Q1FY13. Such a wide divergence in the CAD can be attributed to an increase in trade deficit, led by rise in gold imports and decline in merchandise exports. Excluding the increase in gold imports, CAD would work out to be USD14.5bn in Q1FY14 (3.2%). Trade deficit in Q1FY14 ballooned to USD 50.5 billion from USD 43.8 billion in the corresponding quarter last fiscal. To reduce gold imports, Government has slapped a record 10% import duty on gold, its second-biggest import after oil, as it seeks to curb a swollen current account, and has said 20% of all imports must be turned around and exported as jewellery. The moves worked as the merchandise trade deficit fell to USD 29.9 billion in Q2FY14 from USD 50.5 billion in Q1FY14. The sharp reduction in trade deficit was driven by an increase in exports and a simultaneous decline in gold imports. A gold import is estimated to be lower by almost 300 tonnes than the previous quarter owing to the restrictions imposed while a depreciated rupee made exports competitive. These measures have certainly had a positive effect on the Q2FY14 CAD. The Govt. also clearly stated its views that it has no motive to be liberal on the restrictions imposed on gold imports. RBI governor stated in a press conference that the CAD for this year will be at $56 billion, much lower than $88 billion last year. As of now, the figures looks realistic, however, we will get a better picture as the CAD numbers are released for Q2FY14.



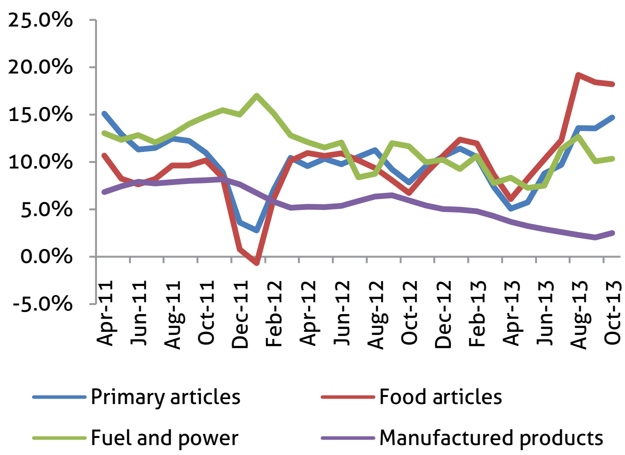
Source: RBI

Inflation at 8 month high is still a major headache

WPI inflation rose sharply to 7.0% in October from 6.5% in September, largely driven by inflation in primary articles and fuel. Primary articles (having a weight of 20%) accounted for 44% to WPI inflation. Within primary articles, prices of food articles have nearly 71% weight. Food inflation for October came in at 18.2%, a tad lower than 18.4% previous month. Rapidly rising prices of vegetables have been the prime driver of food inflation. During April-October, inflation in vegetables averaged 44.2%. To sight a simple example, prices of tomatoes have increased 121.9% in October (86.94% in September). The inflation in onions although still bringing tears to the common people stand in at a staggering 278.2% in October after having cooled from its previous month figure of 322.9%. Owing to that, vegetable inflation declined a bit, to 78.4% in October against 89.4% in September. The food inflation has started spreading even to the manufactured products. Manufactured inflation rose for the first time in a year, to 2.50% in October from 2.03% in September. The RBI is expected to continue with a strict monetary policy as even Core inflation stood at 2.6%, the highest since April. In India, inflation is mainly caused by the structural side while the responsibility to tame inflation rests on the monetary side. The reason for food inflation in India is a product of some debatable policy choices and is often the result of a clear mismatch between actual and desired policy outcomes. Unless, the headline inflation is in the comfort zone, RBI is expected to keep a strict monetary policy keeping in view of the depreciating rupee and CAD.



Source: RBI



Source: RBI

RBI has job on hand as US QE tapering will soon be a reality

The early tapering of US asset purchase program of $85 billion per month could be soon a reality as suggested by the latest FOMC meeting. The US GDP growth of 2.8% for third quarter coupled with better jobs data has enhanced the chances. Sure, there will be volatility in the Asian markets including India as there are expectations of money flowing back to US and thus resulting in depreciation of the Indian rupee. However, the steps taken by Raghuram Rajan after he took office as RBI governor are worth mentioning.

1. The RBI announced a fixed-rate swap for FCNR (B) deposits which are dollar-denominated deposits for expat Indians. This is for three years at 3.5%, for over 3-year deposits. This was a boon for the foreign banks or banks with overseas presence will benefit from this scheme as they can raise funds at cheaper rate. The impact is expected to be around $10 billion inflows.

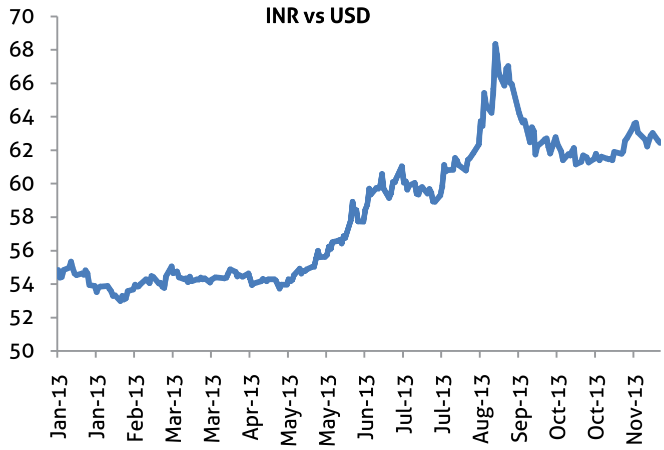
2. The RBI also raised overseas borrowing limit of banks from 50% of unimpaired Tier I capital to 100%. This move is expected to give headroom to raise around $30 billion.

3. Exporters can rebook cancelled forward exchange contracts to the extent of 50%, importers to the extent of 25%. This move is expected to give greater flexibility to the exporters and importers in the forex market thus increasing the depth.

4. Issuance of inflation indexed savings certificate linked to the new CPI index which will provide a fillip to household savings rate, which has dropped significantly.

As per the media reports, RBI has received about $25 billion as of November 25, from special concessional swap windows for deposits by non-resident Indians and overseas foreign currency borrowings by banks. Further, owing to the burgeoning demand for dollars for oil marketing companies (OMCs), RBI on August 28, 2013, had opened a special swap window for the three OMCs wherein they could meet their daily forex requirement from the RBI. The deadline for the widow is Nov 30, 2103. However, depending on the demand for dollars and the pressure on Indian rupee, the window might be extended. Apart from bringing about the above mentioned measures, the RBI has also raised the repo rates twice by 25bps to 7.75% in a move to tame inflation while also lowering the marginal standing facility (MSF) rates to 8.75%. Lowering of MSF rates eases liquidity in the banking system by lowering the cost of borrowing for lenders.

The moves taken by Mr. Rajan have paid off to some extent as far as the rupee depreciation is concerned. A weak rupee does make our import bill dearer. On the contrary, it also makes exports cheaper, thus lowering the trade deficit. Further, a check on oil & gold imports also possibly helped to reduce the CAD. Moreover, there has been an increase in the capital flows in the country in the form of higher FDI, which also helped in relieving the pressure off the Indian rupee. FDI flows in the country increased 41.5% to $6.5 billion in Q1FY14 from $3.8 billion Q1FY13. With proactive measures and structural reforms to revive the investment cycle, as well as to woo in higher foreign capital, by removing capital controls, India will certainly have a better chance to withstand the inevitable.



Source: RBI

Q2FY14 Report Card

After a strong rally in 2012, Indian markets witnessed a roller-coaster ride so far in the year 2013, up 7% so far. Fears of QE tapering from the US Federal Reserve, earning downgrades, hawkish stance by the Reserve Bank of India (RBI) and sharp depreciation seen in Indian currency have all weighed on investor sentiment. However, there was some good news for investors in the current results season. After five quarters of earnings misses, weaker currency helped Sensex profit grow marginally ahead of estimates at 14.5% while sales grew by 15%. On the domestic front, anticipation of a BJP-led government or a stable government in 2014 is building some sort of optimism among market participants, which can lead to restarting of investment cycle, experts feel. Improving the investment environment will not only attract FDI to help offset current account deficit but will also bring back domestic private sector capital expenditure. FII portfolio flows (debt+equity) accounts for almost 34% of India's capital flows every year. India has been a big beneficiary of robust FII flows during FY08-FY13, netting $120 billion. In view that once elections are over, investment cycle is likely to kick off as it will bring more clarity towards policy and reforms. Adding to that, reforms process which was initiated in the last one year would bear fruit in the next 1-2 quarters. On the monetary policy front, market expects the hardening of interest rates is likely to end soon with another 25 basis point rate hike.

Quarterly Performance Analysis

The aggregate revenue of CNX 500 companies (excluding Banks, NBFC & Oil companies) stood at Rs. 807,498 crore, a growth of 14% on YoY basis. Sequentially the growth is at 10%. Lower operating expenses led to higher operating margins which climbs 81 basis point compared to Q1FY14. During Q2FY14, the EBITDA margins of CNX 500 companies (excluding Banks, NBFC & Oil companies) stood at 18.42%. This led EBITDA in Q2FY14 to grow by 13% YoY, while QoQ it registered a growth of 15% at Rs. 148,762 crore. The depreciation cost of these companies registered a growth of 28% YoY from 14% YoY in Q1FY14 at Rs. 38,138 crore. However sequentially, there is 14% increase in depreciation. Interest cost has shown great pain in the quarter by growing 38% YoY against 19% in Q1FY14 at Rs. 32,863 crore. However QoQ the interest cost growth was at 5%. Earnings of CNX 500 companies (excluding Banks, NBFC & Oil companies) remain flat YoY during the quarter as compared to 9% YoY de-growth in Q1FY14. Sequentially the profit increased by 17% at Rs. 54,648 crore. Profit margin also increased by 42 bps at 6.8% against 6.3% in Q1FY14.

CNX 500 (Excluding Banks, NBFC & Oil Companies)

(In Rs. Cr.)	Q2FY12	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	Q4FY13	Q1FY14	Q2FY14
Net Sales	630365	680490	757051	700298	707161	744137	800815	734037	807498
Growth (YoY)	29%	32%	28%	14%	12%	9%	6%	5%	14%
Growth (QoQ)	3%	8%	11%	-7%	1%	5%	8%	-8%	10%
Operating Exp.	534360	580886	636971	591072	593822	631003	681533	623953	680080
Growth (YoY)	34%	39%	33%	17%	11%	9%	7%	6%	15%
Growth (QoQ)	6%	9%	10%	-7%	0%	6%	8%	-8%	9%
% of Sales	85%	85%	84%	84%	84%	85%	85%	85%	84%
Operating Profit	111382	116524	140195	127793	131610	131390	142112	129259	148762
Growth (YoY)	-7%	7%	5%	3%	18%	13%	1%	1%	13%
Growth (QoQ)	-10%	5%	20%	-9%	3%	0%	8%	-9%	15%
OPM	18%	17%	19%	18%	19%	18%	18%	18%	18%
Depreciation	25736	27672	28349	29280	29790	31952	33170	33328	38138
Growth (YoY)	19%	24%	5%	20%	16%	15%	17%	14%	28%
Growth (QoQ)	5%	8%	2%	3%	2%	7%	4%	0%	14%
Interest	21442	22656	24072	26329	23790	29929	29583	31396	32863
Growth (YoY)	71%	66%	53%	47%	11%	32%	23%	19%	38%
Growth (QoQ)	20%	6%	6%	9%	-10%	26%	-1%	6%	5%
Other Income	15377	16920	20115	18568	18271	18255	22830	19176	21346
Growth (YoY)	-49%	60%	4%	1%	19%	8%	13%	3%	17%
Growth (QoQ)	-17%	10%	19%	-8%	-2%	0%	25%	-16%	11%
Adj Profit	47583	53853	64033	51206	53928	46958	58874	46610	54648
Growth (YoY)	-6%	2%	-5%	-11%	13%	-13%	-8%	-9%	1%
Growth (QoQ)	-17%	13%	19%	-20%	5%	-13%	25%	-21%	17%
OPM	8%	8%	8%	7%	8%	6%	7%	6%	7%

Source: Capitaline

Sectoral performance review
Banking Sector

Q2FY14 was a very volatile quarter owing to significant volatility in the rupee and the measures taken by the RBI to bring stability in the forex market. RBI raised the marginal standing facility (MSF) rate to 10.25% as a liquidity tightening measure to prevent speculation of rupee. Earnings growth for Q2FY14 has remain muted Y-o-Y owing to the extended challenging business environment. Earnings of most PSU Banks and some private banks are marred by losses on treasury portfolios due to steep rise in G-sec/corporate bond yields.

RBI, at the beginning of the quarter, in its bid to stabilize currency, tightened short-term liquidity by increasing short term rates. These measures exposed banks to margin pressures, more so for the wholesale short-term funded ones. In order to protect their margins, many banks, most of the private and select PSUs raised their base lending rates. Though RBI has recently scaled back some of its tightening measures, short term rates still remain at elevated levels and at the longer end, many banks have increased their peak retail term deposit rates. Moreover, unlike healthy trading gains in Q1FY14, most banks are reporting substantial MTM losses in Q2FY14, in spite of RBI relaxations on this front.

Banks' loan growth picked up from 13.7% in Q1FY14 to 17.9% in Q2FY14, due to good growth in retail and agriculture loans. However, deposit growth remained low at 14.1% in Q2FY14, due to slowdown in deposit mobilization by banks. It is expected that credit growth to pick up during H2FY14 in view of the incoming peak season and pickup in the economic activity. However, most banks will still remain cautious on growth due to continuous pressure on asset quality. Asset quality of most PSU banks is under pressure in Q2FY14 due to high exposure to troubled sectors like infrastructure, real estate, textiles, iron and steel. Slippages remain high. But with banks speeding up their efforts at recoveries, the same are expected to trend higher.

BSE Bankex & Bank Nifty

Company (Rs Cr)	NII	YoY %	QoQ %	Operating Profit	YoY %	QoQ %	Net Profit	YoY %	QoQ %	NIM (%)	GNPA (%)
St Bk of India	16760	11%	5%	8619	-12%	-17%	3073	-33%	-29%	3.19	5.64
HDFC Bank	4477	15%	1%	3387	27%	2%	1982	27%	8%	0	1.1
ICICI Bank	4044	20%	6%	3888	22%	2%	2352	20%	3%	0	3.08
Punjab Natl. Bank	4016	10%	3%	2535	0%	-15%	505	-53%	-60%	3.47	5.14
Axis Bank	2937	26%	2%	2750	26%	-3%	1362	21%	-3%	3.79	1.19
Bank of Baroda	2895	1%	0%	2109	-11%	-13%	1183	-10%	0%	2.32	3.15
Bank of India	2527	15%	0%	2102	13%	-4%	622	106%	-36%	2.39	2.93
Canara Bank	2191	12%	10%	1425	11%	-25%	626	-5%	-21%	0	2.64
Union Bank (I)	1954	6%	2%	1225	-4%	-13%	208	-62%	-63%	2.54	3.64
Kotak Mah. Bank	1416	22%	3%	970	23%	-12%	583	16%	-7%	4.9	1.97
IndusInd Bank	700	37%	3%	588	40%	-8%	330	32%	-1%	3.65	1.11
Yes Bank	672	28%	2%	713	47%	5%	371	21%	-7%	2.9	0.28
Federal Bank	548	8%	8%	354	1%	-12%	226	5%	114%	3.3	3.39
Total	**45137**	**13%**	**4%**	**30664**	**5%**	**-10%**	**13424**	**-7%**	**-16%**	**2.5**	**2.7**

Source: Capitaline

Auto & Auto ancillary

Q2FY14 continued to remain sluggish for the automobile sector, both in terms of domestic demand due to weak economic scenario, rising fuel prices and high inflation whereas export and foreign subsidiary are improving. Further, the quarter was marked by a sharp decline in the domestic Passenger Car (PC) sales after showing sustained demand over the past few quarters. However, Utility Vehicles continued to report strong demand. Commercial Vehicles segment saw further worsening of demand during the quarter.

The aggregate consolidated revenue of auto & auto ancillary companies (including BSE Auto & CNX Auto) registered a growth of 17% YoY, while sequentially the increase was 8% at Rs 106,316 crore. EBITDA margin expanded by 200bps to 15.4%, which was driven by an improved product mix, currency benefits, and cost control measures, which though had increases the operating profit by 35% YoY but increase by 20% QoQ at Rs 16,317 crore. Lower finance costs and lower taxation improve the earnings of the auto manufacturers. During Q2FY14, PAT of auto & auto ancillary companies increased by 41% YoY, while QoQ it substantially increases by 38%.

Four wheeler major Maruti Suzuki posted 27% YoY, increase in its top-line and net profit of the company had increased significantly by 195% on YoY basically due to lower base effect. Two wheeler major Hero MotoCorp posted 11% YoY, on account of high volume and strong rural demand. Net profit of the company also increases by 9% on YoY.

Going forward it is expected that easing of interest rates, new product launches and improving domestic as well as global macro factors would witness a gradual uptick in volumes and margins for auto and auto ancillary companies.

BSE Auto & CNX Auto

Company (Rs Cr)	Net Sales	YoY %	QoQ %	Operating Profit	YoY %	QoQ %	Net Profit	YoY %	QoQ %
Tata Motors	55701	30%	19%	8593	55%	38%	3747	80%	104%
Maruti Suzuki	10212	27%	2%	1422	114%	4%	670	195%	6%
M & M	8814	-9%	-11%	1506	4%	4%	990	10%	6%
Motherson Sumi	7166	24%	2%	583	21%	28%	140	1%	91%
Hero Motocorp	5696	11%	-7%	948	16%	-8%	481	9%	-12%
Bajaj Auto	5061	5%	5%	1256	16%	16%	837	13%	13%
Apollo Tyres	3433	2%	8%	441	16%	9%	219	44%	32%
Ashok Leyland	2498	-23%	8%	123	-66%	325%	-69	-148%	49%
Bosch	2104	4%	-7%	413	10%	-9%	234	15%	-7%
Eicher Motors	1662	13%	1%	225	66%	20%	107	63%	16%
Exide Inds.	1428	-6%	-12%	205	2%	-24%	119	-1%	-25%
Cummins India	914	-14%	-11%	208	-11%	-14%	145	-10%	-13%
Bharat Forge	821	-4%	6%	244	6%	5%	96	1%	6%
Amara Raja Batt.	805	12%	-9%	149	29%	-4%	95	24%	-3%
Total	**106316**	**17%**	**8%**	**16317**	**35%**	**20%**	**7812**	**41%**	**38%**

Source: Capitaline

Metal & Mining

The metals and mining sector has report a growth in aggregate bottomline after reporting weak numbers over the last two quarters. Metals companies (mainly non-ferrous) during the quarter were benefited from the sharp depreciation in the rupee against the dollar. Indian steel production in September at 6.6mt rose 8.7% YoY despite only 3.3% growth in domestic consumption, due to sharp reduction in net imports. While imports during the month dipped ~20% to 0.5mt, exports surged ~58% to 0.5mt. The gap between the two disappeared against net import of 0.4mt in September 2012. For Q2FY14, finished steel production rose 8% YoY despite only 1.1% YoY growth in domestic consumption as imports dipped by ~16% YoY while exports jumped ~11% YoY. It is evident that INR depreciation is playing a significant role in the net imports dip and thereby supporting the elevated production level despite modest growth in domestic demand.

The aggregate revenue of Metal and Mining companies (Both BSE & CNX Metal) increases by 8% in YoY at Rs 99,027 crore, whereas on QoQ basis also it increases by 8%. Lower realization in commodity across the world hit the sector hard. Aggregate operating profit during Q2FY14 increased by 5% on YoY and had declined marginally QoQ due to seasonal effect. PAT witnessed increase of 8% YoY, whereas sequentially it dipped by 11% at Rs 9,445 crore.

Looking at the sales growth YoY, JSW Steel had posted a growth of 35% and profit had grown by 78% at Rs 616 crores. During Q2FY14, Hind Zinc posted 25% YoY growth in revenue and 10% YoY growth in its profit. Coal India posted 6% YoY growth and 6% QoQ decline in its top-line. Jindal Steel & Power registered 7% YoY growth in revenues. Tata Steel's revenue increases by 7% YoY to Rs 36,370 crore, driven by strong realizations and higher volumes at European operations.

BSE Metal & CNX Metal

Company (Rs Cr)	Net Sales	YoY %	QoQ %	Operating Profit	YoY %	QoQ %	Net Profit	YoY %	QoQ %
Tata Steel	36370	7%	12%	3909	53%	0%	917	441%	-19%
Coal India	15411	6%	-6%	4968	0%	-20%	3059	-1%	-18%
JSW Steel	12796	35%	26%	1548	-22%	49%	616	78%	28%
S A I L	11410	7%	13%	2008	46%	82%	547	6%	8%
Hindalco Inds.	6246	2%	8%	820	27%	-10%	357	0%	-25%
Jindal Steel	4949	7%	10%	1442	-19%	6%	452	-50%	-9%
Hind.Zinc	3520	25%	20%	2089	5%	-1%	1693	10%	2%
NMDC	2478	-5%	-14%	2032	-19%	-16%	1318	-21%	-16%
Bhushan Steel	2176	-11%	-8%	708	-6%	-4%	60	-70%	-21%
Natl. Aluminium	1710	8%	11%	390	184%	18%	179	3648%	12%
Jindal Saw	1224	-25%	1%	136	-16%	25%	47	-54%	-12%
Hind.Copper	334	18%	50%	127	41%	103%	62	42%	234%
MOIL	227	-1%	-5%	143	-14%	-20%	91	-17%	-19%
G M D C	175	-54%	-53%	103	-63%	-51%	46	-73%	-61%
Total	**99027**	**8%**	**8%**	**20421**	**5%**	**-1%**	**9445**	**8%**	**-11%**

Source: Capitaline

Information Technology

Q2FY14 is a seasonally strong growth quarter for Indian IT owing to ramp-ups of deals won in previous quarters. Q2 FY14 is no different especially considering the improving spending environment in the developed markets. The key drivers for Q2 FY14 are North America among the geographies and BFSI, Manufacturing among the verticals. Tier-I IT services companies are report a USD revenue growth of 2.5-6% Q-o-Q with TCS to lead the pack. Wipro is to grow at the lower end. Growth of most of the companies is likely to be volume driven.

The aggregate revenue of BSE IT and CNX IT companies posted a growth of 33% YoY and 14% QoQ at Rs 63,596 crore. Higher operating expenses minimize the growth in EBITDA of these IT companies. EBITDA grew 32% YoY and 24% QoQ at Rs 17,589 crore. PAT also grow by 13% QoQ to Rs 12,002 crore, while YoY it grew 29%.

In rupee terms, IT companies like TCS, Infosys, HCL Tech, Mindtree and Tech Mahindra reported 34%, 32%, 31%, 29% and 192% YoY revenue growth respectively. Wipro had posted a revenue growth of 19% YoY. Midsized IT companies like MindTree, KPIT Tech, Rolta India and Hexaware Technologies reported decent growth in its top-line. Profit growth remained high for major IT companies, except Infosys and Tech Mahindra which witnessed a profit growth of 1% and 5% respectively on QoQ.

BSE IT & CNX IT

Company (Rs Cr)	Net Sales	YoY %	QoQ %	Operating Profit	YoY %	QoQ %	Net Profit	YoY %	QoQ %
TCS	20977	34%	17%	6607	39%	22%	4633	35%	21%
Infosys	12965	32%	15%	3347	1%	3%	2407	2%	1%
Wipro	10991	19%	13%	2845	19%	21%	1932	20%	19%
HCL Technologies	7961	31%	14%	1960	52%	17%	1416	64%	19%
Tech Mahindra	4771	192%	16%	1149	325%	8%	718	142%	5%
Oracle Fin.Serv.	825	4%	11%	487	78%	9%	311	98%	9%
Mindtree	770	29%	19%	185	88%	-4%	130	79%	-4%
KPIT Tech.	703	24%	15%	110	37%	8%	67	58%	11%
Rolta India	628	34%	3%	251	15%	-128%	70	11%	-35%
Hexaware Tech.	621	22%	16%	136	18%	2%	99	17%	1%
Polaris Finan.	610	4%	11%	83	3%	19%	47	-14%	9%
CMC	561	22%	15%	91	16%	4%	67	36%	27%
Vakrangee	426	18%	6%	122	34%	7%	44	79%	32%
NIIT Tech.	334	-33%	-38%	87	18%	-12%	56	31%	6%
CORE Education	330	-33%	-3%	77	-60%	41%	-29	-140%	12%
eClerx Services	215	33%	13%	93	126%	4%	67	167%	9%
Info Edg.(India)	123	16%	2%	53	11%	12%	33	0%	7%
Total	**63596**	**33%**	**14%**	**17589**	**32%**	**24%**	**12002**	**29%**	**13%**

Source: Capitaline

FMCG Sector

FMCG companies show a revenue growth on a Y-o-Y basis in Q2FY14. The growth has been largely organic and both volume & price driven. Volume growth has been moderate and lower than the growth delivered in the previous quarters on the back of slowdown in demand for discretionary and premium products (especially in foods & personal care segments) due to the ongoing economic slowdown. Slowing consumer demand (due to high CPI inflation) had affect volume growth of companies such as Hindustan Unilever. With no sign of revival in the macro-economic environment, most of the FMCG companies have taken adequate steps such as promotional add-ons/discounts on the key stock keeping units to improve the sales volume. However, these measures would take some time to yield the desired results.

The aggregate revenue of FMCG companies (both BSE and CNX FMCG index) increased by 2% YoY but remain flat on QoQ basis at Rs 31,915 crore. Softening of Commodity prices aided the FMCG companies to post strong operating profit. EBITDA during the quarter has shown a growth of 14% as compared to previous year (Q2FY13). Sequentially it has marginally grown by 9%. Net profit of these companies also surged 11% YoY due to lower tax outgo during Q2FY14. On QoQ basis profit grew by 15%.

Godrej Consumer posted 23% YoY growth in net sales. However EBITDA growth was surged 20% YoY growth due to lower raw material cost and advertisement expenditure. ITC registered a sales growth of 9% YoY during Q2FY14, primarily driven by cigarettes, FMCG and Agri business. Lower interest cost coupled with muted depreciation cost and lower effective tax rate led the company to post 21% YoY growth in net profit at Rs 2,231 crore. Hindustan Unilever's net sales grew by 10% YoY. Net profit grew 10% YoY. Jubilant Food's net sales grew 28% YoY, however net profit witnessed a growth of 3% YoY on the back of lower operating efficiencies.

BSE FMCG & CNX FMCG

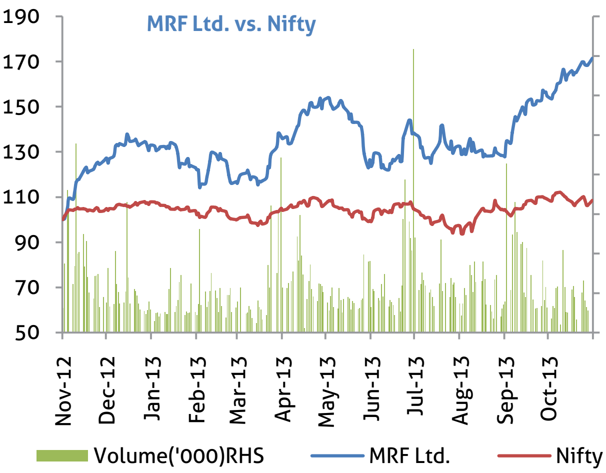
Company (Rs Cr)	Net Sales	YoY %	QoQ %	Operating Profit	YoY %	QoQ %	Net Profit	YoY %	QoQ %
ITC	7776	9%	6%	3422	19%	14%	2231	21%	18%
Hind. Unilever	6747	10%	1%	1270	13%	-7%	888	10%	-5%
EID Parry	2477	-24%	6%	298	-24%	200%	11	-90%	-110%
Nestle India	2348	11%	6%	520	15%	4%	283	6%	4%
United Spirits	2039	-8%	-7%	294	19%	-17%	94	140%	-20%
Godrej Consumer	1957	23%	14%	306	20%	36%	209	25%	46%
Dabur India	1749	15%	6%	352	24%	27%	250	23%	34%
Britannia Inds.	1740	13%	13%	165	58%	9%	98	66%	9%
GlaxoSmith C H L	972	17%	14%	235	19%	21%	147	14%	22%
Colgate-Palm.	896	16%	6%	159	-16%	-37%	110	25%	16%
United Breweries	752	-4%	-38%	41	-63%	-84%	-19	-154%	-115%
Tata Global	635	-66%	-65%	250	36%	1%	59	-54%	-39%
P & G Hygiene	493	31%	17%	95	34%	10%	55	21%	6%
Mcleod Russel	491	12%	181%	270	8%	517%	248	8%	786%
Jubilant Food.	437	28%	10%	68	12%	-2%	33	3%	-2%
Emami	407	13%	6%	131	32%	28%	80	35%	32%
Total	**31915**	**2%**	**0%**	**7878**	**14%**	**9%**	**4776**	**11%**	**15%**

Source: Capitaline

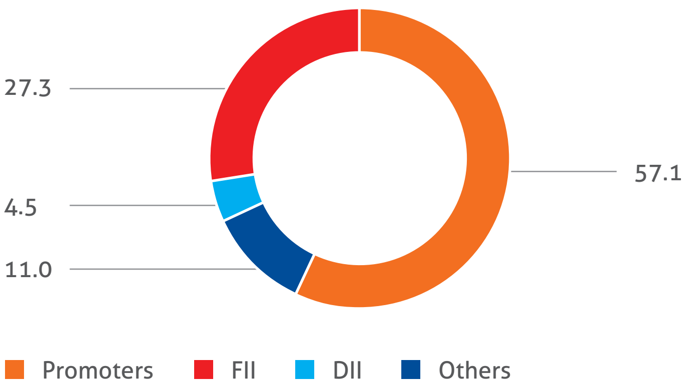
Stock Picks

MRF Ltd.	CMP: 17,350/-	Rating: Buy	TGT: 19,430/-

Company Information	
BSE Code	500290
NSE Code	MRF
Bloomberg Code	MRF IN
ISIN	INE883A01011
Market Cap (Rs. Cr)	7,274
Outstanding shares(Cr)	0.42
52-wk Hi/Lo (Rs.)	17210 / 9990
Avg. daily volume (1yr. on NSE)	11801
Face Value(Rs.)	10
Book Value	6748



Share holding pattern as on 30.09.2013 (%)



Particulars (in Rs. Cr)	SY11	SY12	SY13	SY14E
Net Sales	9752	11967	12240	13915
Growth (%)	30.6	22.7	2.3	13.7
EBITDA	835	1304	1780	1739
EBITDA Margin (%)	8.6	10.9	14.5	12.5
Net profit	619	579	809	789
Net Profit Margin (%)	6.4	4.8	6.6	5.7
EPS (Rs)	1459.0	1366.1	1907.1	1860.4

Consensus Estimate: Bloomberg

Q4 and SY13 Result Analysis

Tyre manufacturer MRF Ltd has posted a growth of 11.74% with net profit at Rs 184.10 crore for the quarter ended September 30, 2013, as against Rs 164.76 crore for the same period of previous fiscal year. The consolidated net profit for the year ended September 30, 2013, increased 39.56% to Rs 808.60 crore as compared to Rs 579.40 crore posted during the year ended September 30, 2012. Total income rose by 5.14% to Rs 31.47 billion in the September quarter as compared to Rs 29.93 billion in the corresponding quarter a year ago. The total income from operation during the period saw a growth of 2.35% at Rs 12,248.22 crore, as against Rs 11,967.32 crore for the year ended September 30, 2012, while other operating income was Rs.1.75 crore, compared with Rs.2.06 crore a year-ago.

Investment Rationale

Fall in rubber and Crude oil prices resulting in margin improvement for tyre companies

Despite the falling rupee and sluggish demand, the correction in rubber prices and crude oil prices are resulting in margin improvement for tyre companies. Domestic rubber and crude oil prices have come down by 24.5% and 15.6% respectively from its peak.

Strong Research and development

The company has managed to carry out the R&D activities efficiently and likely to do so in the future. The R&D activity have helped the company in many ways like – development of new products for domestic and export market, development of new raw materials for specific application, development of new formulation, development of new technique in making process improvements, development of new equipment and modification of existing machinery.

Market leadership with strong brand loyalty

Market indicates that MRF is the undisputed leader in 2W, 3W and LCV categories. 3W users say the preference for MRF is largely driven by longevity of tyre life (1.5 yrs for MRF vs. 8-9m for others). Though 3W segment is not significant, it stands as a testimony to MRF's strengths. Further, MRF has been able to create a dedicated and well entrenched distribution channel (the company has a network of 9,155 dealers – 1.5-2x that of peers - 4,500+ are exclusive MRF dealers, i.e. 50-55% of total vs. 8-10% for competitors. MRF is one of the two large Indian tyre companies to maintain market share (at 21% each) in the past six years in contrast to other domestic companies whose shares fell. It is the largest player in the PCR segment with a market share of 21.3% and in 2W and LCV segments the figures are 27% and 44% respectively. In the M&HCV segment it commands an overall market share of 20.4%.

Pricing premium across most segments

Driven by strong brand loyalty, the company enjoys pricing premium across most automotive segments. In LCV and 2W categories its premium is 8- 10%, and in the 2W segment it is at a premium to even Michelin. Also in PCR and T&B bias segments its premium is 1-2%. However, it retails at a discount of 12-15% to foreign players in both PCR and T&B radial segments. In the Truck segment, dealers said pricing played a critical role in buying decisions.

Price hikes in replacement market a near-term trigger

Market suggests that Apollo and Ceat have increased prices by 3%/1% respectively in the T&B bias and radial segments effective mid- August 2013. MRF dealers believe that the company would soon go in for a price hike. Bridgestone has also raised prices by 5% in the T&BR category. Price hikes in the Truck segment is a positive considering that in 1QFY14 both Apollo and CEAT cut prices. In 2Ws MRF hiked prices by 4% in August 2013 while CEAT did not. Within 3W, dealers are facing shortages of MRF tyres for the last 2m.

Strong brand loyalty

MRF ranks highest in customer satisfaction as an OEM among five tyre manufacturers, according to J.D Power and Associates India. Original Equipment Tyre Customer Satisfaction Index (CSI) study offers a score of 840 on a 1,000-point scale, ranking it the highest. It also performed well in all factors leading to overall customer satisfaction.

Recent Development

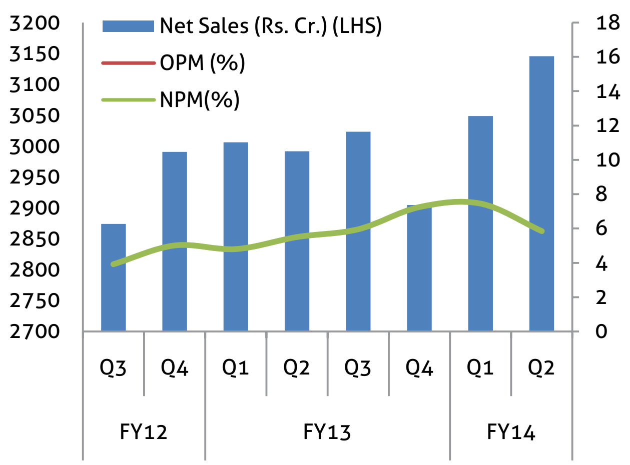
- The company's board has recommended a final dividend of Rs 24 per share (240%) for the year. With two interim dividends of Rs 3 each paid earlier in the year, the aggregate dividend for the year works out to Rs 30 (300%).
- The Company has bagged the JD Power Award for the 10th time. The award is widely considered the automotive equivalent of the Oscars and is the highest recognition in the industry. Very few companies globally have received the award consistently for so many years.
- Round two of the MRF Challenge 2013 season will begin this weekend with the Indian based series heading to the Bahrain International Circuit (BIC) in Sakhir, Bahrain.

Risk

- Any slowdown in the auto sector for a longer period of time will have a negative impact
- Volatile rubber and crude oil prices
- Longer than expected replacement cycle.
- Increased price competition from Michelin and Bridgestone.

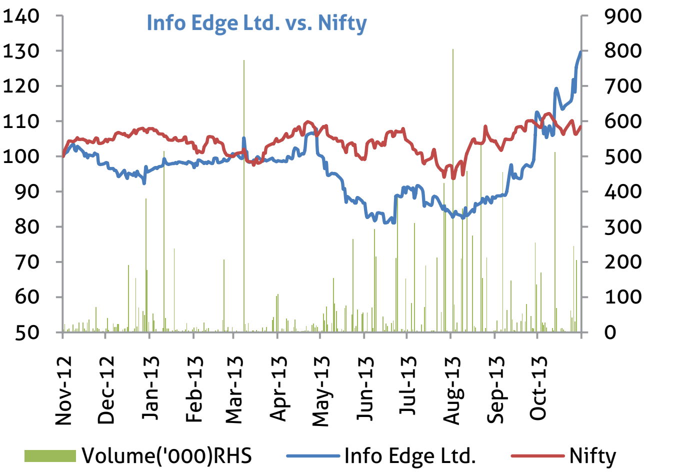
Valuation

MRF is better placed to ride the demand recovery expected over FY14E-FY15E led by the pick up in replacement demand and higher OEM growth. MRF's trailing 12-month (TTM) EPS is at Rs. 1907 per share. (Sep, 2013). The stock's price-to-earnings (P/E) ratio is 9.4. The latest book value of the company is Rs. 6738 per share. At current value, the price-to-book value of the company was 2.6. The dividend yield of the company is 0.14%. The EV/EBITDA of the company is 3.8. At the current market price, the stock is trading at 9.3x its SY14E EPS of Rs. 1860. We recommend 'BUY' on the stock with a target price of Rs. 19430, arrived at 10.4x SY14E EPS which implies potential upside of ~12% to the CMP from long term (1 year) perspective.

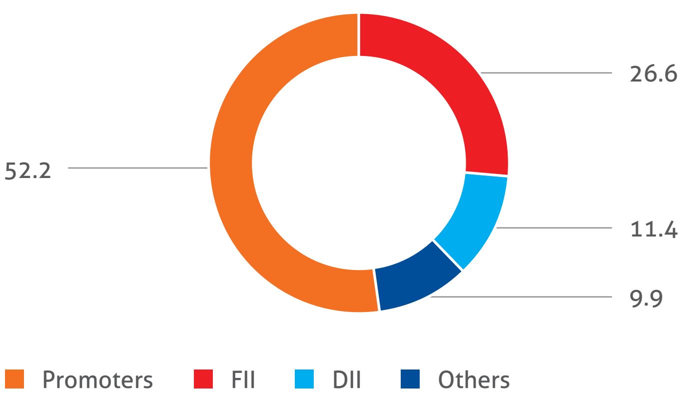


Info Edge (India) Ltd. CMP: 446/- Rating: Buy TGT: 550 /-

Company Information	
BSE Code	532777
NSE Code	NAUKRI
Bloomberg Code	INFOE IN
ISIN	INE663F01024
Market Cap (Rs. Cr)	5,057
Outstanding shares(Cr)	10.92
52-wk Hi/Lo (Rs.)	477 / 276.35
Avg. daily volume (1yr. on NSE)	61201
Face Value(Rs.)	10
Book Value	56



Share holding pattern as on 30.09.2013 (%)



Particulars (in Rs. Cr)	FY12	FY13	FY14E	FY15E
Net Sales	392	472	550	678
Growth (%)	21.6	20.5	16.5	23.2
EBITDA	157	145	135	178
EBITDA Margin (%)	40.2	30.8	24.6	26.3
Net profit	103	92	116	147
Net Profit Margin (%)	24.0	16.5	21.1	21.7
EPS (Rs)	9.5	8.4	10.7	13.4

Consensus Estimate: Bloomberg

Company Description

Info Edge (India) (Naukri) is among the leading internet companies in India. Info Edge runs leading internet businesses - Naukri.com - India's No. 1 job site, Jeevansathi.com – one of the leading matrimonial portals, 99acres.com - India's No.1 real estate portal and Shiksha.com – India's leading education portal. The company also owns Quadrangle – an offline executive search business and Naukri Gulf (a leading jobsite in the Middle East market). Info Edge also owns Allcheckdeals.com, an online real estate brokerage firm, which is run as a subsidiary company. Apart from this, Info Edge has made significant strategic investments into emerging internet companies – meritnation.com, policybazaar.com, mydala.com, Canvera.com and zomato.com.

Q2FY14 Result Analysis

Info Edge reported Q2 earnings, revenue growth was marginally stronger up 14.6% YoY to Rs. 123 crore and 44.8% YoY growth in non-recruitment businesses even though recruitment business growth was mere 8.3% YoY chiefly driven by strong growth in paid listings at 99Acres.com (revenue up 57%) and price hikes in Jeevansathi. Operating profit was up 19.3% YoY on the back of 141bps expansion in operating margins on the back of just 1.1% YoY increase in A&P spends during the quarter. Lower other income (down 18.5% YoY) due to lower income from fixed-maturity investments (which yield returns on maturity) and interest-rate hikes coupled with higher tax rate (31.8% vs 26.9%) resulted in flat PAT.

Key details of results:

1) Naukri.com now has a total of 35m résumé profiles with an average of 11,000 résumés being added daily and 139,000 résumé being modified daily on its website.

2) The total number of unique customers in the jobs segment has been stagnant at ~27,000, of which ~27% are from the IT services segment.

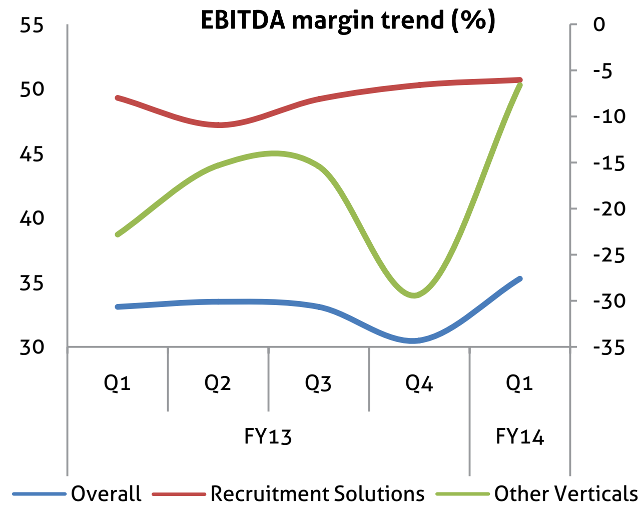
3) Jeevansathi has 5.9m profiles with 24,000 unique customers. Averages of 1411 profiles were added daily.

4) 99Acres listing increased to 685,000, of which around 82% are paid listings. It had 17,100 paid transactions for the quarter.

Investment Rationale

Additional investments in Zomato

Info Edge (India) has made additional investments in Zomato Media Private Limited. Zomato Media owns and operates an online food guide portal Zomato.com. The company has co-invested in an investment round of Rs 228 crore in the shares of Zomato Media. Of the total investment round, Info Edge has invested an amount of about Rs 57 crore by subscribing



to convertible preference shares of Zomato Media. Post this transaction the total amount invested by Info Edge in Zomato Media cumulatively till date is about Rs 143 crore and the shareholding of Info Edge in Zomato Media stands at 50.1% on a fully converted and diluted basis. Prior to this round Info Edge owned a little less than 58% of Zomato Media.

Readings from September 2013 Naukri Job speak Index (JSI)

The Naukri Job Speak Index for September 2013 was at 1238, 3% QoQ and 9% YoY growth. The IT-software index was flat QoQ at 1461 (+12% YoY) while BPO-ITeS index rose 6.6% to 1122 (+42% YoY). Hiring activity across key IT-ITeS markets (Bangalore, Chennai, Hyderabad, and Pune) was flat QoQ. The Delhi-NCR market hiring picked up with 7% QoQ jump in September 2013.

Conference call takeaways

According to management, stability in IT hiring has helped Info Edge maintain stable revenue performance. Overall management remains cautious in terms of outlook for the hiring business over the coming quarters. Despite a tough macro environment for hiring in non-IT sectors, Info Edge had not reported any material decline in its revenues. Info Edge management plans to continue investing in its non-job business segments.

Recruitment business continues to grow in single digits

In an uncertain market, the company was able to gain market share from competitors both in terms of traffic (64- 65%) and value which helped the recruitment business grow by 8.3% YoY during the quarter with collection growth for Naukri in 9MCY13 being ~9% YoY. Management believes that the competitive position of Naukri continues to remain strong with healthy demand from IT services during the quarter with IT share at ~26.5% (up from~25.5% in Q2FY13).

Lower losses in non-recruitment business help in margin expansion

A&P spends at mere 11.3% of sales (2nd lowest in last 30 quarters) helped the company reduce losses in non-recruitment businesses to Rs22mn and expand blended margins by 141bps. Entry into new cities and investment in sales force helped the company post 57%YoY growth in 99acres.com with an operating loss of Rs10mn. Management continues to remain upbeat on this business as online accounts for less than 10% of Rs20bn print market for real estate. Revenue growth in jeevansaathi was mere 16% YoY with losses at Rs8mn. We believe losses in non-recruitment businesses would continue in FY15.

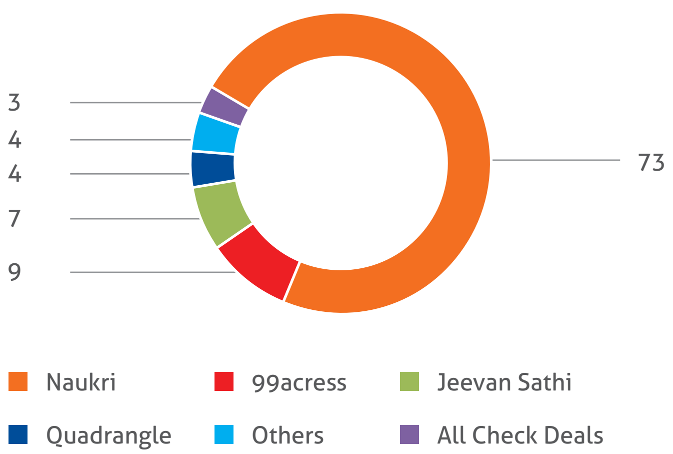
Key Risks

- Traffic share contraction due to competitive threat from LinkedIn and Monster's semantic search (Trovix) technology.
- Increasing interest rates and inflation may hurt the real estate market, impacting 99acres.com business for a relatively long period of time.
- Naukri.com or 99acres lose their market leadership position.
- Advertising expenses pick-up in response to competitors' actions.

Outlook

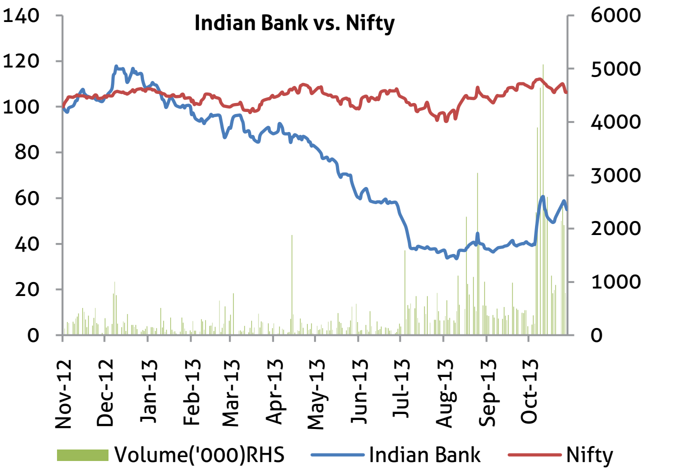
We are positive for businesses in E-Commerce space and Info Edge is gradually transforming in to a diversified E-Commerce Company with exposure varied business verticals apart from naukri.com. We remain positive on Info Edge on account of its dominant presence in online job classifieds and strong potential for online classified businesses in India. Operating margins is expected to increase on the back of lower A&P spends. Given the confidence in the recruitment business, lower losses in non-recruitment vertical and expectations of further investment in Zomato the company is looking good for the investment. Key upsides could be faster than expected recovery in recruitment business and turnaround in non-recruitment businesses. At the current market price, the stock is trading at 41.9x its FY14E EPS of Rs. 10.7 and 33.2x its FY15E EPS of Rs. 13.4. We recommend 'BUY' on the stock with a target price of Rs. 550, arrived at 41.0x FY15E EPS which implies potential upside of ~23% to the CMP from long term (1 year) perspective.

Revenue breakup (FY13) (%)

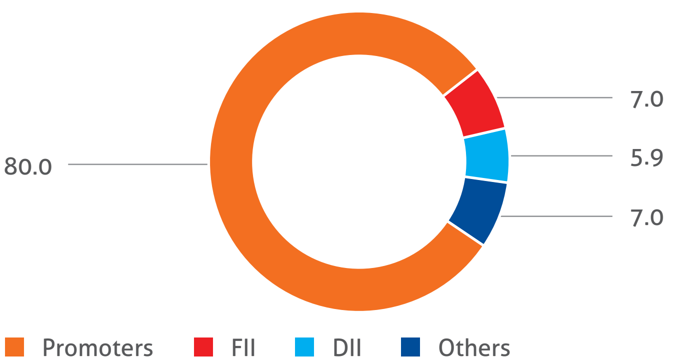


Indian Bank	CMP: 101/-	Rating: Buy	TGT: 120/-

Company Information	
BSE Code	532814
NSE Code	INDIANB
Bloomberg Code	INBK IN
ISIN	INE562A01011
Market Cap (Rs. Cr)	4,332
Outstanding shares(Cr)	42.98
52-wk Hi/Lo (Rs.)	218.95 / 59.95
Avg. daily volume (1yr. on NSE)	434553
Face Value(Rs.)	10
Book Value	269



Share holding pattern as on 30.09.2013 (%)



Particulars (in Rs. Cr)	FY12	FY13	FY14E	FY15E
Net interest Income(NII)	4421	4525	4847	5717
NIM (%)	3.4%	3.0%	2.8%	3.1%
Operating Profit	3420	3062	3223	3859
PAT	1707	1608	1244	1481
EPS (Rs)	40.0	36.5	28.9	34.5
Adjusted BV (Rs)	217	246	360	410
GNPA (%)	2.1	3.4	4.2	4.7

Consensus Estimate: Bloomberg

Q2FY14 Result Analysis

Indian Bank net profit fall 38% to Rs.306 crore for the second quarter ended September 30, 2013, from Rs.497 crore in the same period in the previous fiscal. "During the second quarter of previous fiscal, there was Rs.314 crore profit on investments. But this time we have not liquidated any of our investments due to unfavourable market conditions. Hence, there was an impact on the net profit," MD said. Operating profit stood at Rs.706 crore against Rs.908 crore a year-ago. Total business of the bank was up 16.1% at Rs.263,758. Deposits saw a growth of 16.4% at Rs.152,687 crore, while gross advances were up 15.8% at Rs.111,071 crore. The asset quality of the bank was under stress on a quarterly basis. Net NPAs rose 25 basis points sequentially (up 148 basis points on yearly basis) to 2.56% while gross NPAs jumped 35 basis points quarter-on-quarter (up 170 basis points year-on-year) to 3.76%. Earlier, MD announced the launch of seven technology-related products and services as part its customer-centric initiatives.

Investment Rationale

Loan growth subdued

Indian Bank advances grew a modest 15.1% YoY, at Rs 1093 bn; driven by 25.75% YoY growth in SME and 16.10% YoY growth in Agri credit. Retail advances growth remained healthy at 17.41% YoY, while Corporate & Commercial credit growth was muted at 11.86%YoY. Consequently, their share in overall portfolio stood at ~10% and ~32% respectively. Deposits grew a modest (16.4% YoY, 2.1% QoQ) at Rs 1527 bn. However, CASA ratio declined 220bps QoQ to 26.8%, owing to slower growth in savings account. Loan/deposit ratio declined by 140 bps QoQ to 71.6%.

NIM compression, led by increase in cost of fund

NIM decreased by 11bps QoQ to 2.63% in Q2FY14, owing to 17bps QoQ increase in cost of fund at 6.32%, whilst yield on advances increased by 11bps QoQ at 8.87%. Increase in cost of deposits was due to reduction in CASA share of deposits.

Asset quality deteriorates

Gross NPAs increased 24.7% QoQ to Rs 41.79bn (3.76% of advances), whilst Net NPAs rose by 12.8% QoQ to Rs 28.03 bn (2.56% of advances). On a percentage basis gross NPA and net NPA at 3.76% and 2.56% are in line with average PSU bank metrics. Asset quality had worsened sharply between Q2FY13 and Q2FY14 and has since moved upwards gradually. Non tax provisioning was up 11.3% YoY in Q2FY14. PCR stood at 58.62% (down 350bps QoQ); amidst 11.2% YoY increase in non-tax provisions. Recoveries during the quarter stood at Rs 0.29 bn.

Core performance impacts profitability

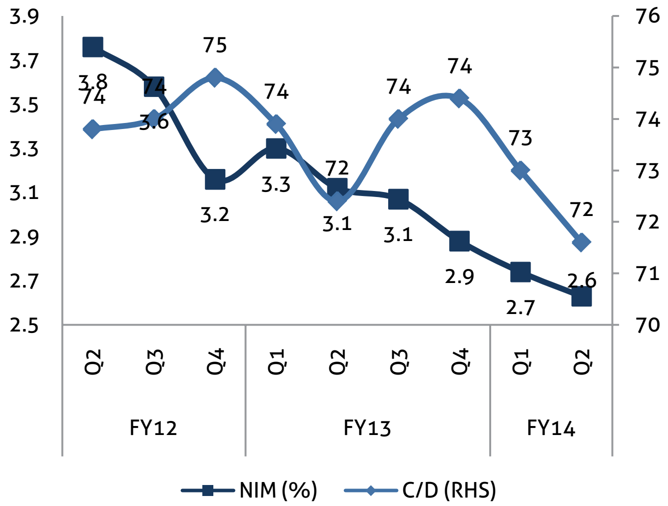
Operating income decreased 17.93% QoQ, led by downtick in net interest income (0.3% QoQ), owing to 49bps compression in NIM. Non interest income declined by 23.8% YoY and 47.7% QoQ to Rs 2.77 bn. A substantial part of the drop in other income is attributed to ~28X drop in profit on sale of investments due to unfavorable bond prices during the quarter. However in terms of mix other income improved in Q2FY14 with 85% coming from core fee income, which grew by 22.7% sequentially. However, muted core performance led to 38.1% YoY, 3.4% QoQ drop in net profit at Rs 3.06 bn. There was some relief with lower than anticipated operating expenses growth of 15.4% YoY in Q2FY14. Still, pre-provision profits declined 22.2% YoY to Rs 7.06bn.

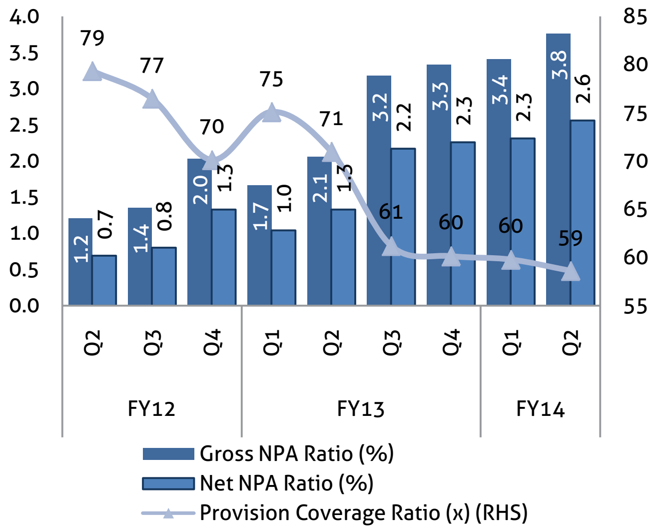
Risks

- Deterioration of macro environment can result in higher slippages and slow down in business growth.
- Decline in CASA ratio and higher accumulation of bulk deposits will increase the overall cost of deposits which will exert pressure on the net interest margins (NIM) of the bank.
- Worsening asset quality on the back of higher slippages in the SME segment and lumpy corporate asset will negatively impact the operating performance of the bank.

Valuation

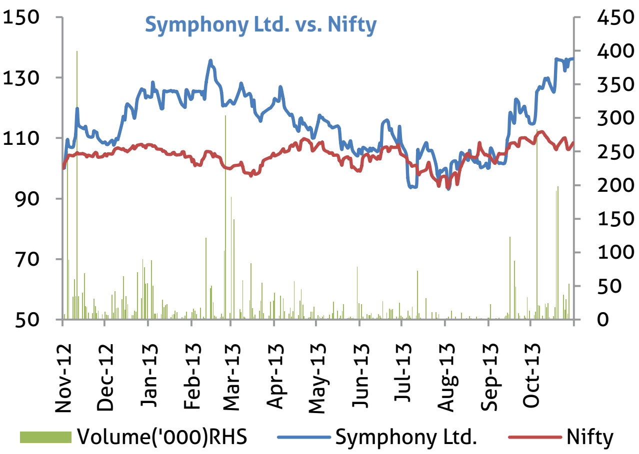
Asset quality remains the key, as it express remains to less wonerable sectors and business enhance insulates it from detorating NPA to a larger extent, it is still in line with peer PSU multiples while valuations are at a discount. We believe that potential double digit ROE and ROA of 0.7% in FY15 deserves 0.6x target multiple despite tough environment. Unlike most of its PSU peers, the bank is well capitalized with Basel III CAR of 12.82% with 10.64% from Tier I itself and there is unlikely to be material dilution going forward. Attractive valuation and high dividend yield are key positives. At CMP Rs.101 Indian Bank is trading at P/B multiple of 0.28x its FY14E BV of Rs. 360 and 0.25x its FY15E BV of Rs. 410. We value the bank at its P/BV multiple of 0.3x on its FY15E BV of Rs. 410 and with target price to Rs. 120. We recommended BUY on Indian Bank with an upside potential of 19%.



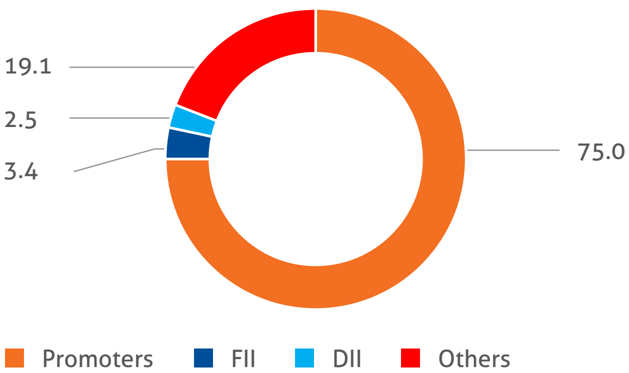


Symphony Ltd. CMP: 405/- Rating: Buy TGT: 500/-

Company Information	
BSE Code	517385
NSE Code	SYMPHONY
Bloomberg Code	SYML IN
ISIN	INE225D01027
Market Cap (Rs. Cr)	1,376
Outstanding shares(Cr)	3.50
52-wk Hi/Lo (Rs.)	418 / 263
Avg. daily volume (1yr. on NSE)	
Face Value(Rs.)	2
Book Value	64



Share holding pattern as on 30.09.2013 (%)



Particulars (in Rs. Cr)	FY12	FY13	FY14E	FY15E
Revenue	313	378	464	544
Growth (%)	7.9	20.5	22.8	17.2
EBIDTA	74	92	107	125
Adj. PAT	53	60	80	97
Growth (%)	3.7	13.4	33.5	21.2
EPS	15.2	17.2	23.0	27.8
EBIDTAM (%)	23.5	24.3	23.0	23.1
PATM (%)	16.9	15.9	17.3	17.9

Consensus Estimate: Bloomberg

Company Overview

Symphony Limited manufactures and sells consumer durable products in India. The company provides domestic, commercial, and industrial air coolers across various models under the Symphony name. The company also provides storage and instant water heaters under the Sauna name. In addition, Symphony Limited holds intellectual property comprising 8 patents, 49 designs, 108 trademarks, and 7 copyrights. The company also exports its products to approximately 60 countries. It offers its products through a network of approximately 750 distributors and approximately 15,000 dealers across India. The company was formerly known as Symphony Comfort Systems Limited and changed its name to Symphony Limited in March 2010. Symphony Limited was founded in 1988 and is based in Ahmedabad, India. The Company's subsidiaries include Sylvan Holdings Pte. Ltd., Singapore, (Sylvan) and Symphony Air Coolers Inc. USA. Sylvan.

Q1FY14 Result Analysis

Symphony Ltd, India's first branded window range air cooler manufacturer, has reported a 597% increase in profit after tax (PAT) and 180% in income for the first quarter ended September 30, 2013. Income stood at Rs 77.21 crore (Rs 27.50 crore), while net profit stood at Rs 14.32 crore (Rs 2.05 crore). The growth is on account of buoyancy and strong performance across all business verticals. Net profit margin stood at 19% in Q1 FY 13-14 against 7% in Q1 FY 12-13. The company has corporate funds which include liquid investments (like bank FD, mutual fund investments, bonds, NCD etc.) of Rs 147.78 crore as of Q1 FY14.

Investment Rationale

Strong long term growth drivers; in place

The Indian air cooler industry size is estimated at ~ Rs 2,000 crs. Organized sector accounts for ~ 25% of the total industry and we expect share of organized industry to expand given shift in favor of branded / quality products led by improved standard of living and rising disposable incomes. Further, air coolers given their low energy intensity and high affordability are attractive for Tier 1 / Tier II / Rural customers which will act as a strong driver for their growth over air conditioners, especially in the lower income families. Symphony – with its leadership position is well placed to capture long term growth potential. Symphony enjoys a leading position in the industry. Shift from the unorganized to organized market along with rising rural incomes and better affordability in terms of lower price points for coolers than ACs has been driving high growth for organized players. Rising temperatures and lower running costs also boost demand. Symphony is the largest company in the sector with ~30% market share in the organized market coupled with a strong brand recall. It has a strong distribution network of 450-500 distributors and 7,000 dealers.

Domestic volume growth remains robust

The company witnessed a three-fold jump in sales on account of higher volumes due to the base impact of last year. However, this is also a reflection of the fact that the company's strategy to offer higher discounts in a lean season has resulted in a boost in sales in the quarter. The company has maintained ~42% organised market share. It has also launched a window range of air-coolers with the metal body mainly competing with the unorganised segment. We expect the company to continue to maintain domestic volume growth of ~16% in FY14E.

New branch in Abu Dhabi

The company has started a new branch in Abu Dhabi to cater to the markets of Middle East and North Africa (MENA) region. Market believes that this would boost export volumes, going forward and have modeled 7% volume growth in FY14E and FY15E each.

Management expects growth of ~25%-30% in the medium term

Symphony management believes over the medium term they can grow at ~25%-30% due to their strong product portfolio and addition of new products with enhanced features. The company has in Q1FY14 entered the window air cooler market which is largely unorganized and has a big market (~0.8-1mn pieces). It has launched 5 new models of window air-coolers in Q1FY14 and expects this product to deliver strong growth going ahead. The management has guided to maintain its OPM going ahead due to the recent price increases (~5%-15%) undertaken in Q1FY14.

Recent Development

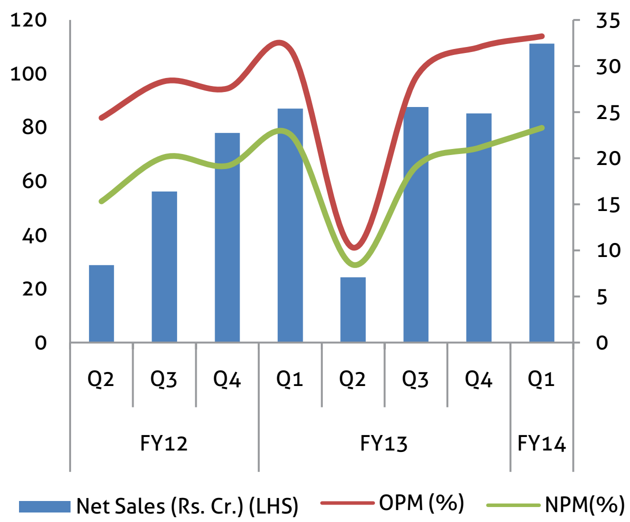
- The company has successfully executed and commissioned a pilot project of central air cooling, the first of several locations of the Dutch-owned 'Makro' chain of super markets in Colombia, South America.
- The Company has tied up with Carrefour in Indonesia for selling Symphony Air coolers through our local distributor. Carrefour, headquartered in France, is the world's 2nd largest retail group having one of the largest retail chains in Indonesia.
- The company has launched new models of air coolers with advanced technology and distinctive features to cater different needs of customers in the domestic and overseas markets.
- To cope up with the inflationary effect on cost of materials and various overheads, the company has resorted to upward revision of 5% to 15% over the present M.R.P. depending upon the model of air cooler. With this revision in pricing, the company is confident to sustain its profitability during the year 2013-14.
- Symphony Limited has decided to open a branch in United Arab Emirates (UAE).

Key Risks

- Slowdown in economy
- Technology risk – Shift towards ACs from coolers
- A weak summer season

Valuation

Symphony has increased prices in a range 5-15% in the month of September and if summers pan out well, we believe FY14 will be a good year for the Company as even exports have higher probability to rebound in coming year. With strong brand leadership, variable business model, large external opportunity and high ROI's, we believe long term growth picture of Symphony remains intact. Given leadership position in the domestic air cooler industry (~ 30% market share), healthy growth track record (38% Revenue and PAT CAGR over FY08-FY13), strong growth potential, asset light business model, healthy return ratios – (>40% ROCE), robust operating & free cash flow generation, net cash balance sheet, healthy dividend payout and attractive valuations at 16.7x FY15E. At the current market price, the stock is trading at 17.6x its FY14E EPS of Rs. 23.0 and 14.5x its FY15E EPS of Rs. 27.8. We recommend 'BUY' on the stock with a target price of Rs. 500, arrived at 27.9x FY15E EPS which implies potential upside of ~24% to the CMP from long term (1 year) perspective.



Sector Outlook: Tyre Industry

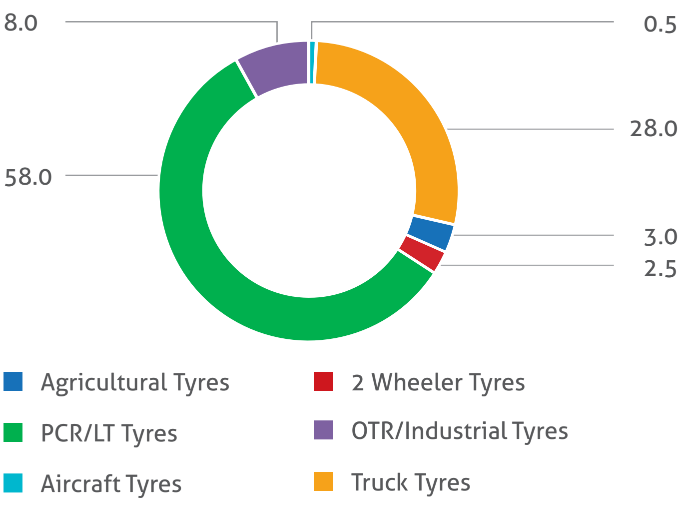
Global Tyre Market

2012 was a challenging year for rubber and tyre industry. Concerns over the fiscal cliff issues and European debt crisis had created a wave of uncertainties. Despite this, the global automotive tyre industry holds significant opportunities for industry players due to strong demand for passenger and commercial vehicles in developing countries.

In 2012, the global tyre market size approximated USD185.8 billion, up 2.6% from a year earlier. The estimation shows that the growth rate in 2013 will be no more than 0.5%. In 2012, the global tyre shipment reached roughly 1.461 billion units, of which, the OE tyre for PLT use grew by 6%, for RT use dropped by 4%, for CV declined by 5%, and the RT tyre decreased by 4%. In Europe, the shipment of OE tyre for PLT use dived by 4%, and that of RT tyre dropped by 10%, for CV declined by 4%, and the shipment of RT tyre slumped by 10%; in North America, the shipment of OE tyre for PLT use increased by 16%, that of RT tyre declined by 2%, OE tyre for CV surged by 2%, and the shipment of RT tyre dropped by 2%; in Asia, the shipment of OE tyre for PLT use grew by 11%, and that of RT tyre rose by 2%, OE tyre for CV declined by 9%, and the shipment of RT tyre decreased by 6%; in South America, the shipment of OE tyre for CV dropped by 30% as a result of the sluggish economic situation in Brazil.

In spite of sluggish market, the tyre enterprises have enjoyed excellent performance, due to the fact that the cost of NR and SR, which are raw materials of tyre industry, took a sharp decline. By the way, NR and SR make up around 50-60% raw materials cost of tyre industry. In 2011-2012, the new NR capacities poured into the market, leading to continuous fall in prices. In Q2FY12, the NR was priced at USD 5,225/ton, while the figure in Q4FY12 dropped to USD2,998/ton, down 43%; in Q2FY11, SR was priced at USD 4,021/ton, while the figure in Q4FY12 declined by 18% to USD 3,309/ton. Due to the market demand at low ebb as well as the oversupply of NR, there is little possibility that the prices will rebound. And it is estimated that the prices in 2013 will linger at a low level or even see further drop.

Global Tyre Market (Approx. USD 186 billion) (%)



Nevertheless, declining raw material costs project a positive industry outlook in the long run. Global tyre demand is anticipated to increase steadily during 2013-2018, with annualised sales volumes set to reach over 3.6 billion units by end of 2018. Passenger car and light truck market segments, which together accounted for close to 60 per cent of the world markets' value in 2012, are predicted to fuel the global demand for tyres over the forecast period. Region-wise, the Asia Pacific nations, especially China, India and Thailand are expected to drive the demand.

Indian Tyre Industry

Mobility in India is rapidly improving and with it, the Indian tyre Industry has gone through a metamorphosis on the back of R&D infrastructure & product development, skilled manpower, growth opportunities and globalization. Global Tyre Majors continue to establish their presence in India. Over the years, domestic Tyre companies through enhanced capacities, continuous investments in R&D, introduction of global standard products, have built up their capabilities to match the global competition, across the range.

The Indian tyre industry grew by around 8% in FY13. The pressure on the margins continued mostly because of a shrinking market. Export-import traffic, construction activities, lower interest rates, proliferation of hub and spoke model, growth of organized retailing, improved road infrastructure, enhanced agriculture income, timely monsoon, and reasonable customer sentiments emerged as the key influencers for the industry.

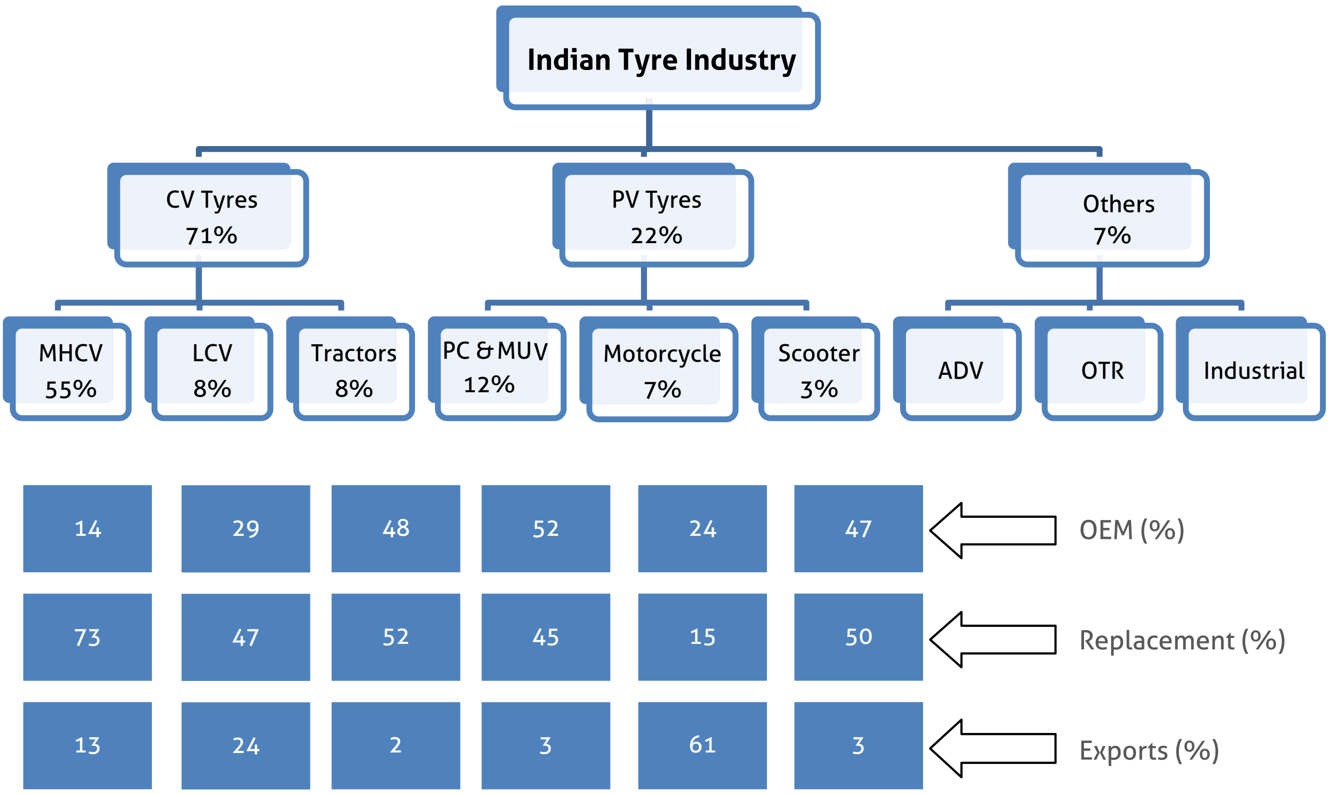
The replacement market continued to remain crucial for the truck-bus category; the OEM sales played a key role in the passenger vehicle segment. Overall, the Indian replacement market is estimated to have grown by about 4% in FY13.

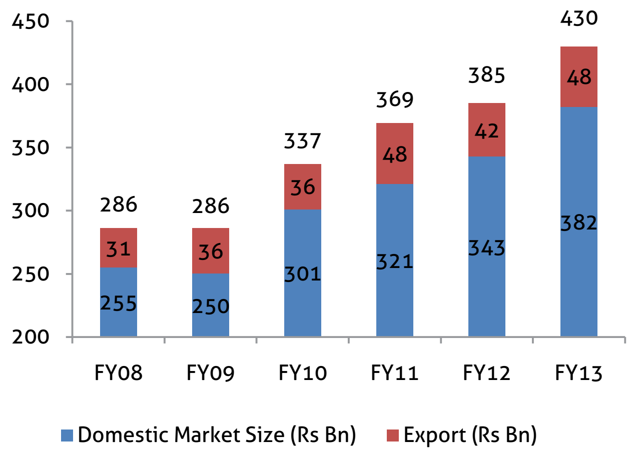
Radials now have an almost 60% share in the OEM basket and 22% in replacement. Entry of new players like Sumitomo and Continental intensified the competition; large manufacturers, including Apollo, Bridgestone, MRF and JK Tyres ramped up radial capacities for the passenger and commercial vehicle tyre categories. Michelin's facility in Chennai, Tamil Nadu is also likely to commence production later in the current financial year.

India's large market has immense potential for growth, with an expected Industry turnover of about ` 50,000 Crores. In terms of the segment mix, the Replacement market contributed around 67%, OEM accounted for 22% and exports were 11%. In the tyre segments, Truck & Bus commanded 50% of the Industry Turnover. Domestic demand of 4-Wheeler tyres in year under review, was impacted by the economic downturn and subdued growth in the Automotive industry. A 13% reduction in the Truck/Bus segment demand, followed by Tractor segment that was lower by 12%, and the passenger car segment that has reduced by 2%, illustrate a major decline. In contrast, the LCV, including SCV tyre demand grew by 18%. During the year, Radialisation in Truck & Bus Segment accelerated further to 22%, with improved road infrastructure and thrust by OEMs. It is estimated that by the FY 2015-16, the segment would cross the 50% mark.

Correction in Natural Rubber prices has positively impacted the Tyre Industry. This will help in improving the margins, which were under strain for quite some time.

In FY14, the growth is expected to be conservative for the Indian tyre industry.





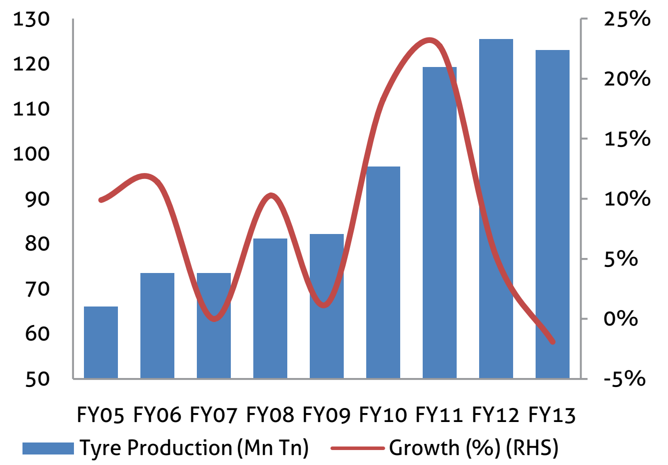
Source: ATMA

Snapshot of the Indian tyre industry

- Total turnover – Rs. 43,000 crores
- At present there are 39 listed companies in the tyre sector in India.
- Major players are MRF, JK Tyres, and Apollo Tyres & CEAT, which account for 63 per cent of the organized tyre market. The other key players include Modi Rubber, Kesoram Industries and Goodyear India, with 11 per cent, 7 per cent and 6 per cent share respectively. Dunlop, Falcon, Tyre Corporation of India Limited (TCIL), TVS-Srichakra, Metro Tyres and Balkrishna Tyres are some of the other significant players in the industry.
- While the tyre industry is largely dominated by the organized sector, the unorganized sector is predominant with respect to bicycle tyres.
- The industry is a major consumer of the domestic rubber market. Natural rubber constitutes 80% while synthetic rubber constitutes only 20% of the material content in Indian tyres. Interestingly, world-wide, the proportion of natural to synthetic rubber in tyres is 30:70
- The sector is raw-material intensive, with raw material accounting for 70% of the total costs of production
- Total production figures in tonnage: 15 lakh MT & total production of tyres in all categories: 2254 lakh (2011-12)
- Current level of radialization includes 95% for all passenger car tyres, 12% for light commercial vehicles and 3% for heavy vehicles (truck and bus)

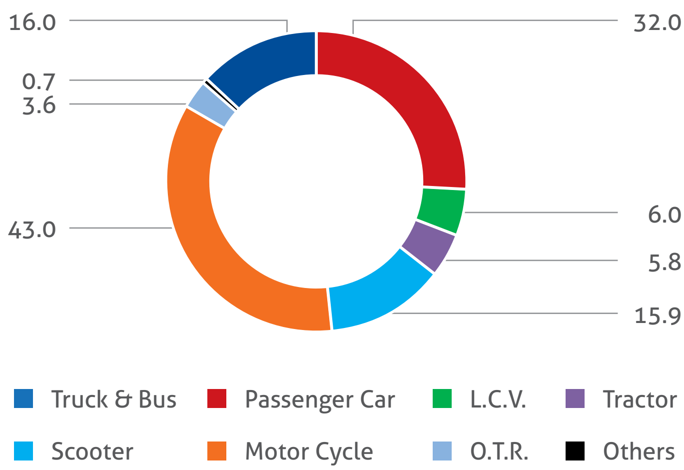
- Restrictions were placed on import of used /retreaded tyres since April 2006
- Import of new tyres & tubes is freely allowed, except for radial tyres in the truck/bus segment which has been placed in the restricted list since November 2008
- Total value of tyre exports from India is approximately Rs 4209 crore (2011-12)
- The major factors affecting the demand for tyres include the level of industrial activity, availability and cost of credit, transportation volumes and network of roads, execution of vehicle loading rules, radialization, retreading and exports.

Source: ATMA



Source: ATMA

Segment wise Tyre Production (FY13) (%)



Source: ATMA

Evolutionary Phases of Tyre manufacturing in India

Phase	Period	Characteristics	Policy Regime
Phase I	1920-35	No domestic production. Demand met through imports. Key players included Dunlop (U.K), Firestone & Goodyear (USA)	Liberal imports
Phase II	1936-60	Domestic production begins by erstwhile trading companies: Dunlop, Firestone, Goodyear and India Tyre & Rubber Company	Imposition of tariff & non-tariff barriers on imports
Phase III	1961-74	Indian companies-MRF, Premier & Incheck-enter manufacturing sector with foreign technology; licensing of additional production capacity	Regulation on capacity expansion and repatriation of profits of foreign companies; enforcement of export obligation on MNC; protection from external competition
Phase IV	1975-91	Entry of large Indian business houses like Singhania & Modi & technical collaborations with MNCs, introduction of radial tyres, vertical integration and exponential growth in tyre production & exports	Delicensing of production, placing of imports under OGL with tariff & non-tariff barriers
Phase V	1992 onwards	External trade liberalization & reduction in import duty; re-entry of MNCs either independently or in collaboration with Indian capital	Progressive reduction in import duty; liberalized imports

Move to radialisation tyres the next big growth driver

Technologically, the tyre industry is split into two segments, cross ply tyres and the technologically superior radial tyres. Radial tyres were first commercially manufactured by Michelin in the late 1940s and rapidly gained acceptance in Western Europe, Japan and finally in the USA by the mid 1970s. While radialisation in the Indian passenger car segment has reached almost 100%; it is currently low in the T&B segment at 9-10%, compared to a world average of 68%. However the trends in economies like China, with high industry wide radialisation of 75%, points to the prospects of increased radial penetration in the Indian T&B markets. The radial penetration in China has also been supported by its better quality of road infrastructure and significant investments made by global tyre majors in building large capacity.

In fact, the tyre industry has earmarked capex of ~Rs60bn over the next 3-4 years mostly for radial tyre capacity. Such investment should, in our view, lead to strong growth for the industry. By 2015, we expect radial tyre usage in the MHCV segment to rise to ~30%.

Radial vs. Cross-ply T&B tyre

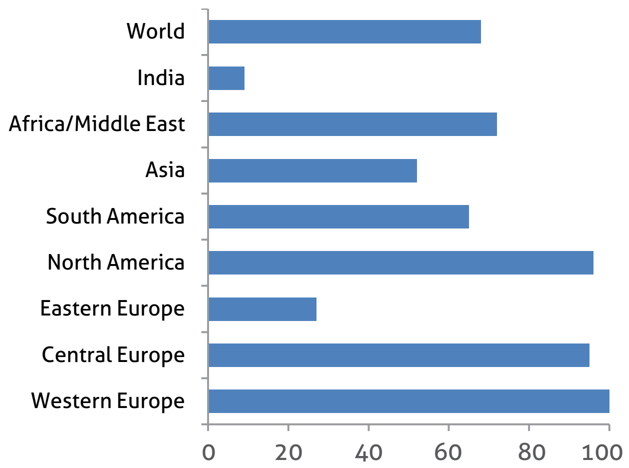
	Bias	Radial	Variance
Price (Rs)	13,000	17,500	35%
Life of new tyre (Km)	55,000	100,000	82%
Retreading Possible (Times)	2	3	
Cost per retreading (Rs)	3,800	4,200	
Total cost of retreading (Rs)	7,600	12,600	
Increase in life after retreading (Km)	82,500	225,000	
Total life of tyres	137,500	325,000	
Mileage (Km/l)	4.5	4.7	5%
Diesel Cost (Rs/l)	37.8	37.8	
Fuel Cost/Km (Rs/Km)	8.4	8	-5%
Effective Cost/Km (Rs/Km)	8.5	8.1	-5%

Source: Industry

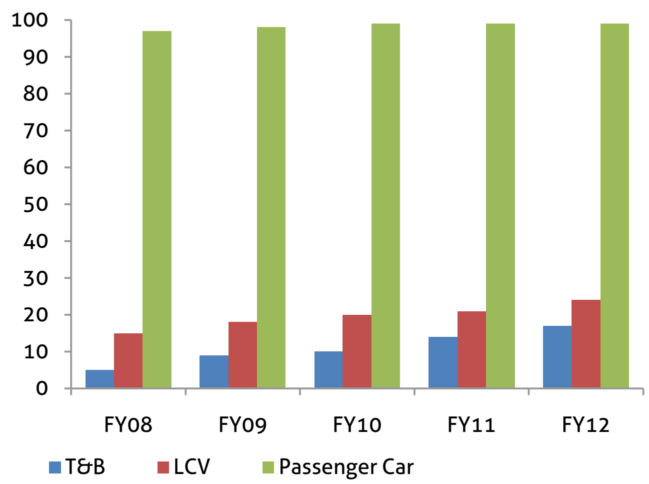
Opportunities through radialisation

Poor road infrastructure and overloading of freight corridors made radial tyres unviable in India in commercial vehicle segment. However, road infrastructure has been improving considerably and Government has restrained overloading of trucks at major freight corridors. This in turn has led trucks and buses to shift from crossply tyres to radial tyres. Companies across the sector including Ceat and Apollo have now been focusing on increasing radial capacity to cash in the structural shift that is expected to be witnessed in the sector.

World wide Redial Tyre Usage (%)



India's Segment wise Redial Tyre Usage (%)

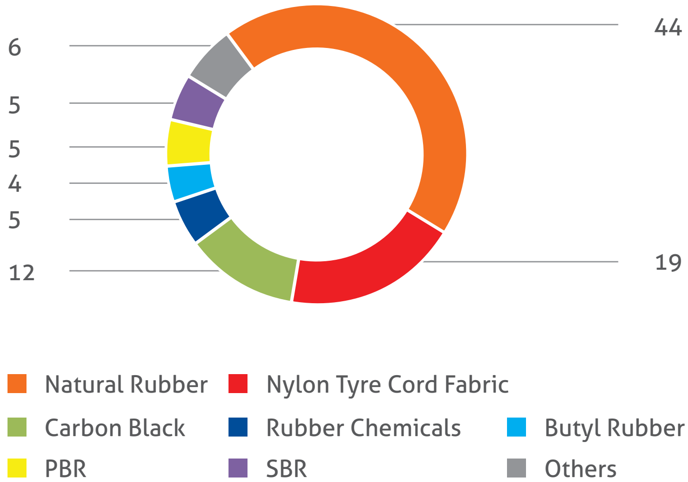


Source: ATMA

Input costs are linked to natural rubber and crude oil

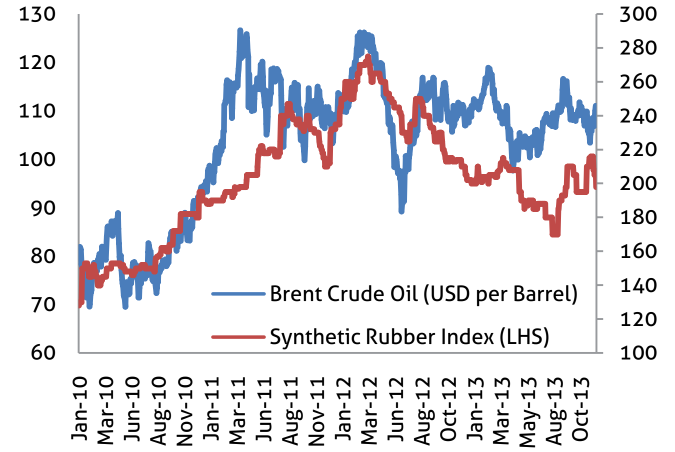
The Indian tyre industry is highly raw material (RM) intensive, with RM accounting for about 65-70% of the production cost for tyres. The key raw materials used in the manufacturing process are natural rubber (NR, about 43% of the total raw material); synthetic rubber (SR, about 15%); nylon tyre cord fabric (NTCF, 18%); carbon black (about 11%) and rubber chemicals (about 5%).

Raw Material Cost Segregation (%)

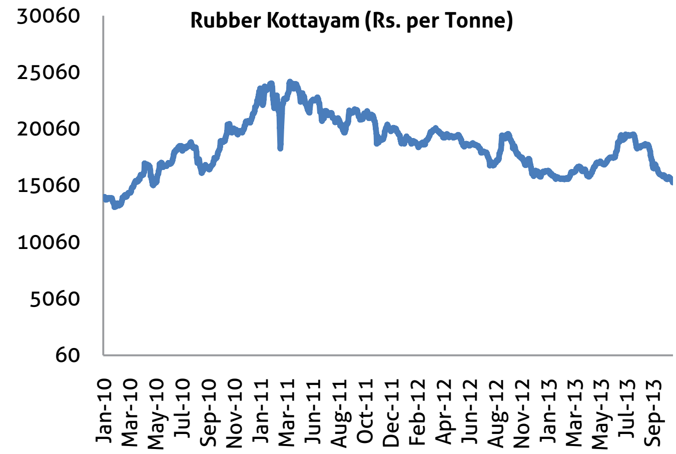


Source: ATMA

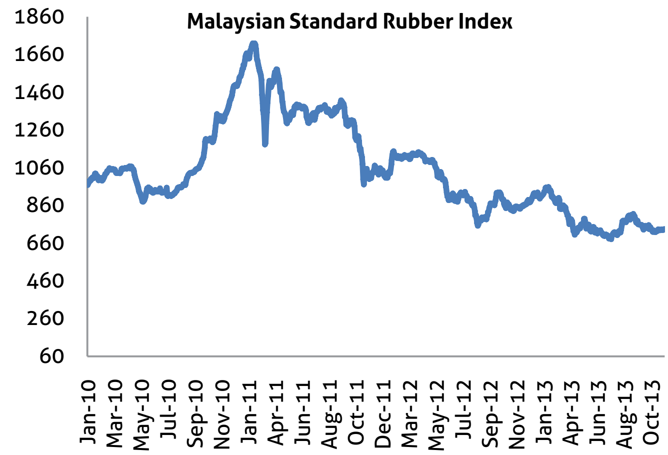
SR is a crude derivative, with comparable properties to NR and can either be used along with NR or as a substitute for NR (but to a limited extent) in various industries such as automotive, industrial additives and construction material. While NR and SR are typically used in 70:30 proportions in the Indian tyre industry, this ratio can vary depending upon specification of the end product and on the relative prices of NR to SR to a lesser extent. The proportion of SR in truck radials is about 14-15%, while it is much higher at 57-73% in passenger car radials. The two types of SR used in tyres are Styrene Butadiene Rubber (SBR) and Poly Butadiene Rubber (PBR). Tyre grade SBR is not manufactured domestically, while domestic production of PBR falls short of consumption by about 30%; effectively, India imports over 65% of its SR requirements. The other key raw materials consumed by the tyre industry are crude derivatives such as nylon tyre cord fabric (NTCF), carbon black and rubber chemicals. While NTCF provides strength and imparts tenacity, carbon black enhances the life span of the tyre. With only two domestic manufacturers for NTCF, India imports 45-60% of its requirements. Additionally, about 20% of the rubber chemicals are also imported by India. On an average, tyre manufacturers in India import about 30-40% of their total raw materials.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Besides NR, almost all the key raw materials are crude derivatives and are hence linked to crude oil prices. Although the current oil price spike due to ongoing political uncertainty in the Middle East is likely to be temporary, crude prices are expected to trend higher over the medium term on global economic recovery. In this backdrop, prices of SR and other crude derivatives used in the manufacture of tyres are expected to remain firm over the medium term.

Indian rubber growers and tyre industry are once again at loggerheads over the issue of rubber imports. While the natural rubber imports have vaulted by 59% for the first six months, the domestic rubber prices of RSS-4, the variety used by the tyre manufacturers, have dropped by Rs 20 to Rs 167.50 per kg in over a month. Indian Rubber Growers Association (IRGA) has appealed to the government to increase the import duty of natural rubber from the current level of Rs 20 per kg to Rs 34 per kg and to suspend duty free imports for six months to lift the prices of locally available rubber. However, Automotive Tyre Manufacturers Association (ATMA) has said such a move will throttle the industry which is already passing through a difficult phase due to a slowdown in the automobile sector.

Just three months back, when tapping was disrupted by heavy rain and farmers were holding back their rubber in hope of a price rise, the tyre makers were struggling to secure supplies even when they offered a 20 per cent premium to global prices. But the switch to aggressive importing by the tyre firms, which take about two-thirds of domestic rubber demand, has pulled local prices down by 20 per cent in the world's fourth-biggest producer of natural rubber. Natural rubber imports from April to September jumped 59 per cent from a year earlier to 179,292 tonnes.

Year	Production	Consumption		Total Cons.	Imports
		Tyre Sector	Non Tyre Sector		Total
2004-05	749660	54%	46%	755400	68700
2005-06	802625	55%	45%	801110	45285
2006-07	852895	56%	44%	820305	89799
2007-08	825345	58%	42%	861455	86394
2008-09	864500	58%	42%	871720	77616
2009-10	831400	62%	38%	930565	177130
2010-11	861950	63%	37%	947715	190692
2011-12	903700	65%	35%	964415	213785
2012-13(Est.)	912200	65%	35%	971980	216642

Source: ATMA

Industry composition

Replacement market

The Indian tyre industry is dominated by the replacement market which is largely dependent on the Truck & Bus segment. Increasing number of automobiles on Indian roads will continue to drive the replacement tyre market in coming years. This segment in turn depends on commercial activity and economic growth of the country. Muted GDP growth over the last 1 (one) year stopped the replacement market from reaping the benefits of a vibrant OEM market in the 2009-2011 timeframe. The replacement tyre market turnover in India will surpass Rs. 30,500 Crore by FY'14. The replacement segment, which constitutes more than 50% of the industry and a key focus area for the tyre manufacturers due to higher margins, would continue to grow faster owing to the high growth in vehicle sales seen over the last few years. During FY'10 the overall volume sales in replacement segment were close to 50 Million units and were dominated by sales of motor cycle tyres followed by Passenger car tyres.

Segment-wise Tyre Supplies 2012 - 13 (April - December)

Category	Production (Nos.)	Segment-wise supply (% of Production)		
		Replacement Market /Govt.	OEMs	Export
Truck/Bus	12709061	73	14	13
Passenger Car / Jeep	23883000	53	42	5
LCV	4495000	42	35	22
Tractor Front	2113000	58	41	1
Tractor Rear	1426000	37	61	2
Scooter / Moped	12158000	37	56	7
Motor Cycle	32080000	39	58	3

Source: ATMA

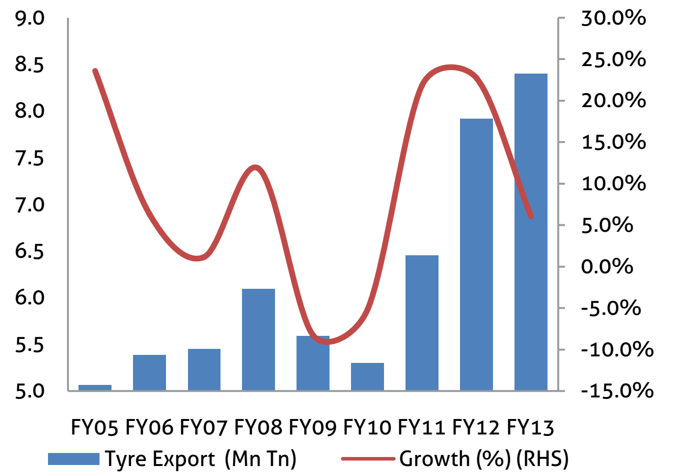
Original Equipment Manufacturers (OEM)

Due to the economic slowdown, several automobile majors had to undertake production cuts during 2012-13. Growth for all categories except Utility Vehicles and scooters was either flat or negative. The Medium & Heavy Commercial Vehicle (MHCV) category was the worst affected with a 23 per cent decline. The scenario is not expected to be positive in the coming year either.

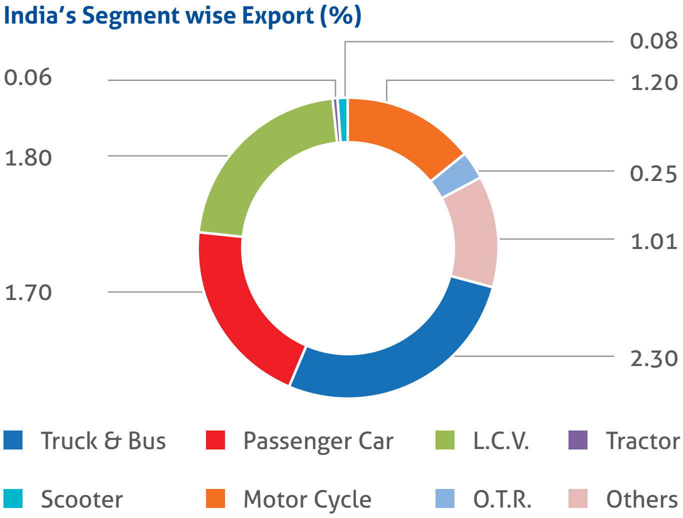
Exports

In 2012-13, exports in value terms grew 10 per cent year-over-year, with a healthy CAGR of around 18 per cent in the last decade. In volume terms, export has registered a growth of 8 per cent as compared to last year. Truck & Bus segment (14 per cent) and Light Commercial Vehicle (LCV) (22 per cent) were the major segments having a higher exports share. Indian tyres are exported to more than 100 (hundred) countries and primarily to Latin America, Middle East, South Asia and Far East.

Combined exports of leading companies in FY13 were 8.4 million against 7.9 million in the previous financial year. A sharp 48 per cent fall recorded for scooter (two wheeler), while 59 per cent rise recorded for implement tyre segment. In FY13, 1.7 million car tyres were exported against 1.6 million in FY12. Five per cent rise recorded for truck/bus segment at 2.3 million tyres. Twelve million motor cycle tyres were also shipped against 9.5 million in the previous financial year, recording a growth of about 25 per cent. In scooter (two wheeler) segment, export almost halved to 77,384 tyres compared with 150,000 in FY12. For implement tyre segment, total export in FY13 was 141,350 tyres against 88,675 tyres in the previous financial year.



India's Segment wise Export (%)



Source: ATMA

Augmentation of fresh capacities to meet growing tyre demand

International tyres companies have ambitious plans to make inroads into the Indian market; the French Michelin group is investing INR 4000 crore (approx. 622 million USD) to set up its first Indian plant in Chennai this year. Yokohama is putting in INR 300 crore (approx. 47 million USD) to capture a larger share of the passenger tyre market by building a manufacturing facility in Bahdurgarh. Bridgestone is investing INR 2600 crore (approx. 405 million USD) to make radial tyres for the passenger` and truck and bus segments in its new plant in Pune. Continental AG paid $30 million to acquire the Indian tyre company, Modi Rubber. By 2013, the German company also plans to spend more than INR 800 crore (approx. 125 million USD) to improve its R&D, electronics division and to enter the Indian radial tyre market.

But these global tyre giants, Michelin, Bridgestone, Yokohama and Continental are likely to put a temporary hold on their Indian business plans. With the domestic automobile market going through a slump recently, some of the tyre manufacturers are not keen to go ahead with their plans of expansion until the market picks up. The domestic tyre industry was negatively affected in the 2012 – 2013 fiscal year, due to the flat or negative growth that characterized the auto industry in India

Key projects scheduled for completion by FY-2013

Company	Location	Product	Capacity	Investment [Rs. Crore]
Apollo Tyres Limited	Oragadam, Tamil Nadu	PCR tyres (2 phases)	9,000 nos / day	2,100
	Chennai, Tamil Nadu	TBR tyres	4,700 nos / day	
	Vadodara, Gujarat	Tyres		200
Balkrishna Industries Limited	Bhuj, Gujarat	Speciality tyres	1,10,000 tonnes / annum	1,200
		Pneumatic tyre, tube & flap	1,50,000 tonnes / annum	
	Rajasthan & Maharashtra	Tyres		200
Bridgestone India P Limited	Chakan, Pune	TBR		2600
		PCR		260
	Pithampur	TBR	200 nos / day	90
		Radial tyres	6000 nos / day	260
Ceat Limited	Ambarnath, Maharashtra	Speciality Tyres	200 tonnes / day	340
Dunlop India Limited	Guwahati, Assam	Truck & Earthmovers tyres	50 tonnes / day	450
Falcon Tyres Limited	Haridwar, Uttarakhand	Tyres	60 lakh units	570
JK Tyre & Industries Limited	Mysore, Karnataka	Tyres	2,00,000 nos / day	315
	Sriperumbudur, Tamil Nadu	PCR Tyres (2 phases)	25,00,000 nos / day	1,500
		TBR tyres	4,00,000 nos / day	

The future in tyre technology

Technology generation in the Indian tyre industry is essentially geared to development research, involving the change of tread design, reinforcement material etc. Most of the major players do not engage in basic research due to the high costs involved. The source of technology for the domestic firms has been through reverse engineering, joint ventures and collaborations.

The emphasis given by Indian tyre companies to applied research and the setting up of well-equipped in-house R&D centers by the companies, which are manned by experts and experienced professionals, have also helped in technology upgradation. Indian tyre technology has exhibited versatility in maintaining inflow of technology through foreign collaborations and tailoring the same to Indian needs. R&D is essentially business or market driven. However, raw material suppliers could also help in conceiving new projects. Compound development and in-process problems have been the main thrust of in-house R&D in the Indian tyre industry.

Tyre technology upgradation is an extremely difficult process, particularly in the Indian scenario, due to several factors. First, since tyre technology encompasses various disciplines such as polymer, chemical, steel etc. compromises have to be made in the upgradation of technology because of a) the conflict and complimentarity inherent in these disciplines, b) the usage pattern of the tyres and c) the cost factor. Further, a tyre's performance could be affected due to factors such as the weather, loading pattern etc. Despite these bottlenecks technology upgradation in Indian tyre industry during the last few decades has been significant. This has been possible to some extent due to government approvals of collaborations with MNCs in this sector. The emphasis given by Indian tyre companies to applied research, the setting up of well-equipped in house R&D centres by large tyre companies, manned by experts and experienced professionals have also helped in technology upgradation. Indian tyre technology has exhibited versatility in maintaining inflow of technology through foreign collaborations and tailoring the same to Indian needs.

Inverted duty structure has hurt domestic tyre manufacturers

The tyre industry imports are marred by an inverted duty structure wherein the finished goods (tyre) are levied a customs duty of 10% while imported rubber attracts a customs duty of 20% or Rs. 20/Kg whichever is lower. Thus, at a time when the industry is plagued with cheap tyre imports, it is unable to take advantage of cheap raw material imports when domestic rubber prices increase compared to international prices.

Trade Policy - Tyres & Raw Materials

- All categories of new tyres can be exported freely.
- All categories of new tyres can be imported freely.
- No WTO Bound Rates for Tyres & Tubes.
- All raw materials required for the manufacture of tyres can be imported freely (OGL).

Custom Duties: Tyres	
Normal rate of Basic Customs Duty (MFN)	10%
Preferential/ concessional Customs Duty under Trade Agreements	
Asian Pacific Trade Agreement (formerly known as Bangkok Agreement)	8.60%
Indo Sri Lanka Free Trade Agreement	Nil Duty
SAPTA (SAARC Preferential Trading Agreement)	Nil Duty or 5%
India Singapore Comprehensive Economic Cooperation Agreement (CECA)	Nil Duty (For Bias Tyres)
India South Korea CEPA	No Concession
ASEAN FTA	7%(passenger car, truck / bus and scooter / motercycle) 5% (other categories of tyres).
Excise Duty:	
All categories of Tyres	12%

Raw material duty structure (%)

Natural Rubber	20/Rs.20 per kg (whichever is lower)
Nylon Tyre Cord Fabric	10
Carbon Black	5
Rubber Chemicals	7.5
Butyl Rubber	5
PBR	10
SBR	10

SWOT Analysis of Tyre Industry

STRENGTHS	WEAKNESSES
• Establishes brand names (key in the replacement market) • Extensive distribution networks – For example, Apollo Tyres 118 district offices, 12 distribution centres and 4,250 dealers • Good R&D initiatives by top players	• Cost Pressures – The profitability of the industry has high correlation with the prices of key raw materials such as rubber and crude oil, as they account for more than 70% of the total costs. • Pricing pressures – The huge raw material cost have resulted in pressure on the realisations and hence, the players have been vouching to increase the prices, although due to competitive pressures, they have not been able to pass the entyre increase to the customer. • Highly Capital Intensive – It requires upto Rs. 4 billion to set up a radial tyre plant with a capacity of 1.5 million tyres and Rs.1.5-2 billion for a cross-ply tyre of 1.5 million manufacturing capacity

OPPORTUNITIES	THREATS
• Growing Economy Growing Automobile Industry Increase in OEM demand Subsequent rise in Replacement demand • With continuous emphasis being placed on the Central Government on development of infrastructure particularly roads, agriculture and manufacturing sectors, the Indian economy and automobile sectors/tyre industry are poised for an impressive growth. Creation of roads has given and will increasingly give a tremendous fillip to the road transportation in the coming years, The tyre industry will play a major role in this road infrastructure changing dynamics. • Access to global resources of raw material due to economies of scale • Steady increase in radial tyres for MHCV, LCV	• Continuous increase in the prices of rubber which accounts for one third on the cost of raw materials • Cheaper imports from China selling at very low prices have been posing a challenge. Landed price is approximately 25% lower than the corresponding Indian truck/LCV tyres. Imports from China, now consists around 5% of the market share. • With crude prices scaling up, hike in raw material cost is expected. • Ban on overloading leading to lesser wear and tear of tyres and subsequent slowdown in replacement demand. However, this would only be short-term negative. • Cyclical nature of automobile industry.

Outlook

The future is expected to see many strategic alliances among the domestic and global players to enable them to have access to latest technology and expand their distribution network. A better distribution will also ensure easy availability. The introduction of newer auto models will significantly have a bearing on the tyres demand. The tyre companies will also be looking for tie-ups with the OEM's for better stability and long -term relationship. Such arrangements are very essential if one has to remain competitive. The government's emphasis on improving the road infrastructure will facilitate the road transport sector that in turn will brighten the prospects of the tyre industry in the coming years.

While the demand outlook of tyres appears favourable with a 8 to 10% annual growth forecast, the pressure on margins will continue unless the cost issues are addressed. Most tyre companies are planning capacity expansions especially in the truck radial segment and this development will fuel competition in this segment and the tyre industry in general. The growth of the tyre industry will also depend upon the expansions in the automobile industry and the efforts made by the Government to improve the road infrastructure. Also, the Government should study the inverted duty issue and take corrective action by providing a level playing field for the tyre industry.

Natural rubber and other major raw materials have seen an unprecedented price increase during the first six months of this year. This trend of volatility in the raw material prices would continue in future. Due to competitive pressures, coupled with cheaper imported tyres, the price increase in raw materials could not be fully passed on to the customers immediately. The impact of recent crisis in Euro-zone and other developed countries has resulted in "Rupee depreciation". If this situation continues, it will increase net foreign currency exposure.

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 (%)
MRF Ltd	17552.2	7444	122399	10.9	6.6	9.2	8.1	2.6	22.5	24.3
Apollo Tyres Ltd	81.0	4080	127946	11.4	4.8	6.7	5.2	1.2	19.7	17.3
Balkrishna Industries Ltd	281.3	2719	33939	20.1	10.3	7.8	6.4	1.9	27.4	20.5
CEAT Ltd	289.9	1042	50522	9.0	2.4	8.3	7.0	1.3	16.4	15.1
Goodyear India Ltd	368.4	850	14813	7.0	3.8	15.1	12.0	2.4	16.8	14.3
JK Tyre & Industries Ltd	158.1	649	69489	9.4	2.9	3.2	1.9	0.7	24.5	30.3
TVS Srichakra Ltd	294.7	226	16468	8.0	1.7	8.3	7.8	1.6	30.7	N/A
PTL Enterprises Ltd	26.8	177	2579	24.2	6.6	10.4	9.3	1.5	15.5	N/A
Falcon Tyres Ltd	17.5	60	9783	7.6	-5.8	12.9	10.6	0.5	-22.6	N/A
Dunlop India Ltd	7.2	52	191	-4.7	-60.1	N/A	N/A	0.0	-1.1	N/A
Modi Rubber Ltd	15.8	40	3710	-7.1	-5.7	16.5	N/A	0.5	-21.8	N/A
Govind Rubber Ltd	17.9	39	4094	4.7	-0.3	N/A	N/A	1.4	-4.5	N/A
Krypton Industries Ltd	11.7	17	445	7.1	0.2	123.6	N/A	0.5	0.5	N/A

Source: Bloomberg, Capitaline

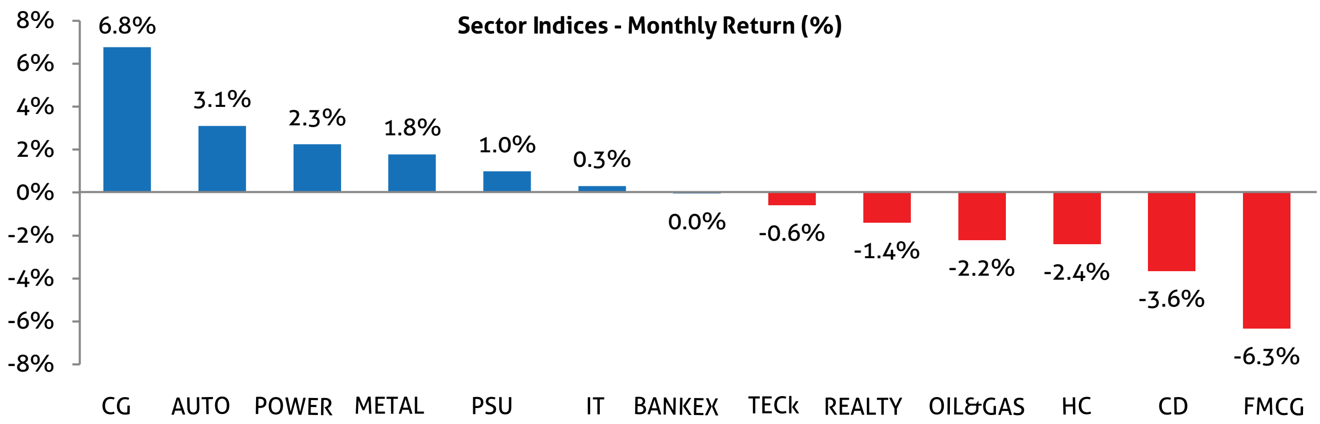
Market Diary

BEST PERFORMERS FOR THE MONTH (CNX 100)				
Sl No.	Co. Name	CL. Price 24.10.2013	CL. Price 28.11.2013	CL. Price Var (%)
1	CROMPGREAV	96.95	125	28.9%
2	ADANIENT	207.8	261.4	25.8%
3	TATASTEEL	332.15	400.9	20.7%
4	PFC	128.95	150.7	16.9%
5	RECLTD	187.25	218.3	16.6%
6	DIVISLAB	991.2	1145	15.5%
7	SIEMENS	544.5	614.35	12.8%
8	BANKINDIA	186.15	208.5	12.0%
9	BAJAJFINSV	647.2	718.75	11.1%
10	SAIL	61.3	67.75	10.5%
11	TECHM	1537.1	1692.2	10.1%
12	MARUTI	1513.9	1666.65	10.1%
13	UNIPHOS	154.75	168.65	9.0%
14	JSWSTEEL	846.25	915	8.1%
15	M&M	889.35	958.85	7.8%
16	BHEL	140.2	150.95	7.7%
17	PNB	494.65	532.25	7.6%
18	M&MFIN	276.6	295.9	7.0%
19	GODREJCP	845.65	904.2	6.9%
20	JPASSOCIAT	46.45	49.45	6.5%

WORST PERFORMERS FOR THE MONTH (CNX 100)				
Sl No.	Co. Name	CL. Price 24.10.2013	CL. Price 24.10.2013	CL. Price Var (%)
1	UBL	963.65	796.6	-17.3%
2	NMDC	139.95	124.5	-11.0%
3	TATAGLOBAL	165.45	147.65	-10.8%
4	EXIDEIND	124	111.15	-10.4%
5	MPHASIS	441.9	397.4	-10.1%
6	CIPLA	420.2	379.95	-9.6%
7	RCOM	148.9	135.45	-9.0%
8	ITC	342.75	313.5	-8.5%
9	SUNPHARMA	621.5	570.8	-8.2%
10	GLENMARK	548.35	505.65	-7.8%
11	DABUR	176.65	163.05	-7.7%
12	ACC	1154.45	1066.8	-7.6%
13	BHARTIARTL	349.65	323.6	-7.5%
14	IDBI	68.45	63.5	-7.2%
15	AXISBANK	1207.2	1120.25	-7.2%
16	FEDERALBNK	82.15	76.35	-7.1%
17	CONCOR	767.35	716.2	-6.7%
18	BPCL	356.95	333.8	-6.5%
19	BAJAJ-AUTO	2082.3	1950.5	-6.3%
20	DLF	159.3	149.4	-6.2%

Source: BSE

INDICES PERFORMANCE 24.10.2013 –28.11.2013



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	1215.8	14621	12.3	9.6	1.6	12.5	13.1	6.5	7.4	0.5
2	ACC	1066.8	20029	19.2	15.8	2.7	14.8	15.1	30.0	53.2	2.8
3	Ambuja Cements	182.7	28225	20.6	16.7	3.2	15.3	15.2	3.6	42.9	2.0
4	Adani Enterprises	261.4	28749	19.4	11.0	1.3	7.9	11.5	1.4	9.5	0.5
5	Adani Ports	157.1	32510	16.9	14.1	4.9	29.0	23.7	1.0	13.0	0.6
6	Apollo Hospitals	844.4	11748	32.7	26.7	4.3	11.6	13.8	5.5	25.1	0.7
7	Asian Paints	504.9	48425	37.0	31.4	14.3	36.3	34.3	4.6	39.6	0.9
8	Axis Bank	1120.3	52563	9.6	7.6	1.6	18.7	16.3	18.0	18.9	1.6
9	Bharti Airtel	323.6	129356	33.6	20.1	2.2	3.7	10.0	1.0	16.7	N/A
10	BHEL	151.0	36947	8.2	8.9	1.2	23.9	15.4	5.4	19.8	3.6
11	Bharat Forge	293.2	6824	18.6	14.6	3.0	11.2	16.8	3.4	29.9	1.2
12	Bajaj Auto	1950.5	56441	15.7	13.7	7.0	44.3	37.4	45.0	41.6	2.3
13	Bajaj Finserv	718.8	11437	7.1	6.4	1.5	24.4	18.9	1.5	1.5	0.2
14	Bajaj Holidings	858.6	9556	N/A	4.5	0.9	19.5	15.7	25.0	15.0	2.9
15	Bank of Baroda	615.2	25916	N/A	N/A	0.8	15.5	N/A	21.5	22.1	3.5
16	Bank of India	208.5	12425	N/A	N/A	0.5	12.3	N/A	10.0	24.7	4.8
17	Bosch Ltd	8487.7	26650	25.4	22.7	4.8	18.6	N/A	60.0	19.7	0.7
18	BPCL	333.8	24137	12.3	10.6	1.4	11.5	12.0	11.0	42.3	3.3
19	Cairn India	317.8	60712	5.2	5.4	1.3	25.1	17.6	11.5	18.2	3.6
20	Canara Bank	240.6	10656	N/A	N/A	0.4	12.3	N/A	13.0	19.4	5.4
21	Container Corp	713.6	13912	14.2	13.0	2.2	15.8	14.7	11.7	24.4	1.6
22	Cipla Ltd	380.0	30507	19.7	16.6	3.4	18.5	16.3	2.0	10.4	0.5
23	Colgate-Palmolive	1237.7	16832	N/A	N/A	51.0	159.2	N/A	20.0	62.7	1.6
24	Coal India Ltd	269.9	170479	10.1	9.3	3.5	39.0	30.4	14.0	50.9	5.2
25	Crompton Greaves	125.0	8019	23.5	14.6	2.3	-1.0	13.5	1.2	N/A	1.0
26	Dabur India Ltd	163.1	28433	30.8	25.7	13.4	39.7	36.6	1.5	34.2	0.9
27	Divi's Lab	1145.0	15198	20.3	17.1	6.1	26.0	26.8	15.0	33.1	1.3
28	DLF Ltd	149.4	26608	32.9	18.1	1.0	2.8	4.7	2.0	50.0	1.3
29	Dr Reddy's Lab	2456.8	41772	20.9	18.3	5.7	27.3	22.9	15.0	15.2	0.6
30	Exide Industries	111.2	9448	14.9	12.5	3.1	19.1	20.4	1.6	24.8	1.4
31	Federal Bank	76.4	6527	N/A	N/A	1.0	14.4	N/A	1.8	18.1	2.4
32	GAIL	331.7	42069	9.4	9.0	1.5	16.3	14.0	9.6	27.8	2.9
33	Godrej Consumer	904.2	30777	37.7	30.2	9.3	26.0	23.8	5.0	21.4	0.6
34	GlaxoSmith Pharma	2390.0	20244	33.2	28.5	10.1	28.5	32.4	50.0	86.7	2.1
35	Glenmark Pharma	505.7	13704	19.2	15.2	5.0	23.8	22.9	2.0	8.8	0.4
36	Grasim Inds	2627.9	24126	9.6	8.3	1.2	14.8	12.2	22.5	7.6	0.9
37	HCL Tech	1062.2	74184	13.3	12.0	4.7	33.5	29.2	12.0	20.4	N/A
38	HDFC	814.1	126898	22.9	18.8	3.9	23.6	22.6	12.5	29.1	1.5
39	HDFC Bank	653.4	156602	18.4	14.6	4.2	20.6	N/A	5.5	19.1	0.8
40	Hero Motocorp	2059.3	41121	N/A	N/A	8.2	45.6	N/A	60.0	56.6	2.9
41	Hindalco	121.4	25064	9.8	8.6	0.7	9.0	7.5	1.4	8.9	1.2
42	HPCL	207.6	7030	7.6	6.2	0.5	3.7	8.7	8.5	57.4	4.1
43	Hindustan Unilever	589.8	127540	35.3	32.2	44.5	117.0	99.8	10.5	59.3	1.8
44	ICICI Bank	1038.1	119846	11.3	8.3	1.7	14.8	15.7	20.0	24.0	1.9
45	IDBI Bank	63.5	8463	N/A	N/A	0.4	9.3	N/A	3.5	24.7	5.5
46	Idea Cellular	175.1	58085	29.7	21.4	4.1	7.4	14.8	0.3	9.8	0.2
47	IDFC	102.2	15487	7.9	7.1	1.1	14.1	13.8	2.6	21.4	2.5
48	IndusInd Bank	417.5	21889	N/A	N/A	2.6	18.3	N/A	3.0	14.8	N/A
49	Infosys	3327.8	191094	18.3	15.7	4.4	24.1	23.7	42.0	25.6	N/A
50	ITC	313.5	248651	28.2	23.8	10.7	35.7	37.6	5.3	54.5	1.7

N/A: Not Available

Source: Bloomberg Consensus as on November 28, 2013

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
51	Jaiprakash Associates	49.5	10973	22.8	10.0	0.9	3.8	7.8	0.5	24.0	1.0
52	Jindal Steel & Power	254.7	23811	8.7	7.5	1.1	14.8	13.1	1.6	5.1	0.6
53	JSW Steel	915.0	22118	12.9	10.6	1.2	5.6	10.4	10.0	23.9	1.1
54	Cummins India	427.0	11835	18.8	15.5	8.0	34.0	N/A	4.7	38.5	1.1
55	Kotak Mahindra Bank	751.9	57816	22.7	19.0	3.7	15.5	15.0	0.7	2.4	0.1
56	LIC Housing Finance	206.6	10426	8.2	6.7	1.6	17.1	19.1	3.8	18.3	1.8
57	Lupin	854.6	38301	22.8	19.1	7.3	28.5	26.0	4.0	13.6	0.5
58	Larsen & Tourbo	1022.9	94728	19.1	16.7	2.8	16.5	14.2	12.3	21.9	1.2
59	Mahindra & Mahindra	958.9	59055	12.9	11.0	2.8	22.4	19.0	12.5	19.5	1.3
60	M & M Financial	295.9	16830	15.8	12.9	3.7	24.4	21.9	3.6	22.1	1.2
61	Mphasis	397.4	8350	11.0	9.9	1.9	19.1	16.7	17.0	45.1	4.3
62	Maruti Suzuki	1666.7	50346	17.3	14.9	2.6	14.2	14.7	8.0	9.8	0.5
63	NMDC	124.5	49361	N/A	N/A	4.2	43.6	N/A	2.2	20.1	1.8
64	NTPC	147.9	121950	11.4	10.6	1.5	16.2	12.6	4.5	37.7	3.0
65	Oracle Financial Servc	3088.1	25970	18.9	16.9	3.5	15.7	16.0	0.0	0.0	0.0
66	Oil India	479.4	28818	7.9	6.7	1.5	19.4	18.6	30.0	50.2	6.3
67	ONGC	292.0	249778	9.4	7.7	1.6	16.8	17.8	9.5	33.6	3.3
68	Petronet LNG	127.6	9566	N/A	N/A	2.1	28.8	N/A	2.5	16.3	2.0
69	PNB	532.3	18814	4.1	3.5	0.5	15.6	N/A	27.0	19.3	5.1
70	Power Finance	150.7	19893	3.9	3.5	0.8	19.7	19.7	7.0	20.8	4.6
71	Power Grid Corp	94.7	43843	8.6	7.6	1.7	17.3	17.4	2.8	30.6	2.9
72	Ranbaxy Lab	420.1	17776	42.5	12.9	4.3	26.5	31.6	0.0	0.0	0.0
73	Reliance Capital	368.4	9048	15.4	12.6	0.8	6.8	5.3	8.0	39.3	2.2
74	RCOM	135.5	27957	23.3	19.4	0.8	3.4	4.3	0.3	7.7	N/A
75	Rural Electrification	218.3	21556	5.0	4.4	1.2	23.8	22.1	8.3	21.3	3.8
76	Reliance Industries	848.0	273971	11.9	10.4	1.4	11.9	12.1	9.0	14.7	1.1
77	Reliance Power	70.1	19664	20.6	17.4	1.1	5.6	5.7	0.0	0.0	0.0
78	Steel Authority of India	67.8	27981	11.7	9.5	0.7	5.7	6.1	2.0	35.5	3.0
79	State Bank of India	1763.6	120636	8.0	6.7	1.0	15.5	12.8	41.5	15.8	2.4
80	Shriram Transport Fin	575.3	13051	8.5	7.3	1.8	21.9	19.0	7.0	10.9	1.2
81	Siemens	614.4	21878	39.9	32.9	5.5	24.5	14.9	6.0	23.5	1.0
82	GlaxoSmithKline Cons	4342.5	18262	N/A	N/A	13.4	34.9	N/A	45.0	43.3	1.0
83	Sesa Sterlite	175.1	51911	7.1	5.5	0.9	14.0	13.1	0.1	0.4	0.1
84	Sun Pharma	570.8	118219	25.4	20.9	7.9	21.9	28.3	2.5	17.3	0.4
85	Tata Steel	400.9	38936	11.6	9.5	1.1	-18.4	10.6	8.0	N/A	2.0
86	TCS	1984.6	388729	21.2	17.9	8.4	38.4	36.1	22.0	31.0	N/A
87	Tech Mahindra	1692.2	39338	14.0	12.5	4.0	27.2	28.1	5.0	5.0	0.3
88	Tata Global	147.7	9131	19.9	17.1	1.9	8.0	10.1	2.2	35.7	1.5
89	Tata Power	78.1	18534	21.0	15.6	1.6	-0.7	9.6	1.2	N/A	1.5
90	Titan Industries	227.3	20175	24.9	21.3	10.2	42.3	33.2	2.1	25.7	0.9
91	Tata Chemicals	273.1	6957	10.7	8.5	1.1	6.3	11.6	10.0	63.6	3.7
92	Tata Motors	397.9	116829	9.5	7.9	3.4	28.1	27.0	2.0	6.5	0.5
93	United Breweries	796.6	21739	96.6	65.4	14.7	12.4	18.5	0.7	10.9	0.1
94	Union Bank of India	117.1	6988	N/A	N/A	0.4	13.5	N/A	8.0	22.1	6.8
95	United Spirits	2628.2	38195	82.7	45.4	7.2	-2.1	9.7	2.5	N/A	0.1
96	United Phosphorus	168.7	7465	8.2	7.1	1.6	17.6	17.6	2.5	14.3	1.5
97	UltraTech Cement	1910.4	52386	20.2	17.1	3.4	19.1	16.1	9.0	9.2	0.5
98	Wipro	472.6	116512	15.4	13.5	3.8	22.7	23.1	7.0	28.1	N/A
99	Yes Bank	364.2	13129	8.8	7.1	2.2	N/A	23.0	6.0	16.5	1.6
100	Zee Entertainment	255.9	24568	28.7	24.1	6.2	19.6	21.8	2.0	26.7	0.8

N/A: Not Available

Source: Bloomberg Consensus as on November 28, 2013

Technical view

Key takeaways from November 2013:

- GDP for Q2FY14 beats the market expection and grew at 4.8% against previous quarter of 4.4%.
- CPI for the month of October came at 10.09 against 9.84 in September.
- IIP data for the month of September reported at 1.96% against 0.46%.
- WPI for the month of October came at 7.00% against prior figure of 6.46%.
- Core Inflation inched up to 2.6% from 2.1% in the previous month.
- The HSBC/Markit manufacturing PMI showed contraction for the third straight month in October and stood at 49.6, unchanged since September.
- RBI governor announced Rs. 8000 crore bond sale to inject liquidity in the system.
- India's trade deficit fell sharply to $10.56 billion in October, from $20.21 billion a year ago.

So near yet so far

Classical theory of Technical Analysis

Nifty took a breather after 2 consecutive month of gain and ended with a decline of 3%. On the weekly chart Nifty maintained lower low formation indicating selling pressure re-emerging at higher levels for the third consecutive time since 2008 onward. Volume or market participation also decreased considerably as investors seems to be awaiting fresh cues from global and domestic front. Advance decline ratio during the month remained in favor of the bears in the ratio of 1:2. FII also turned net sellers albeit small first time after being net buyers for 32 days in a row. Overseas investors pulled out Rs. 4569 crore from debt securities and poured in over Rs. 7500 Cr in equity market so far this month as on 25th November.

Post Diwali session Nifty had been in a corrective mode facing resistance from the its all time high of 6357 where it has faltered a number of times in the past and again repeatedly halted near its high which happens to be the inflexion point of the six year old triangle pattern. A failure to breach past the previous high again reasserts that the existing rally might be under threat and Nifty might enter into a consolidation phase.

Since August 2013 onward Nifty had been trading amidst the rising channel formation however last month profit booking activity at higher levels led Nifty to breach the crucial trendline around 6200. Nifty since then had been trading with negative bias throughout the month with occasional hiccups. Further presence of head and shoulder formation in daily chart might act negatively for the market if Nifty breach past the previous swings low of 5972.

On the weekly chart Nifty formed consecutive bearish candle formation with long hairline formation further reinstates that amidst the pullback in the market bear had been dominating their leads at higher levels. However major hurdle for bears to reap the honey hive would be past the weekly low of 5970.

Modern approach in Technical Analysis

On the oscillator front momentum oscillator has turned negative in both daily and weekly time frame with sell crossover. Prices still trading in neutral price territory indicate that further downside risk in the market remains. However, positive divergence through RSI might be in the formation stage which might result in bottoming out of Nifty. Hence it seems downside in the Index might be limited as bears had been losing steam and lower level of 5850 need to be utilized to enter long.

Nifty during the month faced resistance from the upper band of Bollinger in weekly chart around 6330 and from there onward bears took the upper edge. On the daily chart the lower band of Bollinger exist at 5938, which further coincides with the middle band in weekly time frame. Thus in technical parlance it can be inferred that the said support zone of 5890-5938 is expected to provide cushion for the Index for downside risk.

Moving averages helps in identifying the trend in the market. Past two month exuberant rally in Indian market has led prices to distance away from its averages. On technical parlance such development results in overbought situation. Last month corrective decline of 3% in Nifty proved healthy again for investors to re-enter. Presently Nifty went past the short term moving averages but has been able to withstand the longer term moving averages (50/100/200) indicates that the short term volatility might be frustrating for traders but long term trend continues to remain positive and correction in the market need to be utilized to enter long.

Indian VIX

Fear and ease in the market can be gauged with the help of Volatility Index (VIX). Indian VIX has cooled down significantly in comparison to past few months. Standalone chart study reveals presence of Cup and Handle formation in daily chart. Such pattern formation has been positively interpreted in technical wizardry. It can be inferred that that VIX might consolidate around current level before eruption. A negative correction has been noticed with Nifty and VIX as rise in VIX indicates upsurge of financial stress in the market and hence correction is noticed in Nifty. Hence VIX remaining confined at lower level in the forthcoming month would augur well for Indian market.

Gann Theory of Time cycle

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 according to the theory of repetition it can be concluded that the recent rally in the market might have reached its top or it might extend till third week of December.

Retracement principle

Trend deciding level in Index is identified with the help of retracement principle. Two different time periods are being considered 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 5740 which can be earmarked as the maximum downside potential in Nifty in immediate terms.

Future Projection – December 2013

In longer term perspective Nifty formed Contracting Triangle for the last 5 years and faced resistance near its historical high level of 6372. Selling pressure was witnessed throughout the month of November and ended with a decline of 3%. Presently it seems Nifty might be in the formation stage of wave e which might drag Nifty lower till 5600 in near future.

In medium term perspective the entyre rally since June 2012 onward from 4770 appears to be a 'Bow-tie diametric formation' and completed the last wave of up move of a-b-c-d-e-f-g. 'X' up after a-b-c correction from 6229 and have completed 1-2-3-4 pattern. Rally post 5118 seems to be a complex correction and is expected to unfold as 'Double combination'. If this is true then current price action might unfold into second corrective triangle. Structurally it seems Nifty might be forming a 5-legged extracting triangle. However the pattern would confirm when d-leg fall would become larger than b-leg fall i.e. when Nifty falls below 5900.

In short term perspective a new impulse wave might be in the formation stage and it seems Nifty might be in the formation stage where it seems recent price correction might unfold into wave 4 which according to the rule of alteration might end with a complex corrective pattern. Hence it seems a contracting triangle might be unfolding and in the forthcoming month Nifty might witness rangebound trading action with positive bias.

Inter-market analysis

U.S Market: Classical text book rally seems to remain unabated in US market with higher high and higher low formation for 8 successive weeks in a row. Positive divergence in oscillators in weekly chart helped the Index to witness the dream rally. Since May 2013 onward DJIA had been trading amidst the rising channel formation, a breakout past the pattern might led the US market to march further ahead till the level of 16600 in medium term perspective. Going ahead in the forthcoming month some amount of price consolidation might be witnessed as the Index is near to its overbought region in both daily and weekly time frame.

Dollar Index: Dollar Index might be in the formation stage of bullish Flag formation in daily chart. If the pattern materializes then the currency might head northward and sharp rally since the breakout level of 81.30 can be seen in days to come. For the last couple of weeks 100-day simple moving average has been acting as crucial resistance level for the currency which further coincides with the 38.2% retracement level of the entyre fall since July 2013 onward.US dollar if appreciates would act as a dampener for Indian market as an Inverse relation exist between Dollar Index with that of the emerging market resulting in fund outflow from emerging economies.

Nymex Crude: Multiple resistances around the level of 110 again proved crucial for the commodity and resulted in with a significant correction. Since 2009 onward Crude oil had been on a major uptrend with upward rising trendline seems to be supporting the prices at every correction. Recent decline has again led prices to test the historical trendline presently around 91-92, breach past the crucial support level would drag the commodity further southward till the previous swing low of 84. An Inverse correlation exists between Indian equity market with that of the Black Gold. Further correction in prices would help in reducing the import bill which further adds in reducing CAD.

10 Year Bond Yield US: 10 year bond yield in US has witnessed a mild correction and hence forth foreign fund have flown in emerging economies at the initial start of the month. Weakening o the US bond yield will be positive for our domestic market.

10 Year Bond Yield India: Rise in Indian 10 year bond yield at the beginning of the month can be reasoned for the rise in Index premium and foreign fund inflow in Indian market. However at the latter half of the month FII turned net sellers, although in small amount after remaining net buyer's for32 days in a row.

Indian Rupee: Indian rupees consolidated within a narrow range during the month of November with mild negative bias. Rupee appreciated and recorded low of 61.70. On technical parlance Rupee presently seems to be taking support from its 50% retracement level of the entyre fall since May 2013 onward. It seems unlikely that Rupee could depreciate beyond the psychological level of 59-60 and is expected to witness a rangebound trading activity in the forthcoming month.

Summing it up

Positives:

1. Bullish contracting triangle formation is underway with breakout at historical resistance level of 6357.
2. Positive divergence through RSI indicates a bottoming out process.
3. Downside in the market might be limited as band Bollinger might provide support around 5890-5938.
4. Nifty had been trading above all the crucial moving averages (notably 50/100/200).
5. According to Gann Theory rally in the market might extend a bit further till third week of December.
6. According to retracement principle maximum downside in the Index might be limited till 5740
7. Uptrend in the US market to remain unabated.
8. Crude Oil near historical support level of 81, breach of which might turn extremely negative for the commodity.
9. 10 year US bond yield has been depreciating

Negatives:

1. Nifty provided a breakdown from the upward rising channel formation around 6100.
2. Indian VIX might rebound from current level.
3. According to Elliot wave principle upside in the market might be capped till 6380 while downside gates remain open towards 5800 and then towards 5350.
4. Dollar Index formed bullish flag formation in daily chart indicating substantial rise from current level.
5. Indian rupee presently hovering around it historical support level of 60 and it seems unlikely that the currency can breach past the said support level.

To sum up, Nifty was at a striking distance from its all time high of 6357 but was unable to sustain such high level and ended the november month with a decline of 3%. The gains recorded for the past few month were mainly attributable to the global liquidity factor, ambiguity from Fed regarding the tapering program brought uncertainty in the emerging market like India. Indian market was at the receiving end with weakening rupee, rising bond yield and FII scaling down their activity. On the domestic front also economic data were also not conducive enough to withstand the global chaos as rise in WPI and CPI would act as a hindrance for RBI to follow a loose monetary policy in its next Mid-Quarter review of monetary policy 2013-14 on 18th of December 2013. The 2nd quarter result session ending on positive note indicating a turnaround of growth cycle and has raised optimism amongst investors and stock picking activity is seen at every decline. However fresh trigger for market participant is awaited from the outcome of State Assembly Election and FOMC meet due on the third week of December 2013. Nifty on technical parlance has faltered to breach the previous high and successive lower low formation is underway defining the trend as negative. Nifty presently at a very crucial juncture where the crucial trend deciding level for the Index exist at 5850-5870. Prices sustaining above or below which would dictate the next directional movement in the market. However onus remains on the positive side and corrective decline in the market need to be utilized to enter long, Crucial support for Nifty in the forthcoming month is seen at 5850 followed by 5700 while resistance exists at 6170 followed by 6250.

Derivative Segment

Market has started the December 2013 series with a market open interest (OI) position of Rs. 96,513 Cr, a decrease of 1% compared to previous month. December month expiry started with a decrease in Index Future by 25% and increase in Stock Future Open Interest by 12%. Index Option OI decreased marginally and Stock Option OI decreased by 3%. Nifty had witnessed a decline of 3.29% last month after giving positive return of 7.09% in the previous month i.e. October 2013 (expiry to expiry basis).

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

Market OI	28/11/2013	31/10/2013	26/09/2013	29/08/2013	25/07/2013	27/06/2013
Index Future	13319	17672	12846	10814	13290	8725
Stock Future	31736	28233	24195	24401	26766	24002
Index option	48773	48885	49972	53023	48811	51459
Stock option	2685	2767	2685	2897	3293	3044
Total OI	96513	97557	89698	91135	92160	87230

Nifty Rollover Statistics

	NOVEMBER, 13	OCTOBER, 13	SEPTEMBER, 13	AUGUST, 13	JULY, 13	JUNE, 13
Nifty R/O*	72.75%	73.10%	64.89%	51.87%	75.92%	47.24%
Nifty CoR**	0.82%	0.59%	0.64%	0.59%	0.53%	0.37%
Nifty Closing	6091.85	6299.15	5882.25	5409.05	5907.5	5682.35
Monthly Return	-3.29%	7.09%	8.75%	-8.44%	3.96%	-7.21%

*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.

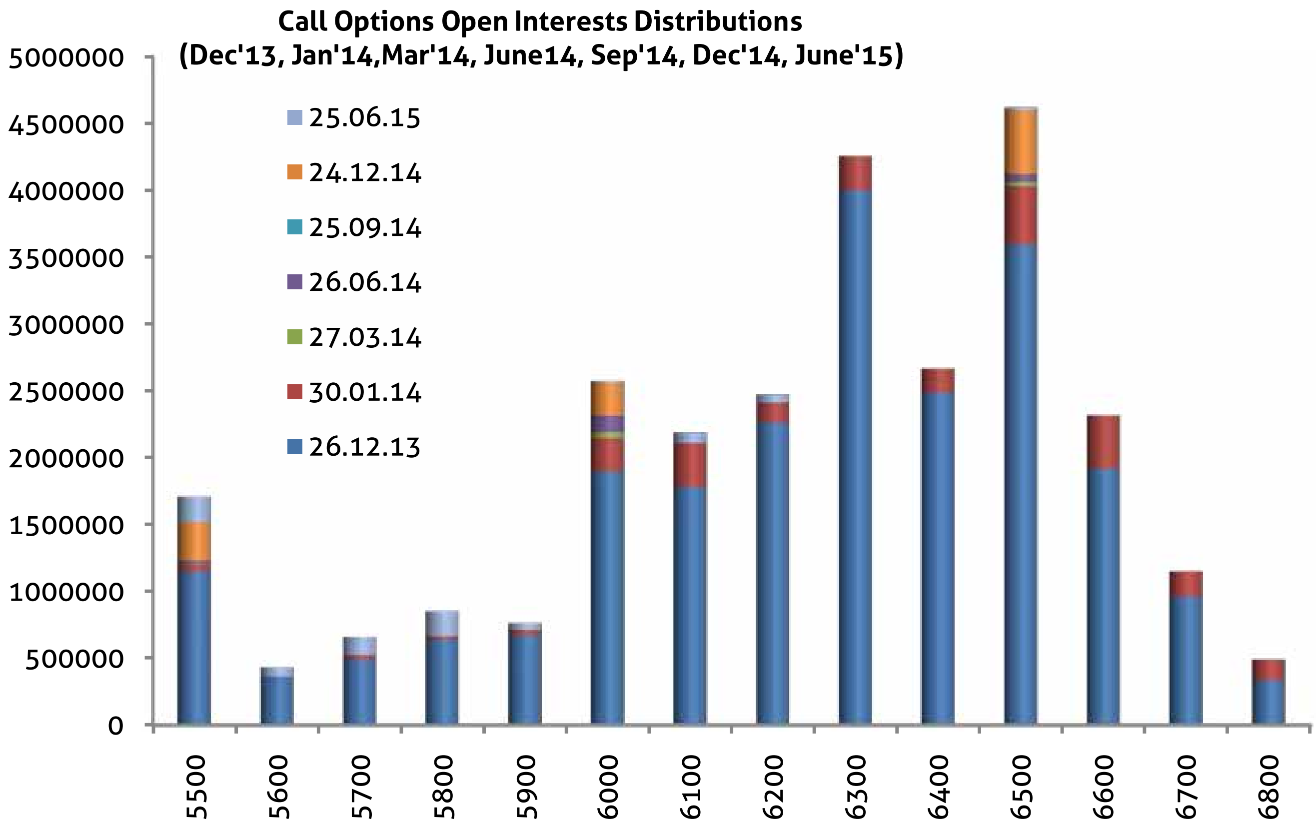
Stock Futures Highest Rollover

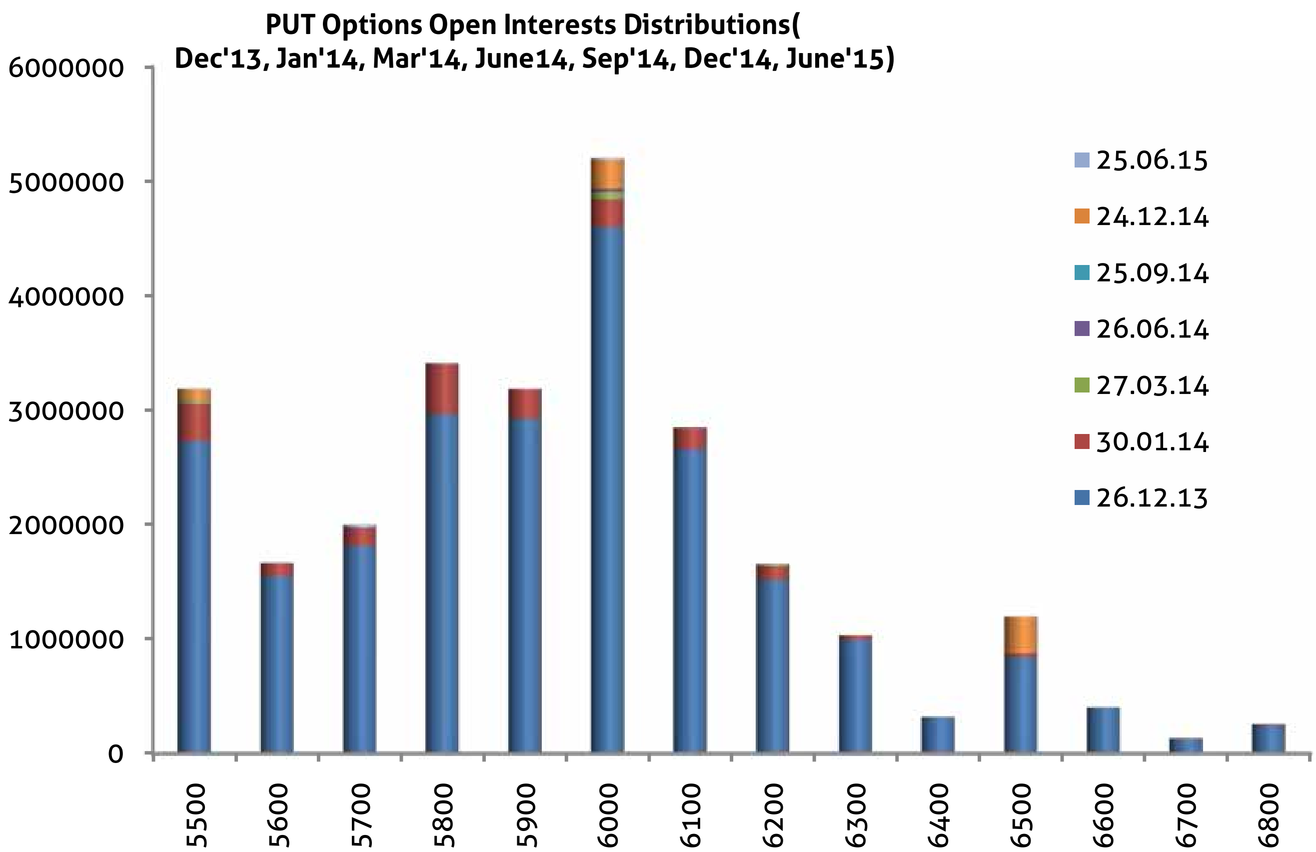
Instruments	Rollover On 28/11/2013	3 Months Average Rollover	*CoR on 28/11/2013 (Expiry Day)
JSWSTEEL	94%	92%	1.14%
JISLJALEQS	94%	86%	1.31%
TATACOMM	93%	86%	1.06%
RANBAXY	93%	83%	1.02%
JSWENERGY	92%	81%	1.09%

Stock Futures Lowest Rollover			
Instruments	Rollover On 28/11/2013	3 Months Average Rollover	*CoR on 28/11/2013 (Expiry Day)
SRTRANSFIN	57%	73%	1.03%
GSKCONS	59%	22%	1.32%
HEXAWARE	63%	66%	1.11%
DIVISLAB	65%	77%	1.24%
GODREJIND	68%	73%	0.97%

Stock Futures With Positive Cost Of Rollover (CoR)			
Instruments	Rollover On 28/11/2013	3 Months Average Rollover	*CoR on 28/11/2013 (Expiry Day)
GMRINFRA	77%	80%	1.75%
JPPOWER	77%	78%	1.70%
NHPC	81%	86%	1.69%
ADANIPOWER	83%	74%	1.46%
INDIACEM	82%	83%	1.37%
RPOWER	87%	84%	1.36%
TATACHEM	81%	81%	1.34%
IBREALEST	85%	78%	1.33%
FRL	90%	86%	1.33%
GSKCONS	59%	22%	1.32%

Stock Futures With Negative Cost Of Rollover (CoR)			
Instruments	Rollover On 28/11/2013	3 Months Average Rollover	*CoR on 28/11/2013 (Expiry Day)
BHEL	89%	80%	-1.56%
POWERGRID	86%	64%	-1.27%
ONGC	77%	69%	-0.82%
HDIL	79%	73%	-0.60%
BATAINDIA	81%	79%	-0.23%
CROMPGREAV	76%	76%	-0.20%


Call Options Open Interests Distributions
(Dec'13, Jan'14,Mar'14, June14, Sep'14, Dec'14, June'15)
5000000
4500000
4000000
3500000
3000000
2500000
2000000
1500000
1000000
500000
0
25.06.15
24.12.14
25.09.14
26.06.14
27.03.14
30.01.14
26.12.13
5500
5600
5700
5800
5900
6000
6100
6200
6300
6400
6500
6600
6700
6800


PUT Options Open Interests Distributions(
Dec'13, Jan'14, Mar'14, June14, Sep'14, Dec'14, June'15)
6000000
5000000
4000000
3000000
2000000
1000000
0
25.06.15
24.12.14
25.09.14
26.06.14
27.03.14
30.01.14
26.12.13
5500
5600
5700
5800
5900
6000
6100
6200
6300
6400
6500
6600
6700
6800

Mutual Fund Overview

ICICI Prudential Focused Bluechip Equity (G)
Equity: Large Cap

Fund Objective: ICICI Prudential Focused Equity Fund is an open-ended equity scheme that seeks to generate long-term capital appreciation and income distribution to unitholders from a portfolio that is invested in equity and equity related securities of about 20 companies belonging to the large cap domain and the balance in debt securities and money market instruments.

Fund Commentary: This fund is a compelling pick for the long-term as it has maintained its large-cap style purity and consistent risk-adjusted score since 2008; resulting in higher returns and low-risk grade. A blend of value and growth investing style with bottom-up approach to stock-picking along with a buy and hold approach by the fund manager has further aided long-term performance. The fund has generated a return of 24% since inception and has consistently outperformed the benchmark over the years. Consistently high risk-adjusted score along with high-return and low-risk grade with below-average risk grade on most occasions make this fund a compelling core holding

IMPORTANT INFORMATION	
NAV	19.60
Inception Date	May 7, 2008
Fund size(in Rs cr)#	4,302.70
Fund Manager	Manish Gunwani
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	0.87
Standard deviation (%)	16.98
Sharpe Ratio	0.01
Alpha	2.90
R Squared	0.97
Expense ratio (%)	1.84
Portfolio Turnover ratio (%)	1114.00
Market cap (Rs in cr)	47,800

as on Oct, 2013

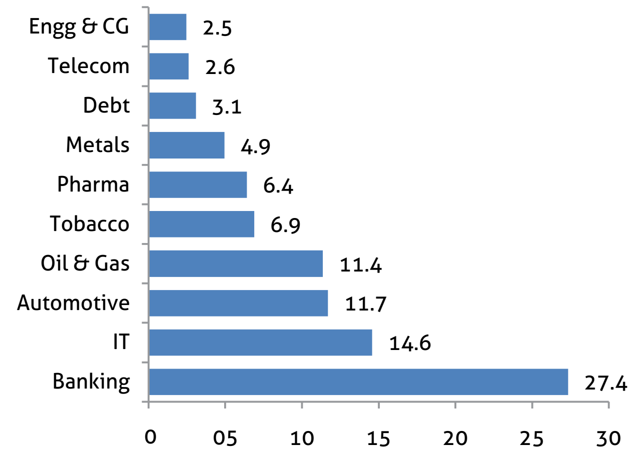
TOP TEN HOLDINGS

Stocks	% of Net assets
HDFC Bank	8.52
ICICI Bank	7.07
ITC	6.89
Infosys	6.32
Kotak Mahindra	5.29
Reliance	4.75
Motherson Sumi	4.13
Tech Mahindra	3.17
Tata Motors	2.97
Maruti Suzuki	2.96

ASSET ALLOCATION

Equity	Debt	Cash & Equiv.
97.05	0.06	2.89

% SECTOR ALLOCATION



Month of Recom.	Recommended in the Past	Returns till date (%)
Dec-12	IDFC Premier Equity Fund - Plan A (G)	5%
Jan-13	ICICI Prudential Tax Plan (G)	6%
Feb-13	Franklin India Tax Shield (G)	0%
Mar-13	Axis Long Term Equity Fund (G)	18%
Apr-13	UTI Opportunities Fund (G)	8%
May-13	Franklin India Bluechip Fund (G)	3%
Jun-13	BNP Paribas Equity Fund (D)	-4%
Jul-13	SBI Magnum Bluechip Fund (G)	9%
Aug-13	HDFC Balanced Fund (G)	8%
Sep-13	HDFC Top 200 Fund (G)	20%
Oct-13	BNP Paribas Equity Fund (G)	3%
Nov-13	Birla Sun Life Frontline Equity Fund (G)	-1%

PERFORMANCE OF THE FUND

	1 month	3 months	6 months	1 year	3 Years	5 Years	Since Inception
Fund (%)	0.8	15.6	4.1	9.4	6.3	23.6	23.6
CNX NIFTY (%)	-0.2	15.3	-0.3	6.4	1.9	17.2	--

Commodities - Monthly Round up

"Do not pray for easy lives. Pray to be stronger men"

-John F Kennedy

Castor Seed

The recent run up in the commodity is backed by stronger export demand. But improved supply is capping the price in some extent but that's really not enough to stop the recent Bull Run. In the both producing region that's Gujarat and Saurashtra, there is an average supply of 30000 bags for the past couple of weeks. Speculative buying also helping the market to maintain the recent momentum.

Technical Analysis

The contract difference between last expired contract and the present active contract were around INR 200. If we take this info into our analysis part, we can say that on the last few days we get a break out from the congestion zone which was started from October 2012. The weekly chart is showing that the next stop of this rally may be around 4800 at NCDEX which was the previous prominent swing high. Weekly RSI is also above 50 marks which is again justifying our bullish view on this commodity.

The weekly chart is showing that 3920 was the resistance of that congestion area and market is already trading much higher than that level. There is a tendency of any market to give a pullback towards original breakout point, so a corrective action towards 3920 cannot be ruled out. The best thing for the traders is to initiate buying position if there is any corrective action towards that level. Any type of short position is totally against the dynamics of this market. INR4480 may be another soft resistance as there are some peaks and troughs near that point. Best buying options can be executed between 4200-4100 levels with stop loss near 3800 for a probable target of 4800. And if it is able to break above 4800 then the next level will be around 5500 which is achievable if the current momentum sustains its pace.

Castor Seed NCDEX: Weekly Chart

GBPJPY

As per one leading international investment bank, the next leg of Yen's bearishness will be driven by domestic investors who are opting for shifting their assets towards riskier class. Japanese Government Pension Fund (GPIF) proposed diversification away from JGBs and into higher yielding foreign assets, a bearish sign for the JPY. The markets are currently expecting CPI to have increased 0.9% YoY, so we will be watching the release to measure the effectiveness of the BoJ's accommodative policy, targeting 2%. Any number below that expected mark will again boost the expectation that BOJ will continue its aggressive easing policy which may weaken YEN further.

Technical Analysis:

In the last few days the pair gave a blistering move above 164. Above all 164 is its 4 year high. From a technical analysis perspective this is too an important juncture. If we look at its weekly chart, it's evident that the market is in process to come out from Saucer Bottom/Rounding Bottom. This sort of formation is very rare in chart history but if it happens that's always signifies robust bullishness for that asset class. The breakout can be seen in weekly RSI also which further strengthen our bullish view.

Our suggestion towards investors to go for long within 164-164.50 range. The stop will be at 154 and the probable target will be around 184. We are giving the stop just below the last swing low which is again gets support from 26 weeks SMA. All the other oscillators like MACD are supporting the bullish move. One argument may be that RSI reading is above 70 which indicate overbought conditions, but overbought conditions don't guarantee that market will fall but in some cases the bullishness boosted by the mega overbought condition. So any sort of short position will be a dangerous move by traders. Any corrective action can be viewed as buying opportunity for the market participants.

GBPJPY: Weekly Chart

USDINR

Experts are now started predicting rupee again at 66 level at least after FED tapering hinted by top officials in their last meeting. In the mid December RBI may hike rate again by 25 basis points after inflation is hitting at uncomfortable high of above 10%. The dollar index is hovering around the crucial 81 mark. Would be FED chief Yellen already voiced her support for tapering action. Experts also feel that the CAD numbers, which look at comfortable levels for now, could be a cause for worry in the months to come, and that may add pressure to rupee and rising oil demand could weigh.

As far our view is concern we think that Bernanke will start its tightening measure around January after getting two more Non Farm Payroll Number and after that Rupee may strengthen again as those news are already discounted by price itself.

Technical Analysis

60.88 levels are the good support from where the pair got the bounce so any move below that 60.88 can only be considered as a trend reversal move from its current upswing. 60.80-60.90 area is also guarded by 26 weeks Exponential MA. Weekly RSI is still above 50 which indicate bullishness in the market. A good trend line support can be spotted around 61.90 levels. Short position in the pair only can be initiated if it breaches below 60.80 areas.

For the bulls, long position can only be initiated after it breaks away from 64 levels. 64 levels are justified by its round bottom like shape in daily chart. For this long position, the stop loss will be at 62.70 levels and target will be around 65.70 levels.

USDINR: Weekly Chart

USDINR: Daily Chart

World Economic Event Calendar-December 2013

Monday	Tuesday	Wednesday	Thursday	Friday
2	3	4	5	6
CH: Manufacturing PMI US: ISM Manufacturing UK: Halifax House Prices MoM EC: PMI Manufacturing US: Construction Spending MoM	JN: Monetary Base YoY UK: PMI Construction EC: PPI MoM CH: Non-manuf PMI	EC: GDP SA QoQ US: MBA Mortgage Applications US: New Home Sales US: Trade Balance US: ADP Employment Change	UK: Bank of England Bank Rate US: Initial Jobless Claims EC: ECB Announces Interest Rates US: GDP Annualized QoQ US: Factory Orders	US: Change in Nonfarm Payrolls US: Univ. of Michigan Confidence US: Unemployment Rate US: Personal Income US: PCE Core MoM
9	10	11	12	13
CH: Trade Balance CH: CPI YoY JN: GDP SA QoQ CH: PPI YoY JN: Trade Balance BoP Basis	UK: Industrial Prod MoM UK: Manuf Production MoM CH: Industrial Prod YoY US: Wholesale Inv MoM IN: Exports YoY	UK: Jobless Claims Change JN: Machine Orders MoM US: MBA Mortgage Applications JN: Domestic CGPI YoY	US: Initial Jobless Claims IN: Industrial Production YoY US: Retail Sales Advance MoM US: Import Price Index MoM US: Monthly Budget Statement	JN: Industrial Production MoM US: PPI MoM JN: Capacity Utilization MoM UK: Construction Output SA MoM
16	17	18	19	20
US: Industrial Production MoM JN: Tankan Large Mfg Index US: Empire Manufacturing EC: PMI Manufacturing EC: PMI Composite	UK: CPI YoY US: CPI MoM EC: CPI YoY UK: PPI Output NSA MoM US: Current Account Balance	UK: Jobless Claims Change US: MBA Mortgage Applications US: Housing Starts IN: RBI Repurchase Rate JN: Trade Balance	US: Initial Jobless Claims US: FOMC Rate Decision US: Existing Home Sales JN: All Industry Activity Index MoM US: Leading Index	UK: GDP QoQ US: GDP Annualized QoQ EC: Consumer Confidence US: Personal Consumption US: Core PCE QoQ
23	24	25	26	27
US: Univ. of Michigan Confidence US: Personal Income US: Personal Spending US: Chicago Fed Nat Activity Index US: PCE Core MoM	US: Durable Goods Orders US: New Home Sales US: Richmond Fed Manuf. Index US: House Price Index MoM US: Cap Goods Orders Ex Air	US: MBA Mortgage Applications JN: Corporate Service Px Index YoY	US: Initial Jobless Claims US: Continuing Claims JN: Housing Starts YoY JN: Annualized Housing Starts JN: Construction Orders YoY	JN: Industrial Production MoM JN: Jobless Rate JN: Tokyo CPI Ex-Fresh Food YoY JN: Retail Trade YoY
31	31			
UK: Nationwide House PX MoM US: Pending Home Sales MoM US: Dallas Fed Manf. Activity	US: Consumer Confidence Index US: Chicago Purchasing Manager US: CaseShiller Home Price Index IN: Fiscal Deficit INR Crore			

IN: India, US: United States, EC: European Union, UK: United Kingdom, CH: China, AU: Australia, 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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