INSIGHT

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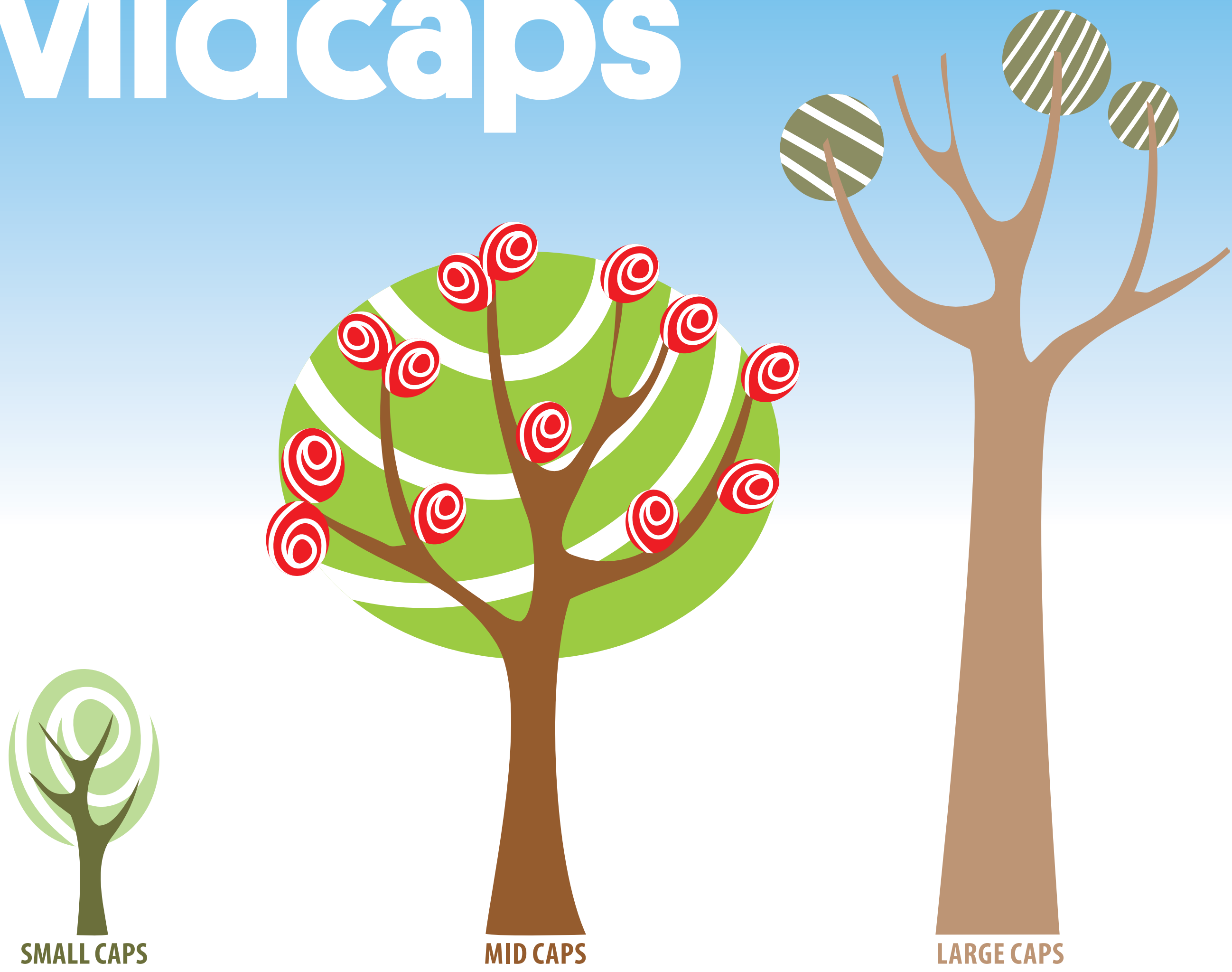
August, 2014

Promising Midcaps



- Bodal Chemicals Ltd.
- Som Distilleries Ltd.
- Sharda Motor Industries Ltd.
- Axis-IT&T Ltd.
- Visaka Industries Ltd.
- Deccan Cements Ltd.
- Gulshan Polyols Ltd.

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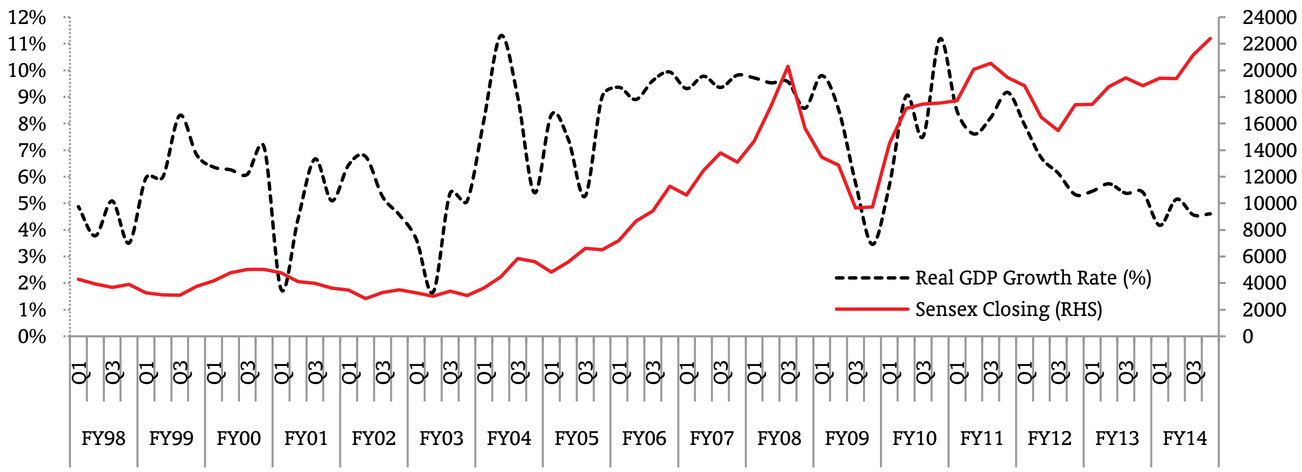
Market Overview

We are at an interesting crossroad and just by looking at the magnitude of price rise, investors and traders are wary of potential downswing in the market. If this being the first year of bull market which is clearly evident from a series of events culminating in couple of quarters, this scare seems unjustifiable. Since at the initial stages of a bull market stock price generally tends to bounce back sharply from their deeply undervalued quotes to a more reasonable value where they reflect their actual worth in terms of their replacement cost. The swing in price completely depends on the depth of price and value mismatch the stock has been quoting in the past. This kind of swing factor generally is triggered by a major policy change along with a changing political landscape which gives the desired stability to a country. The sentiment change triggers a massive rally, though at the ground level, economic macro factors still remains unchanged but market perceives a change in the anvil and start discounting it rapidly much ahead of consensus as it had been the case for our market in the last couple of months ever since a thumping victory by the BJP government. Stocks have rallied hard since then (thought the market has started marching ahead and climbed the wall of worries for almost a year) and the perception to equities has changed dramatically after the big event. At present, as it stands, we would be wondering to see a price rise despite of any major change in earnings of companies at large. As the fact remains that the earnings and more specifically future earnings is the major driver of any stock price rise. Currently it's the perception of such future earnings turning positive and hence stocks correcting from their deeply undervalued zone in many of the cases. Now once this early phase of a constructive bull market is done (which seems more likely to have happened), the market would generally wait for earnings to show signs of revival in a meaningful way, i.e., closer to the nominal GDP growth average of 15% and above. It seems that Indian market has done its bit in correcting and coming out of a pessimistic loop and a deep slumber. Not only the market, the economy and companies also have started to mend their balance sheet with changing circumstances. Last couple of months looked like the stars have been aligning and conspiring for a larger growth revival for India Inc in coming years.

Second phase would come with earning momentum of corporate India gaining traction. Currently it looks as if we are at the cusp of it. The material changes would start flowing in once the inflation factors recedes and interest rates comes to a much more comforting level. In the second phase earnings will re-rate the stocks and there will be a solid rise in market backed by robust earnings which is likely to be the theme for next two to three years. During the later phase of this cycle we will see p/e multiples and other valuation metrics getting re-rated significantly along with earning expansion which is a lethal combination for price rise in the market.

Eventually the third phase will begin with prices getting disconnected with actual fundamentals and P/E multiples getting to stratospheric levels despite of the fact that corporate growth starts slowing down. The climatic stage would be quite euphoric and consensus and conviction will be very high in predicting the future growth prospect and extrapolating good times to infinity by some mathematical jargons. More importantly, the euphoric phase is quite symptomatic in nature with macro economic factors looking extremely positive and GDP will be anywhere between 8% to 10% for a country like India, and headline news on media would be extremely optimistic. The whole process will take another four to five years before we can conclude a bull market which has just started and looks very young, vibrant and promising



Source: RBI & BSE

Right now it seems that the rally of last couple of months have captured the sheer undervaluation for many of the stocks and more specifically infrastructure, capital goods, financials, highly leveraged stocks, capex and interest sensitive stocks have all come to a fair value zone. Now, the two major events have played out i.e., elections and budget, and here on market would be keener to see real growth in earnings of the companies. Companies which deliver real earnings would be the one which will get re-rated and the stock prices would be pushed higher rather than on mere hopes from hereon. Quality and earning expansion will be the key driving force for the stock prices. Sectors which were taking backseat have once again come to reckoning as real growth in earnings continues to attract investors in sectors such as pharma, IT, private banks, etc. despite of their rich valuation. Mid-caps have been the big outperformer for last couple of months as the undervaluation was quite significant in this space. Now as the first phase has played out largely, stocks with merit will be rewarded going forward. Moreover the gold mine is struck in the bull market by identifying promissing midcap stocks. In the PSU banking segment, stocks which were trading way below book value came closer and started trading around it. In asset heavy & manufacturing business, the stocks which were trading way below their book value/replacement cost or below their historical valuation metrics have come to reckoning. Though the result of many of the PSU banks for this quarter haven't been startling in terms of their asset quality and the expectations are that they probably are gradually coming out of their bad asset cycle. Many of the asset heavy infrastructure business and others managed to raise capital through QIP's and other mode of equity instruments and thereby succeeded in deleveraging their balance sheet to some extent. Positive sentiment in the capital market have helped many of the companies to raise equity and deleverage their balance sheet and many more are in the process of raising capital for expansion. Thus ease of capital raising will feed into the positive economic growth momentum and will act as a catalyst for India Inc to look forward with optimism. Right policy framework from the decisively elected government will be the key facilitator for growth in coming years.

Sensex earning growth and CAGR return for different Economic Cycle

Period	Average GDP Growth Rate (%)	Sensex EPS growth (CAGR %)	Sensex return (CAGR %)
FY1993-96	6.8%	45%	21.5%
FY1996-03	5.3%	3%	-1.6%
FY2003-08	8.9%	25%	50.5%
FY2008-14	7.1%	8%	9.4%

QIP raised

Company	Date	Amt. (Rs. Cr.)
J.Kumar Infraprojects Limited (QIP)	Jul-14	137
CITY UNION BANK LIMITED (QIP)	Jul-14	350
Jaiprakash Associates Limited (QIP)	Jul-14	1500
GMR Infrastructure Limited (QIP)	Jul-14	1477
ABAN OFFSHORE LIMITED (QIP)	Jul-14	750
ASHOK LEYLAND LTD.(QIP)	Jul-14	667
Reliance Communications Limited (QIP)	Jun-14	4808
IDEA CELLULAR LIMITED (QIP)	Jun-14	3000
KSK Energy Ventures Limited (QIP)	Jun-14	400
Yes Bank Ltd (QIP)	Jun-14	2942
SKS Microfinance Limited	May-14	400
Muthoot Finance Ltd (IPP)	Apr-14	755
STATE BANK OF INDIA	Jan-14	8032
Hinduja Foundries Limited	Jan-14	150
Total		**25367.64**

Source: BSE

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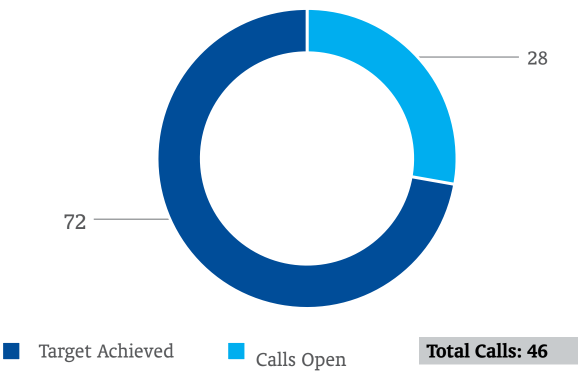
Monthly Insight Performance

Over the years, Ashika Research based on its rigorous and continuous analysis on fundamental basis, has recommended stocks and consistently achieved the target price recommended. Since August 2013 we have recommended 46 stocks out of which 33 has achieved target. Hit Ratio stands at 72%. Out of these 16 stocks have given a return of more than 50%.During this period the Nifty has given a return of 35% and a return of 37% from its peak. Out of the 46 stocks given in last one year, 10 stocks are given in last two months out of which only one stock has achieved target.

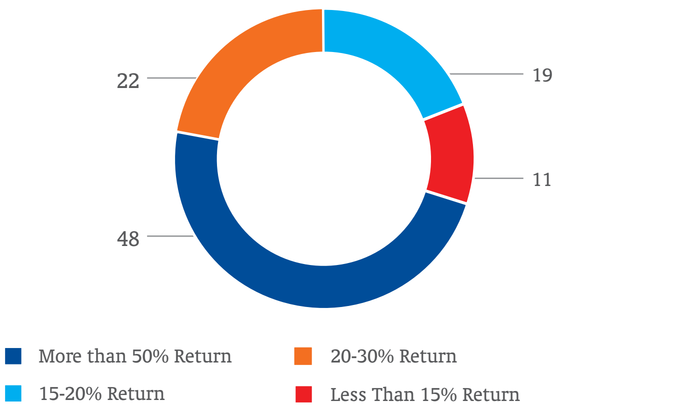
The stocks recommended by us such as Aurobindo Pharma, Symphony, Kaveri Seeds, L&T, VA Tech Wabag, Gujarat Gas, Indian Bank, Finolex Ind., UPL, Escorts, Info Edge (India), Torrent Pharma, Indusind Bank, PI Industries, Hexaware Ltd., Motherson Sumi, Bharti InfraTel, Tech M, Ultratech Cement, City Union Bank, Wim Plast, and MRF Ltd. have generated exceptional returns (more than 50% returns) for our investors. A few of them have generated returns in excess 100% for our investors.

We have selected stocks across large cap and mid cap companies and across variety of sectors. For the period analyzed, the stocks recommended by us have outperformed their respective sectoral indices.

Success Rate (%)



Return Classification (%)



Recommended Stocks

Time Period	Scrip	Sector	Recommended Price	Target Price	Target Return	High after Recommendation	Return from High	CMP (as on 28/07/2014)	Status
Jul-14	Mahindra Lifespace	Real Estate	560	710	26.8%	578.8	3.4%	566.4	Open
	V-Guard Ind.	Industrial Products	593	746	25.8%	786.9	32.7%	727.7	Target Achieved
	Astra Microwaves	Defence	142	186	31.0%	156.8	10.4%	126.9	Open
	Himatsingka Seide	Textile	74	95	28.4%	87.7	18.5%	80.1	Open
	Mangalam Cement	Cement	221	285	29.0%	232.7	5.3%	215.0	Open
Jun-14	Coal India	Coal	392	500	27.6%	423.7	8.1%	364.4	Open
	Container Corporation	Logistics	1180	1500	27.1%	1410.0	19.5%	1264.8	Open
	Balmer Lawrie	Logistics	473	700	48.0%	605.0	27.9%	549.1	Open
	Can Fin Homes	Housing Finance	357	500	40.1%	488.8	36.9%	396.8	Open
	Lanco Industries	Iron & Steel Products	46	70	52.2%	49.8	8.2%	41.7	Open

Recommended Stocks

Time Period	Scrip	Sector	Recommended Price	Target Price	Target Return	High after Recommendation	Return from High	CMP (as on 28/07/2014)	Status
May-14	Bank of Baroda	Banking	822	1008	22.6%	1010.0	22.9%	866.6	Target Achieved
	AIA Engineering	Industrial Products	606	726	19.8%	859.9	41.9%	760.1	Target Achieved
	MOIL Ltd.	Metals & Mining	255	341	33.7%	341.7	34.0%	296.5	Target Achieved
	Wim Plast	Plastic Products	620	800	29.0%	963.0	55.3%	938.5	Target Achieved
Apr-14	Engineers India	Engg. & Const.	224	270	20.5%	329.4	47.1%	281.7	Target Achieved
	Gujarat Gas	Gas	263	305	16.0%	580.0	120.5%	447.9	Target Achieved
	City Union Bank	Banking	52.8	69	30.7%	82.6	56.3%	75.3	Target Achieved
	Relaxo Footwears	Footwear	297	390	31.3%	419.0	41.1%	384.7	Target Achieved
Mar-14	Motherson Sumi	Auto Ancillary	232	285	22.8%	382.9	65.0%	357.1	Target Achieved
	PI Industries	Agrichem	252	315	25.0%	429.0	70.2%	404.8	Target Achieved
	VA Tech Wabag	Water Treatment	645	765	18.6%	1550.0	140.3%	1479.0	Target Achieved
Feb-14	Bharti InfraTel	Telecom - Infra	171	213	24.6%	274.9	60.8%	257.3	Target Achieved
	UPL	Fertilizer	187	251	34.2%	359.3	92.1%	301.9	Target Achieved
	Finolex Ind.	Pipes	155	185	19.4%	302.0	94.8%	279.8	Target Achieved
Jan-14	NIIT Tech	IT	355	500	40.8%	487.0	37.2%	363.0	Open
	Zensar Tech	IT	349	500	43.3%	473.8	35.8%	434.8	Open
	Bajaj Finserv	Banking	726	850	17.1%	988.0	36.1%	935.0	Target Achieved
	FDC Ltd.	Pharma	130	170	30.8%	152.5	17.3%	142.8	Open
Dec-13	MRF Ltd.	Tyre	17350	19430	12.0%	25925.1	49.4%	23594.5	Target Achieved
	Info Edge (India)	Web Services	446	550	23.3%	794.9	78.2%	700.5	Target Achieved
	Indian Bank	Banking	101	120	18.8%	199.2	97.2%	149.8	Target Achieved
	Symphony	Consumer Durable	405	500	23.5%	1199.0	196.0%	1072.6	Target Achieved
Nov-13	Pidilite Ind.	Paints & Chemical	266	350	31.6%	371.8	39.8%	364.2	Target Achieved
	Aurobindo Pharma	Pharma	216	297	37.5%	787.3	264.5%	677.9	Target Achieved
	Kaveri Seeds	Agri Products	304.6	580	90.4%	875.0	187.3%	657.5	Target Achieved
	Speciality Restaurant	Restaurants	124	198	59.7%	165.0	33.1%	146.5	Open
Oct-13	Britannia	FMCG	759	845	11.3%	1100.0	44.9%	1071.2	Target Achieved
	Glenmark Pharma	Pharma	520	610	17.3%	665.8	28.0%	660.6	Target Achieved
	Ultratech Cement	Cement	1808	2045	13.1%	2872.0	58.8%	2410.4	Target Achieved
Sep-13	L&T	Engg. & Const.	705	810	14.9%	1776.6	152.0%	1641.1	Target Achieved
	Tech M	IT	1375	1495	8.7%	2198.5	59.9%	2191.1	Target Achieved
	Indusind Bank	Banking & Finance	344	470	36.6%	587.0	70.6%	551.5	Target Achieved
	Escorts	Auto	81.5	108	32.5%	148.8	82.6%	121.7	Target Achieved
Aug-13	Hexaware Ltd.	IT	107	130	21.5%	180.0	68.2%	141.4	Target Achieved
	Godrej Consumer	FMCG	815	950	16.6%	986.2	21.0%	868.8	Target Achieved
	Torrent Pharma	Pharma	421	475	12.8%	739.0	75.5%	720.8	Target Achieved

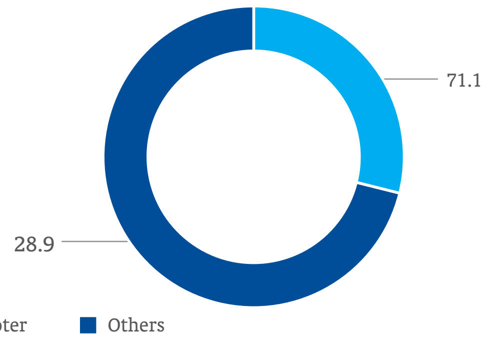
Stock Picks

Bodal Chemicals Ltd. CMP: 60/- Rating: Buy TGT: 94/-

Company Information

BSE Code	524370
NSE Code	BODALCHEM
Bloomberg Code	BODL IN
ISIN	INE338D01028
Market Cap (Rs. Cr)	654
Outstanding shares(Cr)	10.9
52-wk Hi/Lo (Rs.)	60.8 / 6.35
Face Value(Rs.)	2
Book Value	5.9

Share holding pattern as on June 14 (%)



Company Description

Bodal Chemicals Ltd. (BCL) commenced operations in 1989 as a partnership firm and subsequently converted into a private limited company in 1993. BCL is promoted by Mr. Suresh J Patel, who has a vast experience in the chemical industry. BCL is one of the leading manufacturers of dyes, dye intermediates and basic chemicals. Also, as a part of backward integration, it had set up manufacturing facilities for sulphuric acid and its derivatives (basic chemicals), which commenced commercial operations from August 2010. The company has eight manufacturing facilities in Gujarat. With a total manpower strength of more than 1500, BCL produces three major types of dyes mainly direct, acid and reactive dyes (more than 175 products) having applications in the textile, leather and paper industries. It manufactures key dye intermediate, namely, Vinyl Sulphone (VS), H-acid and Beta Napthol along with 25 other dye intermediates. In other chemicals, the company manufactures more than 10 products. As on March 31, 2013, BCL had an installed capacity of 145,000 MTPA, 12,800 MTPA, 4,800 MTPA, 6,000 MTPA and 17,000 MTPA for the manufacturing of basic chemicals, VS, H-acid, beta napthol and reactive dyes respectively. Sales of dyes, VS, H-Acid and other intermediates as well as basic chemicals contributed 34%, 20%, 8% and 38% respectively during FY13. Furthermore, BCL has a well diversified revenue profile and it exports to more than 35 different countries in South East Asia, Europe and the Mediterranean region. The export sales constituted 38% of the total operating income during FY13.

Investment Rationale

Rocketing Dye prices & Increasing Demand

Domestic rates of chemicals used for dye manufacturing have zoomed up on falling Chinese exports. Essential chemicals such as vinyl sulphone, hydraulic acid and naphthalene (which are key dye intermediates manufactured by BCL) have seen a sudden increase in prices, jacking up rates of reactive dyes by around 200%. Black B dye now sells at Rs. 550 per kg, up from Rs. 180 per kg six months ago. H-Acid, an amorphous dye intermediary, now costs Rs. 1,800 per kg vs. Rs. 300 per kg a year ago.

BCL's net sales surged by 84% in FY14 to Rs. 9495.4 mn on the back of higher realizations and increasing demand from the end user segments. The core operating profit rose significantly by 804.9% to Rs. 1888.6 mn (from Rs. 208.7 mn in FY13). Further, the company witnessed a turnaround at net level, reporting Adjusted PAT of Rs. 1042.5 mn (adjusted for one time depreciation charge of Rs. 736 mn for FY13 due to change in method of depreciation from SLM to WDV) compared to a loss of Rs. 211.2 mn in FY13. While the sales growth was decent & profits (absolute terms) were marginal in H1FY14, the company witnessed a substantial turnaround in H2FY14 with its sales growing by 100.7% Y-o-Y in Q3FY14 & by 141.7% Y-o-Y in Q4FY14. The OPM (adjusted) & PAT zoomed to 25.6% & 20.5%in Q3 & 26.3% & 13.6% in Q4 (lower due to higher tax provision), which was impressive.

Strict implementation of environmental safety & pollution control norms in India & China benefiting BCL

The Indian dye industry faces threat of cheaper imports from China. However, improved demand in the end user segment, strict implementation of environmental safety and pollution control norms (especially waste water treatment) by respective authorities in both India and China has benefitted the integrated and organized players like BCL. This has led to either exit or sub-optimum operations by many small units in India and forced shutdown of major dye intermediate units (mainly H-acid and VS producers) in China resulting in a demand-supply mismatch, and thereby leading to a significant increase in both sales volume and realizations of BCL in later part of FY14.

Debt to be pared down going forward

The company had taken huge debt to fund its capacity expansion plans. During period of slowdown, the interest cost remained high & sales & profit growth remained subdued. Infact the company incurred loss in FY12 & FY13 due to higher interest & depreciation cost and forex fluctuations. However, with the recovery in demand and higher realizations, the debt-funded CAPEX is now benefiting the company, as evident from FY14 results. Going forward, with improved profitability & decent cash flow generation expectation would lead the debt-equity ratio to reduce.

Valuation

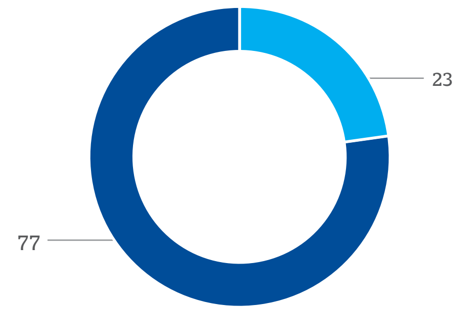
At the current market price of Rs. 60, the stock is trading at a P/E ratio of 6.5x FY15E. Stability in earnings stream and high margins (higher than FY13, but lower than FY14) could result in rerating of the stock. With experience & expertise, well diversified portfolio & reputed & sizable customer base globally, we feel BCL deserves to trade at better valuations especially in the present times when small cap stocks with potential are being rerated. We recommend 'BUY' in this particular scrip with a target price of Rs.94 (~1.0x FY16E Mkt. Cap / Net Sales) for Medium to Long term investment.

Som Distilleries Ltd. CMP: 211/- Rating: Buy TGT: 269/-

Company Information

BSE Code	507514
NSE Code	SDBL
Bloomberg Code	SDB IN
ISIN	INE480C01012
Market Cap (Rs. Cr)	590.77
Outstanding shares(Cr)	2.75
52-wk Hi/Lo (Rs.)	320/198
Face Value(Rs.)	10.0
Book Value (Rs)	39.26

Shareholding pattern as of June 2014 (%)



Company Description

Som Distilleries & Breweries limited (SDBL) was incorporated in 1993, is engaged in brewing, fermentation, bottling, canning and blending of beer and Indian made foreign liquor (IMFL). The company is based on Bhopal and is a leading spirits manufacturer in India with major operations in Madhya Pradesh and North India. Over the years, SDBL has established strong sales and distribution network spreading over 13 states in India with over 300 distributors. Besides, it exports its products to Africa, Latin America, Asia and Middle East regions which are witnessing strong growth. The company owns brands such as Hunter Extra Strong Premium Beer, Legend Premium Beer and Legend Premium Lager Beer. The Company is primarily focused on achieving operational excellence through technological advancement coupled with strong manpower of over 600 employees. Currently, it has an installed capacity of 59,200 KL of beer and 5,400 KL of IMFL.

Investment Rationale

Diversified Brand portfolio

To gain market share in Indian alcohol & beverage sector, SDBL has diversified its product portfolio which consists of Beer, Rum, Brandy, Vodka and Whisky. The major brands include Hunter Beer, Woodpecker Beer and Black Fort and other popular brands such as Legend, Genius, Sunny and Power Cool. The company's Hunter and Woodpecker brands have strong demand as these are supplied as draught beer to all the major hotels in Madhya Pradesh and Chhattisgarh. In IMFL segment it has entered into premium segment by launching its premium whisky Milestone 100 in last fiscal year. Diversified brand portfolio has helped the company to meet the growing demand from Indian liquor industry.

Strengthening the brand profile

SDBL is in continuous process to develop a strong brand portfolio through strategic planning and research. Company is undertaking various initiatives including continuous innovation and premiumization to tap every price point, underpinning position through brand extension, innovative packaging and reaching consumers through new channels. Strong brand and innovation would lead the company to enhance the size of the business.

Expansion through organic and inorganic route

To capture the potential market and to increase its business, SDBL is considering both organic and inorganic growth models. It is in the process of increasing its manufacturing capacity of Beer from 59,200 KL to 99,500 KL and IMFL bottling capacity from 5,400 KL to 16,200 KL. Company has planned to expand its operation through two strategic acquisitions which is expected to improve its footprint in the domestic liquor market. The two strategic acquisitions would be Legend Distilleries, a contract manufacturing for a consideration of Rs 50 crore and other one is still in process which would cost about Rs 400 crore to SDBL. These acquisitions would provide the company a reasonable foothold in southern and western market. Besides, company has envisaged to become one of the India's top 3 brewery companies in the next 5 years and for that it has identified various regions (Andaman & Nicobar, Chandigarh, Haryana, Jharkhand, Orissa, Tamil Nadu and Uttarakhand) to spread its foothold.

Valuation

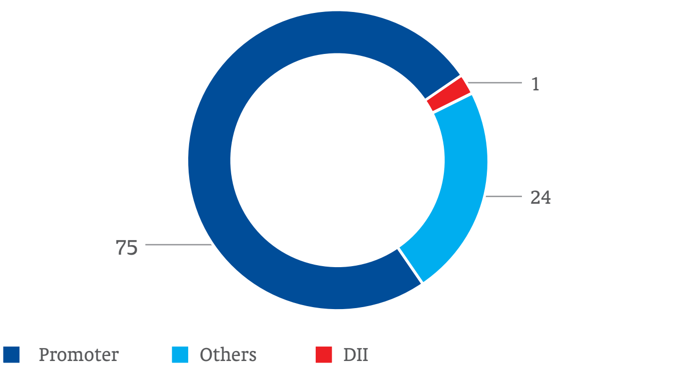
Low per capita consumption of alcohol in India at 0.8 liters per annum (lpa) compared with global average of 4.6 lpa provides immense opportunity for Indian liquor player to scale its business higher. Further increasing per capita income and life style aspirations also brighten the future prospect of domestic alcohol industry. Strong brand presence across all alcohol segment and expansion through organic and inorganic way are the key triggers for the stock going ahead. Moreover, the company has posted strong earnings growth over the years which led SDBL to maintain healthy balance sheet during these periods. Hence we recommend the stock to Buy with target price of Rs 269 from 12 months perspective. At the current price the stock is trading at P/E multiple of 24x of FY16 estimated earning.

Sharda Motor Industries Ltd. CMP: 391/- Rating: Buy TGT: 536/-

Company Information

BSE Code	535602
NSE Code	NA
Bloomberg Code	SHMO IN
ISIN	INE597I01010
Market Cap (Rs. Cr)	232
Outstanding shares(Cr)	0.59
52-wk Hi/Lo (Rs.)	419/221
Face Value(Rs.)	10.0
Book Value (Rs)	298.81

Shareholding pattern as of March 2014 (%)



Company Description

Sharda Motors Industries Ltd (SMIL) is engaged in the business of manufacturing of automotive equipments and white goods. It manufactures Exhaust Systems, Catalytic converters, Suspension systems, Sheet metal components and plastic parts for the automotive and White Goods industries. The company is in the process of expanding its manufacturing capabilities and technology to become the Leader in Automotive Exhaust Systems, Canopies, seat Covers and Suspensions System. The company is the sole Distributor and Service provider of High end Car Audio/Video, Home Theatre products of Nakamichi, Marantz, and Boston etc. It has 14 manufacturing units across the country and it manufactures exhaust system from 620 cc passenger car to 8700 cc and 27 tons trucks.

Investment Rationale

Joint Venture with Toyota Boshoku Asia to boost long term growth

During last financial year (on October 2013), SMIL has entered into 50:50 Joint venture with Toyota Boshoku Asia Co. Limited as an intention to approach Automobile original equipment manufacturers (OEMS) and procure the business of manufacturing from them and thereafter supplying manufacturing products in India. Initially the Joint venture would provide satellite support services to OEMs. Toyota Boshoku Asia Co. Limited is a Thailand based company, primarily engaged in the manufacturing of interior parts and other parts for motor vehicles and has a vast experience in automotive ancillary industry. The initiation of Joint venture has brightened the long term growth story for SMIL as it would help the company to serve the OEMs by innovative designing and products, thereby increasing its market share in Indian auto ancillary industry.

Deal with esteemed clients

In domestic automobile industry, SMIL has strong esteemed client base which has supported its revenue growth over the years. In domestic market, the company deals with HYUNDAI Motors, Mahindra & Mahindra, Mahindra Navistar, Bharat Seats, Carrier, Tata Johnson Controls and Panasonic. Besides, in the export market SMIL also deals with Cummins ltd. Moreover, company is in process to increase its partnership with other renowned domestic OEMs which will boost its revenue growth going ahead.

Technical collaboration with renowned companies

To cope up with the technological change happening in the world, it is inevitable for the technological companies to collaborate with other companies to have a direct access to the latest technology. Thus to acquire the latest know-how to establish the quality requirements of all customers in Automobile and White Goods industry, SMIL has entered in to a technical collaboration with the world's renowned companies. In India it has developed SCORPIO's Exhaust System jointly with Mahindra & Mahindra Ltd and also designed and developed INDIGO's Exhaust system for Tata Motors limited. SMIL has also entered into a technical collaboration with Bosal NV. Belgium, Ricardo Plc, UK and Sejong Industrial Company Limited, Korea. Such technical collaborations would definitely provide a competitive edge to SMIL over its peers.

New Government extends excise duty sops to propel auto sector growth

To revive auto sector growth, UPA government in interim budget during February announced excise duty cut till June 30 but given the poor state of the industry, new NDA government has extended the excise duty sops for the next six months. Indian auto industry has been reeling under pressure over the past few years owing to sluggish economic growth, high inflation and elevated interest rates which had impacted the financial growth of the total auto industry. This would provide a much needed boost for the industry as it is approaching to festive season. To boost manufacturing activities, in budget 2014-15 new government has announced a 15% additional allowance for investment above Rs 25 crore in plant in manufacturing sector for 3 years. Hence such proactive measures from new government would definitely support the auto & auto ancillary industry to revive and post strong growth going forward.

Valuation

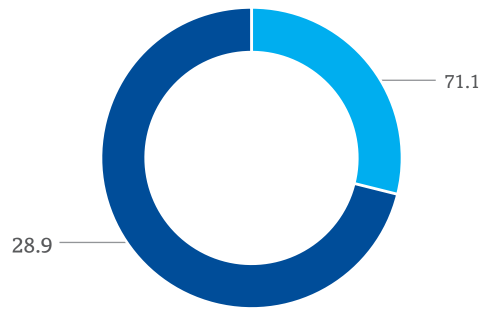
Joint venture with Toyota Boshoku Asia Co, technical collaboration and most expected revival in economic growth would be the key catalysts for the stock going ahead. As the demand for auto industry solely depend on macro economic factors, any revival in domestic economy would boost demand. Early signs of revival have been noticed in the economy as the inflation in June has eased and Industrial activities have shown some strength. The extension of excise duty sops would be a game changer for auto industry as the festive season is approaching. Hence we recommend to Buy the stock with target price of Rs 536 from 18 months investment perspective. At the CMP the stock is trading at P/E multiple of 7.2x of FY16 estimated earnings.

Axis-IT&T Ltd. CMP: 106/- Rating: Buy TGT: 138/-

Company Information

BSE Code	532395
NSE Code	AXIS-IT&T
Bloomberg Code	AXIT IN
ISIN	INE555B01013
Market Cap (Rs. Cr)	214
Outstanding shares(Cr)	2.7
52-wk Hi/Lo (Rs.)	119.45 / 28.05
Face Value(Rs.)	5
Book Value	46.2

Share holding pattern as on June 2014 (%)



Company Description

Axis IT&T Limited is a pure play Integrated Engineering Service company with strong domain, process and delivery capabilities in providing Mechanical, Electrical, Electronics and Manufacturing Engineering services. The company's clients include several Fortune 500 companies in the Aerospace, Defence, Automotive, Industrial product and Heavy Engineering domain. With over 2 decades of engineering experience, Axis IT&T provides comprehensive services that include product design, design support and design validation. Head quartered in Noida, Axis IT&T has 9 engineering design and development centers across North America, Europe and APAC regions. Engineering team across regions collaborate with customers to provide cutting edge solutions with highest quality standards and drastically reduce the development lead-time & costs.

Investment Rationale

Opening of defense and rail sector will boost up engineering division

In Engineering Services, the company continued to focus on the Mechanical Engineering domain and saw excellent growth in Revenues & profitability. They provide CAD, CAA and Manufacturing Engineering services to their clients which majorly consist of companies from the defense and aerospace. With FDI increased to 49% from current 26%, will give a boost to the orders in this division.

Removal of Public Sector Monopoly in Aircraft Production will woo players like Axis IT&T

Defence Minister Arun Jaitley on 19th July, 2014 ended the monopoly of the public sector players over aircraft production. In a bold move which was incidentally first proposed by the United Progressive Alliance government, the finance minister cleared the manufacturing of 56 transport aircraft in India and debarred public sector giant Hindustan Aeronautics Limited or HAL from participating in the process. The 56 aircraft will replace the vintage AVRO aircraft that still play a critical role in transporting man and material over short distances and combat support. The British-built AVROs were first manufactured before World War II. With Aerospace being the strongest vertical of Axis IT&T this will come as a great boost and we expect a great influx of orders as Axis IT&T has a strong presence in defense aerospace.

Merger with Jupiter Strategic Technology and RF & Microware Corporation paying off good yields

Axis IT&T became a part of Jupiter Strategic Technology, in 2007 which acquired RF & Microware Corporation in 2009, post merger it has grown even stronger, extending its services beyond mechanical and manufacturing engineering to include electrical and electronics, aviation, media, and entertainment. It has a strong work force of more than 450 engineers located over the globe, serving diverse industries, with specialized teams that work on-site or offshore to cater to the specific requirements of clients.

Services

- **Mechanical**
  - Product Design
  - Design Support
  - Design Validation
  - Reverse Engineering
  - Engineering Customization & PLM
- **Manufacturing**
  - Virtual Manufacturing
  - Supply Chain Management
  - Quality Documentation
- **Electrical & Electronics**
  - Hardware Engineering
  - Digital Signal Processing
  - Software Engineering
  - Modeling & Simulation
  - Verification & Validation
- **Software Engineering**
  - IVR Development
  - Java Development
  - Testing & Quality Assurance

Valuation

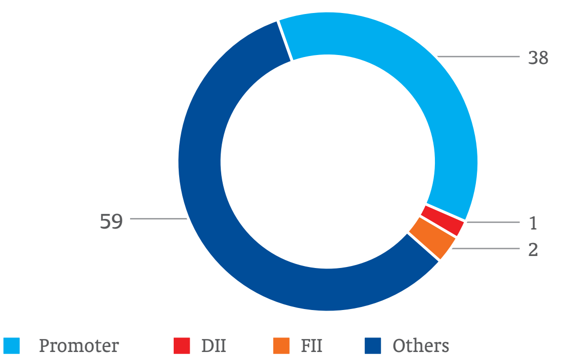
At the current market price of Rs. 106, the stock is trading at a P/E ratio of 11.1x FY15E. Net Sales and PAT of the company are expected to grow at a robust CAGR over 2014 to 2016. We recommend 'BUY' in this particular scrip with a target price of Rs.138 (~1.2x FY16E Mkt. Cap / Net Sales) for Medium to Long term investment.

Visaka Industries Ltd. CMP: 119/- Rating: Buy TGT: 173/-

Company Information

BSE Code	509055
NSE Code	VISAKAIND
Bloomberg Code	VSKI IN
ISIN	INE392A01013
Market Cap (Rs. Cr)	185
Outstanding shares(Cr)	1.58
52-wk Hi/Lo (Rs.)	133.5/66.20
Face Value(Rs.)	10.0
Book Value	209.91

Shareholding pattern as of June 2014 (%)



Company Description

Visaka industries limited incorporated in 1985, is a well diversified company with strong presence in Fibre cement sheets, yarn, and building products. It has an installed capacity of 752,000 MT of fibre sheet with a strong network of more than 6000 Stockists /Dealers throughout India. Visaka Industries is now the second largest cement sheet manufacturer in India with 7 factories spread across the country. The company also exports its products to Italy, the United Kingdom, United States, Germany, Australia, Egypt and Turkey.

Investment Rationale

Expansion to boost growth

Visaka Industries is one of the leading manufacturers of asbestos cement sheets (ACS) contributing about 77% of total revenue. It has expanded its ACS manufacturing plant in Orissa from 0.1 million TPA to 0.85 million TPA. The expansion and the rapid network extension (6000 dealers), would help the revenue growth of ACS segment, once the demand scenario improves. The company has also raised its Fibre Cement Flat Boards Pune plant by 72,000 tpa and now it contributes about 5.5% of sales, which can boost revenue growth of the company.

Budget provides much awaited reform push in construction sector

To provide a fillip to the ailing construction sector, the new government announced much awaited reforms in the sector. Announcement of incentives for Real Estate Investment Trusts (REITs) is really a big boost for the sector to kick start the investment cycle. Additional allocation for National Housing Bank of Rs 4000 crore for low cost housing and extended additional tax incentive on home loans would provide traction to the sector and growth revival is eminent for the sector to survive. Further, RBI has recently bought housing loans up to Rs 50 lakh under priority sector lending, which means cheaper rates for home loans. It is estimated that an investment of Rs 5,000 crore would flow to affordable housing segment in current fiscal as most of the real estate developers are planning to launch their housing projects in FY15. Visaka industries having strong presence in construction of low cost housing sector and will be benefited from the buoyant demand.

Strong Marketing Network

To ensure healthy growth, company has established strong marketing network over the years. It has strong network of 6000 dealers throughout India. Besides, it has depots in 36 major cities and towns to ensure smooth supply of its products. Favorable industry developments, diversified portfolio and rich expertise in tapping the potential opportunities are going to mark a remarkable business for Visaka Industries in the coming years.

Low cost manufacturing facilities

Visaka Industries has strong engineering competence which is reflected in its ability to design and fabricate cement asbestos manufacturing equipment, thus reducing the overall cost compared with the industry benchmark by about 20%. Further, its manufacturing plants consume the lowest electricity per tonne in the sector. Hence low cost manufacturing facilities is an additional advantage for the company to underpin its financials growth.

Valuation

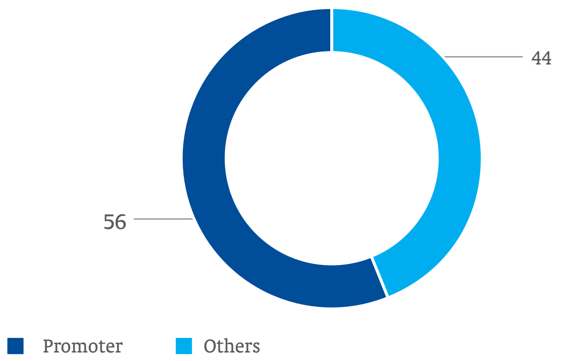
Visaka Industries is the second largest manufacturer of cement sheet in India with strong marketing network across the country. To ensure smooth supply of its products, it has established its depots in 36 major cities and towns and is in the process to increase its network further. Expansion of its ACS manufacturing plant would further scale its volume higher which in turn boosts revenue growth. The new NDA government's manifesto has highlighted its commitment of providing housing to all by 2022 and to fullfill its commitment, the new government has announced big bang reforms in construction sector by extending additional tax incentives on home loans, allocating Rs 8000 crore for National Housing Bank for the year 2014-15 to expand and support Rural Housing in the country and proposing FDI in the sector. Moreover the valuation is very compelling as it is trading at less than its book value and hence we are positive on the stock and recommend a Buy with target price of Rs 173 from 12 months perspective. At the CMP, the stock is trading at P/E multiple of 3.6x of FY16 estimated earnings.

Deccan Cements Ltd. CMP: 270/- Rating: Buy TGT: 408/-

Company Information

BSE Code	502137
NSE Code	DECCANCE
Bloomberg Code	DECM IN
ISIN	INE583C01013
Market Cap (Rs. Cr)	189
Outstanding shares(Cr)	0.70
52-wk Hi/Lo (Rs.)	303.9/142
Face Value(Rs.)	10.0
Book Value	327.94

Shareholding pattern as of June 2014 (%)



Company Description

Deccan Cement limited (DCL) incorporated in 1979 is engaged in manufacturing and marketing of cement and generation of power. However, about 99% of revenue comes from cement division and power is mainly used for captive purpose. The company has total cement installed capacity of 2.3 million TPA which is located at Andhra Pradesh. Besides, DCL has 3 power divisions namely wind, thermal and hydel power located at Andhra Pradesh, except Wind power plant which is situated at Tamil Nadu.

Investment Rationale

Creation of Telengana state would boost demand multifold

Andhra Pradesh has witnessed a lot of political unrest in the past few years since 2009 over the creation of Telangana state, which resulted in stalling of government sponsored infrastructure projects. Real estate prices also remained subdued during the period as the Telengana issue led investors to switch their investment to other cities such as Bangalore and Chennai. Hence, with the problem getting sorted and creation of new state Telengana would provide a fillip to infrastructure and real estate development in Andhra Pradesh state, resulting in buoyant cement demand. Creation of new states historically has led to pick up in construction activities in both for the parent and the new states. Thus, going ahead, a healthy pick up is expected of cement demand in these regions and DCL as a cement manufacturer in that region is destined to witness a robust volume growth.

Integrated manufacturing facility

DCL's manufacturing facility is well integrated with captive limestone mines, captive power plant and strong coal linkages with Singareni Collieries Company Limited for regular supply of coal. The company has abundant high quality of lime stone reserve, located near to its manufacturing plant thus ensuring sustained and uninterrupted supply of high grade limestone. The cement manufacturing plant is backed by captive power plant based on thermal (15 MW), Hydro electricity (3.75 MW) and Wind power (2.025 MW). The company fulfilled about 47% of its power requirement through its captive power plant, thus substantially reducing its operating costs. However, low capacity utilization took a toll on its operating margin in past few years amid sluggish infrastructure growth. With the improving domestic macro economic outlook, it is expected that DCL would be able to garner the benefits of its integration.

Strong distribution network

The most important aspect for a company to gain market share is to increase its reach and for that one needs strong distribution network, which DCL has established over the years. It has strong network of more than 1000 cement dealers and consignment agents spread across the state of Andhra Pradesh and also in other southern states such as Tamil Nadu, Karnataka and Kerala. It has increased its foothold in non south based states such as Maharashtra, Madhya Pradesh, Chhattisgarh and Odisha. Its marketing strength is derived mainly from its wide retail network having a strong presence in the rural market. Going forward, it is expected that company would focus on increasing its distribution network in non south based regions in an intention to boost its revenue growth.

Deleveraging the balance sheet

During vulnerable economic environment it is important to de leverage the balance sheet in order to insulate the earnings and DCL has followed the requisite path. Over the years, it has reduced its balance sheet leverage from 1.93x in FY10 to 0.89x during FY14, thus substantially reducing interest cost for the company. Lower interest cost led the company to report profit at net level during sluggish economic growth. The way DCL operates in volatile economic environment is commendable and in the backdrop of improving economic sentiment, DCL will witness strong financial growth which will further lead to a healthy balance sheet.

Valuation

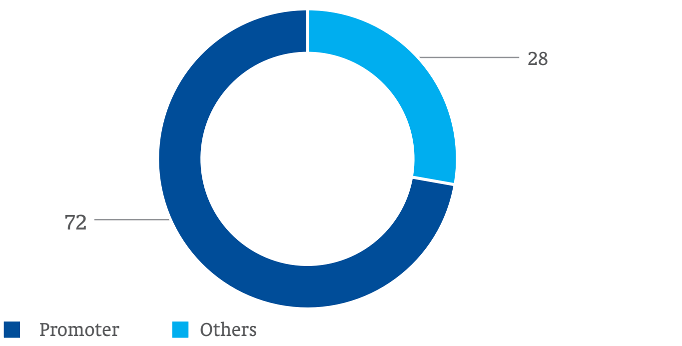
The creation of Telangana state would drive the infrastructure thrust in Andhra Pradesh region thus boosting construction activities which in turn will increase the demand for cement. This would be a key catalyst for south based cement companies and DCL is well placed to capitalize on the opportunity. The robust demand would support higher cement prices, thus improving the realization for cement companies based in southern regions. Moreover, the plant is integrated with captive limestone mines and power plant, thereby having control over raw material costs. The valuation at current level is quite compelling and trading at an attractive valuation of USD 27/tonne, at a huge discount to its replacement cost. Hence, we recommend to Buy the stock with target price of Rs 408 from 18 months investment perspective. At the current market price, the stock is trading EV/EBITDA of 4.4x of FY16 estimated EBITDA. Capacity utilization and uptick in cement prices in south would be the key trigger for growth and margin for the company.

Gulshan Polyols Ltd. CMP: 177/- Rating: Buy TGT: 274/-

Company Information

BSE Code	532457
NSE Code	NA
Bloomberg Code	GULP IN
ISIN	INE255D01016
Market Cap (Rs. Cr)	150
Outstanding shares(Cr)	0.84
52-wk Hi/Lo (Rs.)	223.0/52.15
Face Value(Rs.)	5.0
Book Value (Rs)	202.67

Shareholding pattern as of June 2014 (%)



Company Description

Gulshan Polyols Limited (GPL) is one the India's leading manufacturers of Calcium Carbonate and specialty chemical Sorbitol 70%. The company was incorporated in 1981 as Gulshan Sugars & Chemicals Limited with primary business of manufacturing Calcium Carbonate, both Precipitated and Activated grades, with an initial capacity of 2100 MTPA. Since then it has expanded its capacity multifold to 100,5000 MTPA, spread across four locations. Further, the company has set up its Starch Derivatives unit (specialty chemicals like Sorbitol 70% and Liquid Glucose) at 15,000 MTPA, which has increased to 60,000 MTPA. The products of GPL has wide range of applications in dentifrice, cosmetic, Pharma, Vitamin-C, food products etc. Recently GPL has introduced Indus Spirit at a capacity of 60,000 Ltrs/day of Extra Neutral Alcohol plant with captive bottling facility at Industrial area in Madhya Pradesh. The company is also the largest exporter of Sorbitol from India with presence in 16 countries covering three continents of Asia, Africa & Australia.

Investment Rationale

Integrated facilities

GPL operates through its six manufacturing facilities spread across five states in India and a strong sales distribution network across the globe. Its manufacturing facilities are spread over 150 acres of total land area and has 10 MW co-generation power plants at its various locations with employee strength of 1500 employees. The company has maintained quality of work through its in house microbiology laboratory, including HPLC (High-performance liquid chromatography) equipment. GPL is the largest producer of sorbitol with manufacturing plant at Gujarat which is equipped with International Quality Equipment and Technology. Moreover the plant is capable of producing Crystalline and Non crystalline grade of Sorbitol which is a unique feature as compared to other domestic plants. Initially, the company was engaged in sugar business, which later diversified into Industrial Chemicals and set up its first Indigenous plant to produce calcium carbonate (CaCO3) both precipitated and activated in the State of Uttar Pradesh where the high quality Limestone is available in plenty in nearby area. Thus the integrated facilities would support company's long term growth.

Expanding product portfolio & venturing into potential business

To diversify its business, company is expanding its product portfolio & foraying into other potential business, which is expected to pay off in long run. GPL is widening its product line of value added starch based products like MANNITOL which is a specialty polyol, currently being imported into the country, having a growth potential of 15-20% p.a. and Dextrose Monohydrate which is a specialty sugar having a huge domestic as well as export potential. Mannitol is usually imported to India for various use and its growth rate is quite healthy. Thus the demand supply gap offers immense opportunity to GPL, a prominent player in India to capitalize the opportunity. The company has forayed into liquor business by setting its captive bottling units at Madhya Pradesh. It has started the commercial production of Indian Made Foreign Liquor (IMFL) at its bottling unit situated at Boregaon, Madhya Pradesh and the product has received overwhelming response from the market under the brand name of 'Tiger Gold'. India's liquor industry has been growing at a healthy space which would bore well for company's liquor business.

Recent developments

- In competition with various MNC vendors, company has won a prestigious contract from ITC to set up an onsite PCC (percipated calcium carbonate) plant for their specialty paper division at Tribeni, West Bengal. Company has announced that it has successfully commissioned the said cigarette paper making plant. This plant is considered to be third onsite PCC plant set up by the company in India for supply of specialty PCC suitable for paper industry.
- GPL has also received the environmental clearance from Ministry of Environment and Forest (MOEF), New Delhi, to set up a grain based distillery at Boregaon. Further clearance from Madhya Pradesh Pollution Control Board is expected soon as per the company.
- GPL's grain based plant for manufacturing Dextrose Monohydrate (DMH), Maltodextrin Powder (MDP) and Liquid Glucose has also started the commercial production at Muzaffarnagar, Uttar Pradesh.
- GPL has successfully commissioned the plant & equipment for updating the technology of Sorbitol manufacturing and making more environment friendly together with enhancement of capacity at Bharuch, Gujarat.

Valuation

GPL is one of the leading manufacturer of Calcium Carbonate and specialty chemical Sorbitol with strong client base. Company offers its products to different sectors such as FMCG, Food products, Paper, Pharma, Footwear, Plastics, Paper, etc. Besides domestic market, GPL has also strengthened its overseas reach by delivering products to 16 countries. These coupled with integrated facilities and expanding product portfolio & venturing into potential business would augment GPL's earnings growth. Over the years, the financials has shown strong resilience and reported healthy growth. Over the period of 5 years, topline has grown at a CAGR of 12%, while net profit grew at a CAGR of 20%. Strong earnings growth restrained the company of not raising additional debt fund for capex. Hence we believe that there is huge long term potential in the scrip and we recommend to Buy it with target price of Rs 274 from 18 months perspective. The stock is currently trading at P/E multiple of 3.8x of FY16 estimated earnings.

Valuation at a glance

Sl	CNX100 Company	CMP (Rs.)	Mkt Cap (Rs. Cr.)	Est. P/E FY15	Est. P/E FY16	Est. P/B FY15	Est. ROE FY15	Est. ROE FY16	DPS FY14	Dividend P/O FY14	Dvd Yield FY14
1	Aditya Birla Nuvo	1397.3	18176.3	12.6	10.4	1.6	11.1	12.6	6.5	7.4	0.5
2	ACC	1440.0	27035.3	24.8	19.7	3.5	14.4	16.0	30.0	51.5	2.1
3	Ambuja Cements	211.9	32801.7	22.6	19.4	N/A	N/A	13.7	3.6	43.5	N/A
4	Adani Enterprises	426.9	46950.9	16.3	11.9	2.0	9.8	14.2	1.4	6.9	0.3
5	Adani Ports	268.1	55487.7	25.1	19.7	6.3	23.0	23.0	1.0	12.3	0.4
6	Apollo Hospitals	1029.7	14325.7	37.1	30.2	4.8	11.1	13.9	5.5	25.1	0.5
7	Asian Paints	637.4	61139.3	40.7	33.7	15.1	32.8	34.1	5.3	41.7	0.8
8	Axis Bank	1985.8	93638.6	13.0	10.7	2.4	17.6	19.6	20.0	17.5	1.0
9	Bharti Airtel	354.8	141827.8	26.9	21.3	2.4	5.0	9.5	1.0	16.7	N/A
10	BHEL	227.1	55572.8	19.1	17.6	1.7	11.0	8.6	5.4	19.8	2.4
11	Bharat Forge	693.3	16138.5	28.6	21.9	6.0	20.2	21.3	3.4	29.9	0.5
12	Bajaj Auto	2100.8	60788.8	16.5	14.3	6.0	37.1	33.0	50.0	50.1	2.4
13	Bajaj Finserv	935.4	14884.3	9.2	8.1	1.6	18.0	17.4	1.8	1.8	0.2
14	Bajaj Holidings	1309.7	14575.6	N/A	N/A	1.2	17.8	N/A	30.0	16.8	2.3
15	Bank of Baroda	862.2	37022.0	N/A	N/A	1.0	14.1	N/A	21.5	21.7	2.5
16	Bank of India	285.7	18349.4	N/A	N/A	0.6	10.8	N/A	5.0	12.6	1.8
17	Bosch Ltd	13257.6	41627.4	N/A	N/A	6.6	14.9	N/A	55.0	19.5	0.4
18	BPCL	591.6	42774.0	14.6	12.9	2.2	21.6	14.9	11.0	42.3	1.9
19	Cairn India	308.7	58888.5	5.5	5.7	1.0	23.6	14.6	12.5	19.2	4.0
20	Canara Bank	395.1	18224.3	N/A	N/A	0.6	9.5	N/A	11.0	19.3	2.8
21	Container Corp	1315.0	25639.1	23.7	20.7	3.7	14.5	15.0	12.5	25.2	1.0
22	Cipla Ltd	445.7	35782.2	23.2	19.2	3.6	14.6	15.2	0.0	0.0	0.0
23	Colgate-Palmolive	1637.2	22264.1	N/A	N/A	67.4	159.2	N/A	20.0	62.7	1.2
24	Coal India Ltd	377.0	238126.9	14.0	12.5	5.6	33.3	36.6	14.0	50.9	3.7
25	Crompton Greaves	193.2	12105.6	24.6	17.4	3.3	6.8	16.3	1.2	30.8	0.6
26	Dabur India Ltd	199.6	35054.7	32.3	27.4	13.1	38.5	34.2	1.8	33.4	0.9
27	Divi's Lab	1498.1	19884.9	21.9	18.1	6.7	28.3	27.4	0.0	0.0	0.0
28	DLF Ltd	204.8	36478.7	37.8	25.6	1.2	2.4	4.9	2.0	50.0	1.0
29	Dr Reddy's Lab	2744.0	46720.2	20.3	17.6	5.1	26.3	21.7	18.0	14.2	0.7
30	Exide Industries	160.0	13595.8	23.7	19.4	3.9	16.7	17.2	1.8	28.1	1.1
31	Federal Bank	118.4	10118.8	N/A	N/A	1.5	12.9	14.1	2.0	20.1	1.7
32	GAIL	427.8	54265.5	11.6	10.9	1.7	15.6	13.1	N/A	N/A	N/A
33	Godrej Consumer	858.7	29230.7	31.4	25.8	7.7	21.4	23.2	5.3	23.5	0.6
34	GlaxoSmith Pharma	2482.3	21025.8	41.7	34.5	10.6	24.1	29.4	50.0	87.9	2.0
35	Glenmark Pharma	636.3	17258.4	20.2	16.5	5.8	18.9	23.3	2.0	10.0	0.3
36	Grasim Inds	3293.6	30246.1	13.2	10.5	1.4	10.0	11.2	22.5	7.6	0.7
37	HCL Tech	1582.4	110775.0	18.1	16.0	6.0	36.5	31.8	12.0	20.7	N/A
38	HDFC	1067.8	167310.4	N/A	N/A	4.4	22.9	21.3	14.0	27.5	1.3
39	HDFC Bank	835.5	201262.2	20.1	17.1	4.5	21.6	19.9	6.9	18.8	0.8
40	Hero Motocorp	2574.7	51413.5	18.8	16.2	9.1	N/A	41.6	65.0	61.7	2.5
41	Hindalco	191.8	39600.4	14.2	11.6	1.0	5.7	7.7	1.4	8.9	0.7
42	HPCL	384.5	13018.5	8.9	7.4	0.9	7.8	10.9	8.5	57.4	2.2
43	Hindustan Unilever	663.8	143576.3	36.0	32.4	40.6	123.3	104.1	13.0	71.3	2.0
44	ICICI Bank	1475.7	170628.7	N/A	N/A	2.2	15.2	N/A	23.0	24.1	1.6
45	IDBI Bank	90.2	14467.5	N/A	N/A	0.6	5.1	N/A	1.0	13.9	1.1
46	Idea Cellular	149.5	52983.7	19.6	17.2	3.0	12.8	13.4	0.4	6.8	0.3
47	IDFC	155.0	23503.4	11.9	10.9	1.6	12.6	12.5	2.6	21.9	1.7
48	IndusInd Bank	550.0	29006.5	N/A	N/A	3.1	17.1	N/A	3.5	13.1	N/A
49	Infosys	3352.2	192495.5	16.0	14.3	4.0	25.3	22.9	63.0	39.9	N/A
50	ITC	357.3	284354.3	27.6	23.6	10.4	35.3	36.2	6.0	53.7	1.7

N/A: Not Available

Source: Bloomberg Consensus as on July 25, 2014

Valuation at a glance

Sl	CNX100 Company	CMP (Rs.)	Mkt Cap (Rs. Cr.)	Est. P/E FY15	Est. P/E FY16	Est. P/B FY15	Est. ROE FY15	Est. ROE FY16	DPS FY14	Dividend P/O FY14	Dvd Yield FY14
51	Jaiprakash Associates	59.2	14400.1	50.5	12.7	1.3	-7.2	7.4	0.5	24.0	0.8
52	Jindal Steel & Power	283.2	25909.6	10.4	8.2	1.1	8.7	11.8	1.5	7.2	0.5
53	JSW Steel	1179.0	28497.8	11.7	10.0	1.3	2.2	11.4	11.0	62.7	0.9
54	Cummins India	640.7	17760.2	24.6	19.7	12.0	34.0	21.9	4.7	38.5	0.7
55	Kotak Mahindra Bank	944.7	72801.0	24.2	19.8	3.8	14.4	15.6	0.8	2.6	0.1
56	LIC Housing Finance	296.0	14938.0	9.7	8.2	2.0	18.7	18.6	4.0	17.2	1.4
57	Lupin	1129.9	50682.0	23.6	20.3	7.3	30.3	25.8	6.0	14.6	0.5
58	Larsen & Tourbo	1658.0	153814.4	28.5	22.7	4.1	13.7	15.1	14.3	26.9	0.9
59	Mahindra & Mahindra	1210.6	74559.9	15.0	11.4	3.1	21.6	19.9	13.5	18.5	1.1
60	M & M Financial	238.7	13576.4	12.3	10.0	2.6	19.3	19.2	3.8	22.6	1.6
61	Mphasis	447.8	9409.9	11.9	10.9	1.8	N/A	15.3	N/A	N/A	N/A
62	Maruti Suzuki	2509.3	75800.9	22.2	17.1	3.5	14.1	17.1	8.0	9.8	0.3
63	NMDC	176.3	69878.1	9.8	9.2	2.3	43.6	21.8	8.5	52.9	4.8
64	NTPC	149.0	122816.2	12.4	11.4	1.4	13.6	11.4	4.5	37.7	3.0
65	Oracle Financial Servc	3213.3	27040.2	19.4	17.4	3.1	16.8	14.1	0.0	0.0	0.0
66	Oil India	582.5	35016.2	9.0	7.9	1.7	14.8	18.3	30.0	50.2	5.2
67	ONGC	401.1	343160.7	10.6	9.5	2.0	16.3	18.0	9.5	30.7	2.4
68	Petronet LNG	184.3	13822.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
69	PNB	923.7	33444.4	N/A	N/A	0.9	10.0	N/A	10.0	12.8	1.1
70	Power Finance	261.3	34486.1	5.1	5.2	1.3	21.1	19.7	7.0	20.8	2.7
71	Power Grid Corp	134.8	70521.8	13.2	11.0	2.0	14.9	15.6	2.8	30.6	2.0
72	Ranbaxy Lab	583.1	24724.2	24.0	28.2	7.5	N/A	19.5	N/A	N/A	N/A
73	Reliance Capital	589.2	14472.7	17.6	15.3	1.2	6.1	6.5	8.0	39.3	1.4
74	RCOM	132.2	31746.6	27.7	19.1	0.8	3.2	4.3	0.3	7.7	N/A
75	Rural Electrification	306.4	30250.8	N/A	N/A	1.5	24.7	N/A	8.3	21.3	2.7
76	Reliance Industries	1021.9	330433.2	12.6	11.2	1.5	11.8	12.0	9.5	12.4	0.9
77	Reliance Power	90.8	25456.5	24.0	18.7	1.3	5.4	6.5	0.0	0.0	0.0
78	Steel Authority of India	87.5	36117.5	14.1	11.8	0.9	5.7	6.9	2.0	31.7	2.3
79	State Bank of India	2500.6	186684.3	10.5	8.3	1.3	10.4	12.8	30.0	15.8	1.2
80	Shriram Transport Fin	885.4	20087.1	13.1	10.7	2.4	17.1	17.6	7.0	11.7	0.8
81	Siemens	901.5	32104.2	69.9	43.6	8.0	24.5	16.2	6.0	23.5	0.7
82	GlaxoSmithKline Cons	4824.6	20290.1	N/A	N/A	11.2	N/A	N/A	N/A	N/A	N/A
83	Sesa Sterlite	292.3	86657.4	12.1	10.5	1.2	13.9	10.5	3.3	15.3	1.1
84	Sun Pharma	782.2	162001.8	27.6	23.8	8.6	19.0	25.3	2.5	17.3	0.3
85	Tata Steel	557.6	54155.0	12.5	10.6	1.3	9.2	11.6	10.0	28.4	1.8
86	TCS	2605.8	510395.5	23.3	20.3	9.2	41.7	34.4	32.0	32.8	N/A
87	Tech Mahindra	2176.7	51112.9	15.8	13.7	5.5	41.5	26.3	20.0	15.4	0.9
88	Tata Global	153.5	9492.4	20.0	17.4	1.6	9.0	8.7	2.3	29.0	1.5
89	Tata Power	100.7	27222.1	15.6	13.6	1.7	-2.9	12.4	1.3	N/A	1.2
90	Titan Industries	332.2	29487.8	33.7	27.4	N/A	32.7	30.9	2.1	25.4	0.6
91	Tata Chemicals	340.8	8680.8	12.2	9.8	1.6	-17.2	13.8	10.0	N/A	2.9
92	Tata Motors	461.1	138487.4	8.7	7.4	2.3	27.1	23.2	2.0	4.6	0.4
93	United Breweries	708.5	18733.1	61.8	46.8	13.0	12.4	19.8	0.7	10.9	0.1
94	Union Bank of India	192.7	12146.0	N/A	N/A	0.7	9.3	N/A	4.0	15.0	2.1
95	United Spirits	2403.2	34925.2	134.8	57.8	6.6	-2.1	7.4	2.5	N/A	0.1
96	United Phosphorus	314.9	13496.7	11.6	10.0	2.6	19.2	19.6	2.5	0.0	0.8
97	Ultratech Cement	2475.5	67918.1	25.2	18.7	4.0	13.6	17.5	9.0	11.2	0.4
98	Wipro	551.1	135965.4	15.4	13.7	3.7	24.8	22.3	8.0	25.1	N/A
99	Yes Bank	539.1	22357.0	N/A	N/A	2.7	24.9	N/A	8.0	17.9	1.5
100	Zee Enternainment	289.1	27766.6	29.5	23.6	10.2	26.6	23.6	2.0	21.8	0.7

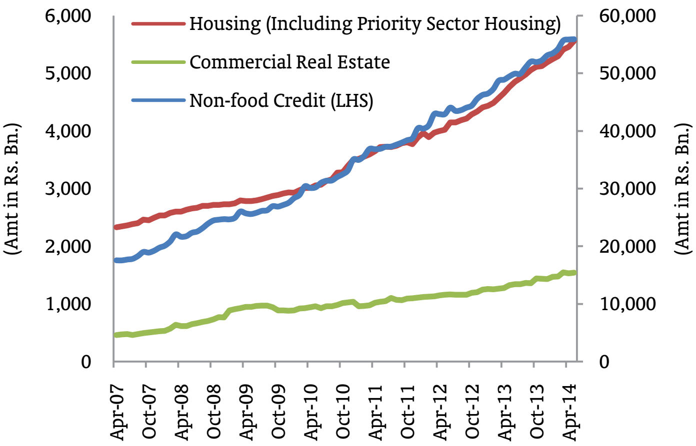
N/A: Not Available

Source: Bloomberg Consensus as on July 25, 2014

Sector Outlook: Housing

India's economic performance continued to remain subdued during 2013-14, with the slowdown getting ever more troublesome as the year stepped forward. According to the advance estimates released by the Central Statistical Organization (CSO), India's GDP growth is pegged at 4.9% in FY14, similar to 4.5% during the previous year FY13. In comparison, both the Industry and Services sectors recorded a deceleration of growth during the year. The construction sector has shown minute improvement by growing at a marginally higher 1.7% during FY14 as compared to 1.1% during FY13. The real estate sector is one of the key sectors of the Indian economy which provides a significant contribution to India's GDP growth, employment, Foreign Direct Investment (FDI) and BFSI. Even though FY14 was a critical year for the real estate sector the future prospective for the sector remains safe & sound and is expected to act as a major catalyst to the nation's overall economic growth.

The housing sector is strongly correlated with the economy and generally the collective strength of the population of a country. Housing is one of the essential requirements of mankind in addition to being one of the key growth drivers of the economy. Along with it constitute a substantial part in GDP growth; erections of housing enhance the public welfare of a society by civilizing the societal capital of a nation. Within the housing sector of India, affordable housing emerges as a predominantly dazzling opportunity. The prospects of affordable housing is encouraged, to a great extent, by the encouraging character of its business model, which is in sync with India's changing social economic landscape, the growth of the middle class. Furthermore, because of its wider target market, affordable housing is becoming the pioneer target area with the change in the macroeconomic environment.



Source: RBI

Affordable Housing – Definition

"Affordability" as a concept is very generic and could have different meanings for different people based on differences in income levels.

Affordable housing refers to any housing that meets some form of affordability criterion.

Different countries have defined affordable housing to present the economic potential of an individual buying a house. In the United States and Canada, a commonly accepted guideline for affordable housing is that the cost of housing should not be more than 30% of a household's gross income. Housing costs there include taxes and insurance for owners, and utility costs. If the monthly carrying costs of a home exceed 30–35% of household income, the housing is considered unaffordable for that household.

Defining affordable housing in India is a difficult task given that at every square kilometer of the country, the dynamics of the market are different. In India, various Government working groups and independent agencies have defined affordable housing on the basis of house-hold incomes and size of the homes. In India, KPMG and The Confederation of Real Estate Developers' Associations of India (CREDAI) have jointly developed definitions of affordable housing for Tier I, II and III cities, based on three key parameters--income level, size of the dwelling unit, and affordability.

Definitions of affordable housing in India

Income categories	Income Level	Size of Dwelling Unit	Affordability
Economically weaker section (EWS)	<Rs. 1.5 lacs per annum	Upto 300 sq. ft.	EMI to Monthly Income - 30 to 40%
Lower income group (LIG)	Rs. 1.5 to 3 lacs per annum	300 to 600 sq. ft.	EMI to Monthly Income - 30 to 40%
Middle income group (MIG)	Rs. 3 to 10 lacs per annum	600 to 1200 sq. ft.	House Price to Annual Income - Less than 5.1x

Source: KPMG

Definition of Affordable Housing – MHUPA (2011)

	Size	EMI or Rent
EWS	• minimum of 300 sq ft super built-up area	not exceeding 30–40% of gross monthly income of buyer
	• minimum of 269 sq ft (25 sq m) carpet area	
LIG	• minimum of 500 sq ft super built-up area	
	• maximum of 517 sq ft (48 sqm) carpet area	
MIG	• 600–1,200 sq ft super built-up area	
	• maximum of 861 sq ft (80 sqm) carpet area	

Source: Guidelines for Affordable Housing in Partnership (Amended), MHUPA, 2011

Is affordable housing and low-cost housing the same?

Affordable and low-cost housing are often interchangeably used, but are quite different from each other. Low-cost housing is generally meant for EWS category and comprises bare minimum housing facilities while affordable housing is mostly meant for LIG and MIG and includes basic amenities like schools, hospitals and other community facilities and services.

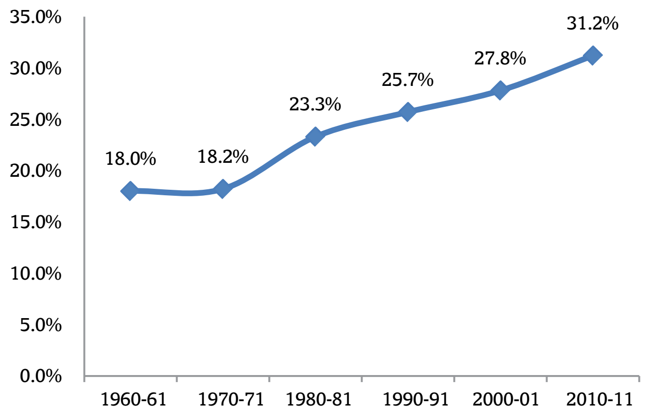
Parameters	Low-Cost Housing	Affordable Housing
Amenities	Bare minimum to none	Basic
Target Income Class	EWS & LIG	LIG & MIG
Size of Dwelling Unit	<=300 Sq. Ft.	300 – 1200 Sq. Ft.
Location	Generally within city but can also be located on city peripheries due to high cost of land	Within city
Project Developer	Mostly Government agencies	Private Developers and Government
Mostly available source of finance	Micro finance institutions	Traditional banking system
EMI to Monthly Income	Not exceeding 30 percent of gross monthly income	Not exceeding 40 percent of gross monthly income

Source: Credit Suisse

Growth in Urban Population

As per 2011 census, the country had a population of 121 crores, out of which, 38 crores or 31.2% lived in urban areas. During 2001-2011, the urban population of India grew at a CAGR of 2.8%, resulting in the increase in level of urbanization from 27.8% to 31.2%. The increasing migration of people in urban areas has led to problems of land shortage, housing shortfall and jam-packed transit and has also harshly disturbed the existing fundamental facilities such as water, power and open spaces of the towns and cities. As per the Federation of Indian Chambers of Commerce (FICCI) 2012 estimates, the country's cities would witness a net increase of 900 million people by 2050. Moreover, during this period the urban population is expected to increase at a CAGR of 2.1% – double than that of China.

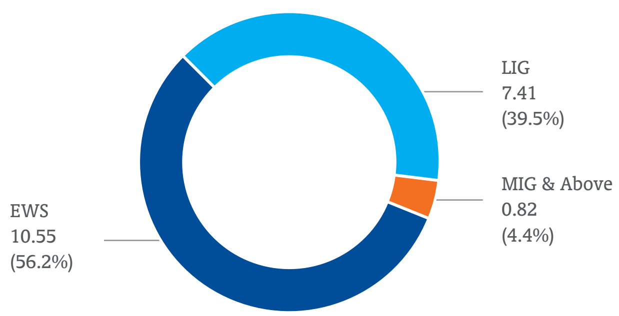
Urbanization Growth in India



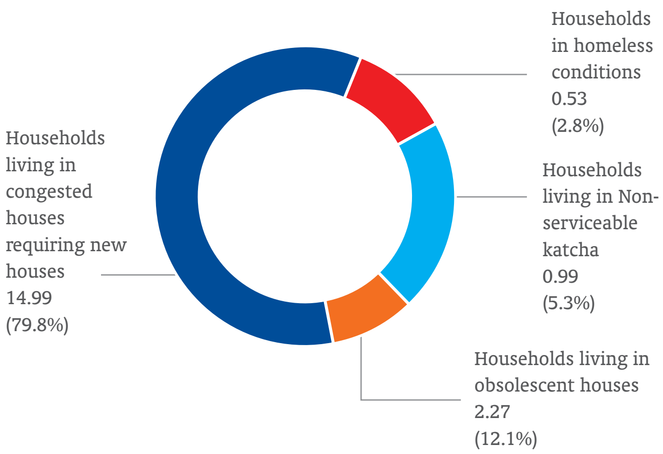
Source: Census of India 2011

The incapability of Indian society to reduce the mounting population has resulted in scarcity of housing units. In 2012 the Ministry of Housing and Urban Poverty Alleviation (MHUPA) has estimated that housing shortage at 18.78 mn units of which virtually 95% have an effect on the economically weaker sections (EWS) and low income group (LIG) of the urban population. MHUPA and other research agencies has projected that demand for urban housing will scale up by nearly 12 mn units by 2017 based on the growth in population alone. By 2021, the urban population is expected to increase to nearly 500 mn, about 35% of the total population of India.

Housing Shortage (Fig. in Million)



Urban housing shortage 2012 (Fig. in Million)



Source: MHUPA

The 2011 Census has reported that 1.4 cr. households with a total population of nearly 6.6 cr. people dwell in slums in Indian cities. Rural exodus is considered to be one of the most important contributors to the growth in the slum population. Together with the continued significant exodus of the rural poor to urban areas, the Twelfth Five Year Plan (2012-17), has estimated that the total housing shortage in rural areas at 4.4 crores units. The slum population in India was projected to be 95 mn in 2012 and is expected to touch 104.7 mn by 2017. Hence, the total housing demand in the country by 2017 could be as high as 88.78 mn units.

Generating flexible affordable housing with assured percentage reserved for rental schemes might provide a faster solution for a slum-free India. In cities such as Mumbai, affordable housing can be primarily developed through the redevelopment of accessible slums due to the severe scarcity of developable land.

Estimated Indian Housing Demand For 2017

Demand For Housing	Units In MN.
Urban shortage in 2012	18.78
Rural shortage in 2012	43.67
Additional demand due to population growth in 2012-2017	26.33
Total demand	**88.78**

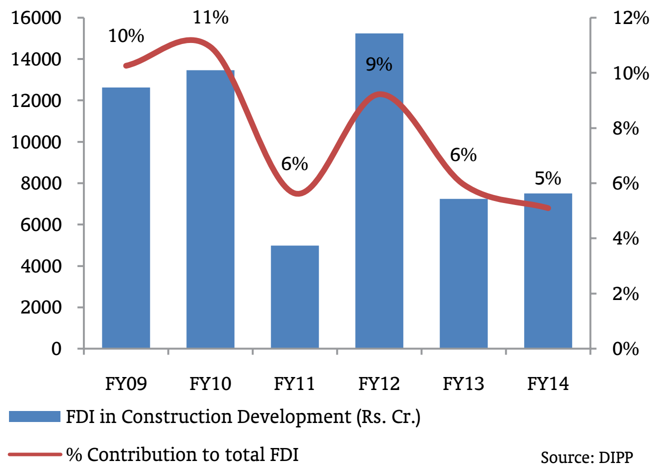
Source: MHUPA, National Housing Bank

Housing for all by 2022

New Government spearheaded by Mr. Narendra Modi is committed to endeavour to have housing for all by 2022 by extending additional tax incentive on home loans to encourage people, especially the young, to own houses. It has proposed to set up a Mission on Low Cost Affordable Housing to be anchored in the National Housing Bank. The Finance Minister Shri Arun Jaitley informed the Lok Sabha while presenting the General Budget 2014-15 that a sum of Rs 4,000 crore has been earmarked for National Housing Bank with a view to increase the flow of cheaper credit for affordable housing to the urban poor/EWS/ LIG segment. He added that Government has already outlined some other incentives such as easier flow of FDI in this sector and is willing to examine other positive suggestions. He also informed the inclusion of slum development in the list of Corporate Social Responsibility (CSR) activities to encourage the private sector to contribute more towards this activity.

Shri Jaitley informed that the Rural Housing Scheme has benefited a large percentage of rural population who have availed credit through Rural Housing Fund (RHF). In the light of the above, enhanced allocations to the tune of Rs. 8,000 crore has been made for National Housing Bank (NHB) for the year 2014-15 to expand and support Rural Housing in the country.

To encourage development of Smart Cities, requirement of the built up area and capital conditions for FDI is being reduced from 50,000 square metres to 20,000 square metres and from USD 10 million to USD 5 million respectively with a three year post completion lock in. To further encourage this, projects which commit at least 30 per cent of the total project cost for low cost affordable housing will be exempted from minimum built up area and capitalization requirements, with the condition of three year lock-in.



Source: DIPP

Budget 2014-15 announcements for the sector

ANNOUNCEMENTS	IMPACT
Increased allocation of RS. 8,000 Cr for NHB to support rural housing via the Rural Housing Fund scheme	Boost to the low cost and affordable housing segments are a sign of government's renewed commitment to eradicate housing shortage by 2022; will act as yardstick for private players
Setting up of a Mission on Low Cost Affordable Housing anchored by NHB with allocation of RS. 4,000 Cr to increase the flow of cheaper credit for affordable housing to urban poor	These measures will help decongest urban clusters and encourage rapid urbanization of tier II and III cities, some of which will serve as satellite towns to main cities
Allocation of RS. 7,060 Cr in the current fiscal for developing 100 smart cities	Relaxation in FDI norms for real estate will help to attract more world class developers, capital and expertise ensuring development of sustainable and quality urban housing
FDI projects that commit at least 30% of the total project cost for low cost affordable housing will be exempted from minimum built up area and capitalisation requirements, with the condition of three year lock-in	
Capital conditions for FDI revised from USD 10 million to USD 5 million and built up area requirement reduced to 20,000 sq.m. from 50,000 sq.m. with a three year post construction lock-in	
Inclusion of slum development in the list of Corporate Social Responsibility (CSR) activities to encourage private sector towards this activity	
Proposes changes in norms for affordable housing	
Extended additional tax incentive on home loans shall be provided to encourage people, especially the young, to own houses.	

Budget push for higher credit to the sector

In the Union Budget 2014-15, presented on July 10, 2014, the Hon'ble Finance Minster announced that - Long term financing for infrastructure has been a major constraint in encouraging larger private sector participation in this sector. On the asset side, banks will be encouraged to extend long term loans to infrastructure sector with flexible structuring to absorb potential adverse contingencies, sometimes known as the 5/25 structure. On the liability side, banks will be permitted to raise long term funds for lending to infrastructure sector with minimum regulatory pre-emption such as CRR, SLR and Priority Sector Lending (PSL).

Post the budgetary announcement RBI released two separate notifications by creating/allowing (1) flexible structuring for long term loans to infrastructure sector on the asset side and (2) raising long term funds and providing regulatory forbearance for lending to infrastructure loans on the liability side of the banks' balance sheets.

Liability: (1) Along with infrastructure funding, RBI clarified that the regulatory incentive will be applicable to affordable housing as well; (2) though this will be applicable to the incremental book, benefit of maturing existing book will be passed on to banks. **Asset:** Flexible structuring of long-term project loans has been introduced: (1) elongating amortization schedule in line with economic life of the project; and (2) alleviating ALM concerns by introducing flexible refinancing.

The RBI eased credit availability for the affordable housing sector in India. It is believed that the central bank's fresh measures will enhance availability of funds to the sector, while not having material impact on affordability. The above measures along with key announcements in Budget 2015 highlight the government's intent to give impetus to the real estate sector.

RBI eased credit availability for affordable housing by making the following modifications to credit norms:

- Banks can issue long-term bonds with a minimum maturity of seven years to raise resources for lending to affordable housing (defined as housing loans eligible under priority sector lending by RBI) and also housing loans to individuals upto RS.5mn for property valued up to RS.6.5mn in Mumbai (clarity awaited whether intent is Greater Mumbai or MMR), New Delhi, Chennai, Kolkata, Bengaluru and Hyderabad, and RS.4mn for property valued up to RS.5mn in other cities.
- Regulatory incentives will be available for bonds that are used to incrementally finance long-term projects.
- The bonds will be exempt from computation of net demand and time liabilities (NDTL) and will, therefore, not be subject to CRR/SLR requirements.
- Eligible bonds will also get exemption in computation of Adjusted Net Bank Credit (ANBC) for the purpose of Priority Sector Lending.

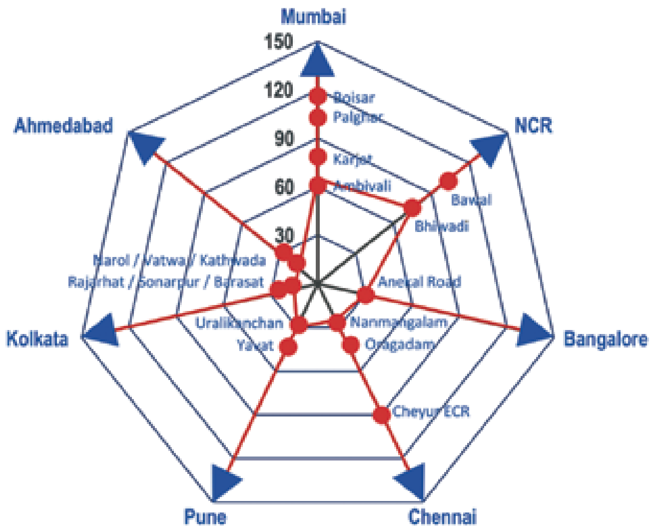
The above actions will improve accessibility of funds to the affordable housing sector. However, the measures will not considerably lower interest rates and consequently affordability, as current home loan rates (~10.25%) are already near base rates (10%). While markets do not expect any impact on affordability, still fund flow to the sector will get better. The above measures together with key announcements in Budget 2015 (relaxation of FDI norms, tax exempt status to REITs and increase in income tax rebate on interest costs on housing loans) emphasize the government's plan to give a boost to the real estate sector.

Affordable housing launches lining up

Helped by the government's budget moves and the Reserve Bank's (RBI's) recent notification on affordable housing, the big names in the segment are gearing for new project launches. An investment of Rs 5,000 crore is estimated for the segment in the current financial year. Among those planning launches are Tata Housing's Tata Value Homes, Puravankara's Provident Housing, Jerry Rao's Value and Budget Housing, Mahindra Lifespace Developers and others. Leading the pack is Bangalore-based Provident, planning to invest Rs 2,500 crore to develop five projects, with a total space of at least 10 million sq ft across Bangalore and Hyderabad. Provident's projects will have a total of 8,000 units as against the 6,276 units it had sold from its inception till end-March. Tata Housing plans to launch three to five projects, with about 1,000 units, involving an investment of Rs 500 crore, by year-end. Jerry Rao's VBHC plans more launches this year in the Mumbai metropolitan region, Chennai, National Capital Region and Bangalore. Mahindra Lifespace Developers has already said it would launch two affordable housing projects this year, one in Bhoisar near Mumbai and at Avadi, close to Chennai, in the next two months. Between the two, the projects would have about 2,000 apartments. Based on their success, it would launch more such projects in other cities.

Location of Projects and Their Distance from City Centre

With high prices of land within the city, the low-income housing projects are being developed at 'leapfrogged locations', which offer land parcels at suitable price points for such developments. Leapfrogging is a real estate phenomenon, in which high prices of intermediate land parcels lead to development of far-lung areas before immediate periphery is developed. Whilst leapfrogging leads to cost-effective developments, they might lack development of adequate physical and social infrastructure. Depending on the decay of land prices, cities offer parcels for such developments at different distances from the city centre. Mumbai and NCR have affordable housing projects located 70–100 km away from the city centre. On the other hand, Ahmedabad and Kolkata provide better proximity, with projects located at a distance of 20–30 km from the city centre. Bangalore, Pune and Chennai also have projects after a distance of 30–50 km from the city centre.

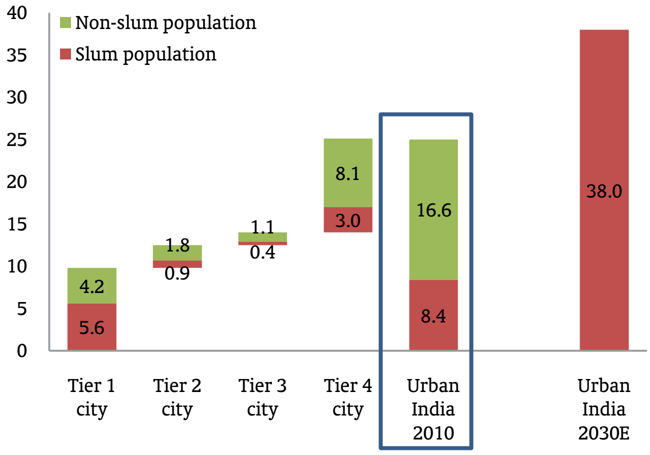


Promising market for affordable housing

In order to meet the government target of providing housing to all by 2022 and government initiative to promote affordable housing, the government alongwith the private sector needs to work to increase the supply of low-income houses, which would translate into business opportunity of Rs 9 lakh crore for the developers and Rs 7 lakh crore for housing finance companies. The government estimates a shortage of more than 18 million homes, of which 95 per cent are in the EWS and LIG segment (families earning up to Rs 16,000 per month). A study of 22 cities showed that at least 30,500 units below Rs 10 lakh have been launched in 132 projects across those markets in the period between June 2011 to January 2013.

Accordingly, the prospective market size for affordable housing in urban India is anticipated to rise by about 1.5 times from an estimated 25 million households in 2010 to 38 million in 2030. Maximum potential is believed to be in the rich Tier 1 cities that have a substantial mass of urban poor, and in lower-income Tier 4 cities.

Potential market size for affordable housing in India (Million)



Source: India Urbanization Affordable Housing Model

Constraints for Affordable Housing

- **Unavailability of urban land:** Land cost in urban city centers are high, often constituting more than 50% of the project cost for developers; this makes affordable housing projects unviable. Without Government support, the limited availability ofland in urban areas makes it unviable for developers to take up affordable housing projects.
- **Rising construction Costs:** Building affordable housing entails buying raw material at a cheaper cost so that the benefit can be passed on to the end-user or home buyer. Land is the most important raw material for real estate developers. In order to build affordable homes, land can mainly be purchased in peripheral areas of the city since cost in city centres is high. But peripheral areas of the city lack infrastructure facilities such as good connectivity to city centers, water supply and sanitation.
- **Delay in approvals from multiple local authorities:** Typically, in India, the process of acquiring necessary construction approvals for each project takes anywhere between 18-24 months. Such a long holding period leads to additional cost escalation for developers. Delays in project approvals could add 25-30 percent to the project cost. Better co-ordination among the multiple authorities in dealing with various permissions/approvals can encourage real estate developers to invest in the affordable housing segment. Currently, it takes nearly two to three years for a developer to commence construction after having entered into an agreement for land purchase.
- **Financing constraints for low-income groups:** People who belong to LIG and EWS segment have little access to organized finance. These people often do not have documents such as proof of address, salary slips, etc. The housing finance industry is hence not geared towards providing finance to those who need it the most.
- **Need to relook laws and building guidelines:** There is lack of sound government policies that enable and incentivize the affordable housing segment such that developers are geared to build affordable housing projects.
- **Lack of skilled manpower:** India's real estate sector continues to grapple with the issue of manpower shortage. This shortage can have an adverse impact on the delivery and cost of affordable housing projects. There is need to enhance the education and training capacity offered through various schemes to meet the demand of the large percentage of unskilled workers in the Indian labor market.

Role of PPP in Affordable Housing

The public-private-partnership (PPP) model can be effectively used to tap this compelling opportunity in the Indian affordable housing market. Collaboration between the public and private sectors not only creates a huge pool of resources, but also carries inherent benefits that help to address stakeholder concerns.

- **Land availability**

  The government owns vast land banks that can be distributed to private developers through a transparent bidding process. This can, to an extent, mitigate woes related to the unavailability of land at reasonable costs.

  The government can relax FSI norms as a means to provide cashless subsidy to developers, bringing down development costs.

  Built-up space covering LIG and EWS to be sold / rented by Government agency; developer can be allowed to sell MIG flats at market rates

- **Improved financing**

  A joint pool of public and private funds is likely to be more effective and efficient in financing development projects.

  The government can form development consortiums with private developers and guarantee bank loans borrowed by such consortiums, thereby reducing borrowing costs.

- **Lower costs**

  Development companies formed through PPPs can obtain project approvals more easily, thereby reducing project cost and time overruns.

  The government can indirectly lower costs by giving tax relief and reducing stamp duties.

- **Economies of scope**

  A PPP model should be more beneficial in developing integrated affordable townships, where the infrastructure and utilities development activity can be taken care by the government, while private developers with expertise in residential development can build affordable homes.

Valuation Matrix

Company	CMP (Rs	Market Cap (Rs cr)	Sales (Rs cr)	EBITDA Margin (%)	PAT Margin (%)	P/E Ratio (x)	P/E FY15E (x)	P/Bv ratio (x)	ROE (%)	ROE FY15E (%)
Brigade Enterprises	130.5	1464	7928	33.9	11.0	9.7	1.2	1.2	7.0	15.2
Godrej Properties	234.2	4666	10749	27.5	14.9	20.6	2.5	2.5	9.9	13.4
HDIL	88.7	3714	8429	74.6	68.8	11.3	0.4	0.4	1.7	4.2
Jaypee Infratech	33.2	4611	33187	3.5	1.0	15.4	0.8	0.8	4.9	N/A
Mahindra Lifespace	552.1	2263	7053	14.8	8.6	15.6	1.8	1.8	7.9	9.8
Nesco	1143.3	1611	97	43.7	36.0	N/A	N/A	N/A	N/A	N/A
Oberoi Realty	264.1	8667	7842	3.3	0.8	16.6	2.0	2.0	7.3	14.8
Peninsula Land	37.6	1050	2790	5.9	3.7	31.3	0.6	0.6	12.4	4.0
Poddar Developers	162.1	84	626	1.9	0.2	10.7	1.3	1.3	12.5	N/A
Prestige Estate	251.9	8817	24929	3.1	0.1	20.7	3.0	3.0	11.0	15.5
Puravankara Projects	114.2	2708	12981	1.3	-1.2	10.8	1.2	1.2	7.9	10.8
Sobha Developers	460.3	4513	21693	22.6	10.5	14.3	2.0	2.0	10.6	14.6
Unitech	26.5	6916	29333	92.4	46.4	26.1	0.6	0.6	0.6	3.4

Source: Bloomberg

Economy Review

Budget 2014-15 Review

The budget 2014-15 has been one of the most eagerly watched event after BJP government took over the reins with a thumping win. The event was a dicey one considering the fact that there was a time constraint (less than 50 days) with regards to the preparation of the documents besides there was huge expectations from all sectors as if Mr. Modi possesses a magic wand to dispel all negatives from the economy. However, finance minister, Mr. Arun Jaitley presented a pragmatic budget particularly from the stand point of providing with the right intent for boosting the manufacturing sector as well as for an investment led growth. Apart from that, the budget also stands out from the standpoint of not being populist one. Given, the fragile economic condition, the last thing India could have afforded is a populist budget. Perhaps for the first time, probably in the history of India, resource constraints were clearly highlighted and the numbers were put with some thoughts behind it. Although to put the economy back on target growth of 7-8%, it will be a herculean task but the sentiment is positive among the investor as well as the corporate fraternity and the confidence in the NDA government is what keeps the stock markets ticking higher. In fact, there are signs of green shoots with the latest IIP registering a growth of 4.7% for the month of May 2014 and the partial taming of the inflation levels based on CPI at 7.31% for the month of June 2014, incidentally at 29th month low.

There are actually a lot of areas the budget has touched upon and there is allocation (however small it might be) for each and every section and sector. In fact, finance minister himself admitted the fact that if he had got the liberty of more funds at disposal, he probably had dolt out more relief schemes for the taxpayers. Nevertheless, FM provided relief for individual tax payers on the personal income tax front coupled with an increase in the exemption limit of 80C, thus providing a fillip to the financial savings. Although, at first glance, the budget seems like a twist and turn of the interim budget presented by UPA government but a closer look reveals tantalising elements of ModiVision in the budget. The key focus areas have been the strong infrastructure push, strong foundations for housing & finance sectors with announcements for building smart cities, incentives for MSME players, strong focus on agriculture, emphasis on skill development for youth, push for higher financial savings and hike in limits for FDI in insurance and defence is a positive from the standpoint of foreign investors. In other words, the general view is that the budget will please everyone a bit but will not displease anyone – a budget for all.

The markets were however left a little disappointed as there was no announcement for repeal of retro tax and no clear announcements regarding containment of subsidies and the key date for the implementation of all important GST. Moreover, the budgetary numbers under the broad heads have not been tainted much when compared to the one presented in vote on account (VOA). However, the allocations to the key sectors have been praiseworthy. Perhaps, BJP has been more vocal and has been able to connect to the people and the investment fraternity and corporate. Overall, the tone for the markets has been set in the positive range and in the months to come, policy impetus is likely to continue. In tune with the election manifesto, the government has ushered in a new era of reforms with the announcements for smart cities, industrial corridors, higher education, low cost housing and various roads, ports, airports. In view of the key announcements, sectors such as banking, infrastructure, capital goods, cement are likely to be major beneficiaries.

Key Highlights

Key Budgetary numbers

- Government expects Rs 9.77 lakh crore revenue crore from taxes
- Plan expenditure pegged at Rs 5.75 lakh crore and non-plan at Rs 12.19 lakh crore.
- Disinvestment target fixed at Rs 58,425 crore
- Gross borrowings pegged at Rs 6 lakh crore
- Contours of GST to be finalised this fiscal; Govt to look into DTC proposal.

Deficit and Inflation

- Fiscal deficit target retained at 4.1% of GDP for current fiscal. The government is committed to achieve this target. Road map for fiscal consolidation outlines fiscal deficit of 3.6 % for 2015-16 and 3 % for 2016-17.
- Inflation has remained at elevated level with gradual moderation in WPI recently.
- Bold steps required to enhance economic activities and spur growth in the economy.

Budgetary Allocations

- Rs 100 crore to support about 600 new and existing Community Radio Stations
- Swachh Bharat Abhiyan to cover every household with sanitation facility by the year 2019
- Rs 100 crore for metro projects in Lucknow and Ahmedabad
- Rs 2,037 crore set aside for Integrated Ganga Conservation Mission called 'Namami Gange'
- Rs 150 crore allocated for increasing safety of women in large cities
- Rs. 7,060 crore for the project of developing 100 Smart Cities.
- Set aside Rs 11,200 crore for PSU banks capitalisation
- Govt provides Rs 500 crore for rehabilitation of displaced Kashmiri migrants
- Rs 1000 crore provided for "Pradhan Mantri Krishi Sinchayee Yojna" for assured irrigation.
- Rs. 50,548 crore under the SC (Scheduled Caste) Plan and Rs. 32,387 crore under TSP (Tribal Sub Plan)

Administrative Initiatives

- Committee to look into all fresh tax demands for indirect transfer of assets in wake of retrospective tax amendments of 2012
- Expenditure management commission to be setup; will look into food and fertilizer subsides
- Legislative and administrative changes to sort out pending tax

demands of more than Rs. 4 lakh crore under dispute and litigation.

- New Urea Policy would be formulated.
- More productive, asset creating and with linkages to agriculture and allied activities wage employment would be provided under MGNREGA.
- A committee will to examine and recommend how unclaimed amounts with PPF, Post Office, saving schemes etc. can be used to protect and further financial interests of the senior citizens
- Slum development to be included in the list of Corporate Social Responsibility
- Committee to examine the financial architecture for MSME Sector, remove bottlenecks and create new rules and structures to be set up and give concrete suggestions in three months.
- An institution to provide support to mainstreaming PPPPs called 4PIndia to be set up with a corpus of Rs. 500 crores.

Economic Initiatives

- Composite cap of foreign investment to be raised to 49 per cent in Defence and Insurance sectors.
- Requirement of the built up area and capital conditions for FDI reduced to 20,000 square metres and USD 5 million respectively for development of smart cities.
- Manufacturer can sell its products through retail including Ecommerce platforms.
- Requirement to infuse Rs. 2,40,000 crore as equity by 2018 in banks to be in line with Basel-III norms PSUs will invest through capital investment a total sum of Rs. 2,47,941 crores.
- Rs 4,000 cr set aside to increase flow of cheaper credit for affordable housing to the urban poor/EWS/LIG segment.
- Govt in favour of consolidation of PSU banks
- Govt considering giving greater autonomy to PSU banks while making them accountable

New projects Announced

- 5 IIMs to be opened in HP, Punjab, Bihar, Odisha and Rajasthan
- 5 more IITs in Jammu, Chattisgarh, Goa, Andhra Pradesh and Kerala.
- 4 more AIIMS like institutions to come up in Andhra Pradesh, West Bengal, Vidarbha in Maharashtra and Poorvanchal in Uttar Pradesh
- Govt proposes to launch 'Digital India' programme to ensure broad band connectivity at village level
- Kisan TV for farmers, Arun Prabha TV for northeast.
- National Rural Internet and Technology Mission for services in villages and schools, training in IT skills proposed
- Govt proposes Ultra Modern Super Critical Coal Based Thermal Power Technology
- A project on the river Ganga called 'Jal Marg Vikas' for inland waterways between Allahabad and Haldia; Rs 4,200 crore set aside for the purpose.
- EPFO to launch the "Uniform Account Number" Service for contributing members.
- New programme "Neeranchal" to give impetus to watershed development in the country with an initial outlay of Rs. 2,142 crores.
- Beti Bachao, Beti Padhao Yojana to generate awareness and help in improving the efficiency of delivery of welfare services meant for women.
- Free Drug Service and Free Diagnosis Service to achieve " Health For All"
- Two National Institutes of Ageing to be set up at AIIMS, New Delhi and Madras Medical College, Chennai.

Budget at a glance

Rs Crore	FY11	FY12	FY13	FY14 (RE)	FY15 (BE)	FY15 BE/ FY14 RE	FY15 (VOA)	FY15 BE/ FY15 VOA
Revenue Receipts	**7,88,471**	**7,51,437**	**8,77,613**	**1,029,252**	**1,189,763**	**15.6%**	**1,167,131**	**1.9%**
Tax revenue(net to centre)	5,69,869	6,29,765	7,40,256	836,026	977,258	16.9%	986,417	-0.9%
Non – tax revenue	2,18,602	1,21,672	1,37,357	193,226	212,505	10.0%	180,714	17.6%
Capital Receipts	**408,857**	**568,918**	**583,387**	**561,182**	**605,129**	**7.8%**	**596,083**	**1.5%**
Recovery of loans	12,420	18,850	16,268	10,802	10,527	-2.5%	10,527	0.0%
Disinvestment of Equity in PSEs	22,846	18,088	25,890	25,841	63,425	145.4%	56,925	11.4%
Borrowings & other Liabilities	373,591	531,980	541,229	524,539	531,177	1.3%	528,631	0.5%
Total Receipts	**11,90,899**	**13,20,355**	**14,10,367**	**1,590,434**	**1,794,892**	**12.9%**	**1,763,214**	**1.8%**
Revenue Expenditure	**10,40,723**	**11,45,785**	**12,43,509**	**1,399,540**	**1,568,111**	**12.0%**	**1,550,054**	**1.2%**
Interest payments	2,34,022	2,73,150	3,13,170	380,066	427,011	12.4%	427,011	0.0%
Subsidies	1,73,420	2,17,941	2,57,079	255,516	260,658	2.0%	255,708	1.9%
Pensions	57,405	61,166	69,479	74,076	81,983	10.7%	80,983	1.2%
Capital expenditure	1,56,605	1,58,580	1,66,858	190,894	226,781	18.8%	213,160	6.4%
Total Expenditure	**11,97,328**	**13,04,365**	**14,10,367**	**1,590,434**	**1,794,892**	**12.9%**	**1,763,214**	**1.8%**
Revenue Deficit	**2,52,252**	**3,94,348**	**3,65,896**	**370,288**	**378,348**	**-**	**382,923**	**-**
Fiscal Deficit	**3,73,591**	**5,15,990**	**4,90,597**	**524,539**	**531,177**	**-**	**528,631**	**-**
Primary Deficit	**1,39,569**	**2,42,840**	**1,77,428**	**144,473**	**104,166**	**-**	**101,620**	**-**

For Individuals

- Tax slab on personal income remains unchanged
- Income tax exemption limit raised by Rs 50,000 to Rs 2.5 lakh and for senior citizens to Rs 3 lakh
- Exemption limit for investment in financial instruments under 80C raised to Rs 1.5 lakh from Rs 1 lakh.
- Investment limit in PPF raised to Rs 1.5 lakh from Rs 1 lakh
- Deduction limit on interest on loan for self-occupied house raised to Rs 2 lakh from Rs 1.5 lakh.
- Kisan Vikas Patra to be reintroduced, National Savings Certificate with insurance cover to be launched
- Long term capital gain tax for mutual funds doubled to 20%; lock-in period increased to 3 years
- Mandatory wage ceiling of subscription to EPS (Employee Pension Scheme) raised from Rs 6,500 to Rs 15,000
- Minimum pension increased to Rs 1,000 per month
- LCD, LED TV become cheaper
- Cigarettes, pan masala, tobacco, aerated drinks become costlier

Budget Analysis

- The Union budget 2014-15 has kept the target of gross fiscal deficit at 4.1% of GDP for FY15, as laid out by Mr. P Chidambaram in February's interim budget, even as he moderately raised the threshold for income tax exemption and deductions and raised Plan expenditure marginally.

- To achieve the targeted fiscal deficit, Finance Minister Arun Jaitley has relied on gross tax revenue growing 17.7% over FY14RE, although lower than 19.0% projected by the previous United Progressive Alliance (UPA) government, but still significantly higher than 11.8% growth achieved in last financial year. A lower monsoon which might result in drought can be the major hindrance in achieving such said targets.

- When compared to the VOA numbers, the revenue receipts were stretched 1.9% higher relying more on the non-tax revenues (pushed higher by 18%) while the tax revenues were revised downwards marginally by ~1%.

- The growth in revenue collection from income-tax stands lowered to 17.6% from FY14RE for FY15, from a growth of 26.8% projected in the Interim Budget, taking into account the tax exemptions provided for in FY15. While customs and service tax projections appear achievable, excise duty growth projection at 15.4% appears optimistic. The broad heads under which tax will be collected are:

Tax Heads	% contribution	FY15 BE/FY14 RE
Corporation Tax	33%	15%
Personal Income Tax	21%	18%
Custom Duty	15%	15%
Excise Duty	15%	15%
Service Tax	16%	31%

- In non-tax revenues, the interest receipts & external grants have been lowered significantly, when compared to FY14 RE while other non-tax revenues contributing 47% of total non-tax revenues have been pushed upwards by 24%. The dividend receipts & profits have been estimated at marginally higher levels from last financial year but contributing 42% of the total non-tax revenues. Thus, we can expect the PSU majors to distribute enormous special dividends in sync with last fiscal year.

Non-Tax Revenues Heads (Rs Cr)	FY14 (RE)	FY15 (BE)	FY15 BE/FY14 RE	% contribution
Interest receipts	21,018	19,751	-6%	9%
Dividend and Profits	88,188	90,229	2%	42%
External Grants	3,135	2,405	-23%	1%
Other Non Tax Revenue	79,788	99,009	24%	47%
Receipts of Union Territories	1,097	1,111	1%	1%

- Besides, the government expects to garner Rs 73,942 crore in FY15 through non-debt capital receipts. As regards, non-debt capital receipts, revenue from disinvestment of equity holdings in public sector undertakings (PSUs) and non-PSUs are budgeted at Rs 63,425 crore.

- Total expenditure of the Government in FY15 is estimated to reach Rs 1,794,892 crore, 10.9% higher than that in FY14 RE and revised 1.8% higher than VOA numbers. Plan expenditure (accounting for 32% of the total expenditure) is estimated at Rs 5,75,000 crore, a growth of 20.9% over the last fiscal while Non-Plan expenditure which (accounting for 68% of the total expenditure) is budgeted to increase by 9% to Rs 12,19,892 crore in FY15 BE. The higher growth in expenditure is expected to be financed through resource mobilization from non-tax sources.

- Capital Expenditure (Plan + Non-Plan) has been estimated 18.8% higher in FY15 BE. In comparison to the VOA numbers, the capital Expenditure (Plan + Non-Plan) has revised upwards by 6.4%. Revenue Expenditure (Plan + Non-Plan) has been budgeted 12% higher compared to FY14 RE while marginally up by 1.2% from VOA numbers.

- In comparison to the VOA numbers, interest payments have been kept at the same levels while subsidies & pension have been revised upwards by 1.9% & 2% respectively. The government has augmented its fertiliser subsidy bill by an additional 0.1% of GDP at Rs 72,970 crore in FY15 and it is largely to meet the production requirement of indigenous urea and other fertilisers. Thus, total subsidy, as a percentage of GDP, is budgeted at 2.0% for FY15BE. Finance Minister, Mr. Arun Jaitley promised to overhaul the grants for food, fuel and fertiliser to "make it more targeted". Although, the markets have been let down without any concrete announcements on the same:

Rs Crore	FY11	FY12	FY13	FY14 (RE)	FY15 (BE)	FY15 BE/FY14 RE
Major Subsidies	164,516	211,319	247,493	245,452	251,397	2%
Food Subsidy	63,844	72,822	85,000	92,000	115,000	25%
Fertilizer Subsidy	62,301	70,013	65,613	67,972	72,970	7%
Petroleum Subsidy	38,371	68,484	96,880	85,480	63,427	-26%

- For food subsidy, the government has allocated Rs 1,15,000 crore, which include a provision of Rs 88,500 crore for implementation of National Food Security Act. The food subsidy bill has been kept unchanged from interim budget proposal of Rs 1.15 lakh crore.
- The petroleum subsidy, given to state-run oil companies for selling fuel, LPG and kerosene below cost, has been pegged lower at Rs 63,427 crore for 2014-15 against FY14 RE of Rs 85,480 crore in 2013-14. Before presenting the Budget proposals, the new government has supported the rise in LPG, petrol and diesel prices, which heralds an altogether new regime.

Sectoral Announcement & Impact

AUTOMOBILE	
Announcement	**Impact**
Income Tax exemption limit increased to Rs.2.5 lakhs and upto Rs.3 lakhs for senior citizens	Positive for the sector as it will increase the disposable income of individuals, thereby boosting demand
Pre-budget announcement of extension of excise duty rebate till December 31, 2014, was reiterated by the Finance Minister.	Lower excise duty would translate into lower vehicle prices thus boosting demand
15% additional allowance for investment above Rs 25cr in plant & machinery in Manufacturing sector for 3 years (till 31.03.2017).	To Revive the investment cycle

BANKING & FINANCIAL SERVICES	
Announcement	**Impact**
Capitalisation of banks by way of increasing public shareholding in banks. Government to maintain majority shareholding in public sector banks.	Government maintaining the majority shareholding imbibes confidence while greater autonomy will help banks to improve the performance.
Establishment of six new Debt Recovery Tribunals	Help in improving asset quality of banks
Banks will now be permitted to raise long-term funds for lending to the infrastructure sector with minimum regulatory requirements of Cash Reserve Ratio, Statutory Liquidity Ratio and priority sector lending.	Help to maintain Asset-Liability mix & improve lending to infra sector
Allocation for National Housing Bank increased to Rs 8,000cr to support rural housing and Rs 4,000cr for urban housing.	Positive for housing finance companies
Increase the deduction limit on account of interest on loan in respect of self-occupied house property from Rs.1.5 lakh to Rs.2 lakh	Help banks and HFCs business growth.
The composite cap in the Insurance sector proposed to be increased from 26% to 49%, with full Indian management and control, through the FIPB route.	Will help insurance firms to raise funds from overseas players and this will lead to value unlocking.
Increase in capital gains arising on transfer of units of non-equity mutual funds, held for more than a year from 10% to 20%. The holding period for such units is increased from 12 months to 36 months.	Will make bank deposits attractive compared to debt funds.

CAPITAL GOODS	
Announcement	**Impact**
Investment allowance of 15% for investments upto Rs 25 crore in plant and machinery till FY17.	This is an incentive to the companies to stimulate corporate capex.
10 year tax holiday extended to the undertakings which begin generation, distribution and transmission of power by 31.03.2017.	Help companies to enjoy lower tax rates.
The government has increased the composite cap of foreign investment in the defense sector from 26% to 49%. This would be applicable for companies with full Indian management and control.	Accelerate investments in defence sector.

CEMENT	
Announcement	**Impact**
Increase the deduction limit on account of interest on loan in respect of self occupied house property from Rs.1.5 lakhs to Rs.2 lakhs	Positive for overall sector
To develop '100 Smart Cities', as satellite towns of larger cities and modernize the existing mid-sized cities a sum of Rs.7,060 cr to be provided in FY15	Positive for overall sector
Enhancement of allocations for the year 2014-15 to Rs.8,000 crore for Rural Housing via National Housing Bank (NHB).	Infrastructural push by the new Govt is extremely positive for the overall sector.
Allocate of Rs.4,000 crore for NHB with a view to increase the flow of cheaper credit for affordable housing to the urban poor/EWS/LIG segment.	
Proposal to award 16 new port projects worth Rs.11,635 crore in this year	
Investment in National Highways Authority of India and State Roads of an amount of Rs.37,880 crore, including Rs.3,000 crore for the North East.	

FMCG	
Announcement	**Impact**
Cut in custom duty on palm fatty acid crude palm stearin (raw materials for soaps) from 7.5% to 0%.	Will help in improving margins for the companies.
Increase in excise duty in Filter Cigarettes from 11-72%, with highest increase for 64mm segment.	Will negatively impact the volume growth for cigarette manufacturing companies.
Increase in excise duty on aerated water containing added sugar	Expected to have marginal negative impact on the demand for the products.
Personal Income-tax exemption limit raised by Rs. 50,000 from Rs. 2 lacs to Rs. 2.5 lacs in case of individual taxpayers, below 60 years of age & from Rs. 2.5 lacs to Rs. 3 lacs in case of senior citizens. Deduction limit on account of interest on loan in respect of self occupied house property raised from Rs. 1.5 lacs to Rs. 2 lacs.	Will help in improving demand on higher disposable income

INFRASTRUCTURE	
Announcement	**Impact**
500 urban habitations to be provided support for renewal of infrastructure and services in next 10 years through PPPs. The Government has increased Municipal Debt Obligation Facility from Rs 5,000 crore to Rs 50,000 crore	Positive for the overall sector.
Rs 14,389cr has been provided for the Pradhan Mantri Gram Sadak Yojna(PMGSY)	Co's securing construction orders from the government would be key beneficiaries.
Proposed investment of Rs 37,880cr for national highways and state roads workout to around 12% increase over last year spend. Additionally allocation of Rs. 500cr. A target of national highway construction of 8,500km has been announced (vs 4,000km in the 2013-14 budget)	Could help kick start some expressway projects.
Infrastructure Investment Trusts (InvITs) have been proposed for infrastructure projects	This is a positive for Build Operate Transfer projects. (BOT) players as they can encash their operating portfolios for further investment in other project or to reduce their debt

OIL & GAS	
Announcement	**Impact**
Proposal to develop an additional 15,000km of pipelines through public-private partnership (PPP) model.	This will help increase the usage of gas, domestic as well as imported & reduce depence of oil as a prime transport fuel.
Full exemption from Central Excise duty and fully exempted retrospectively w.e.f. 08.02.2013.	Positive for the OMCs

REALESTATE	
Announcement	**Impact**
Requirement of the built up area and capital conditions for FDI reduced from 50,000 square metres to 20,000 square metres and from USD 10 million to USD 5 million respectively for the development of smart cities.	Positive for the overall sector
Incentives for Real Estate Investment Trusts (REITs). Complete pass through for the purpose of taxation.	Positive for the overall sector. Will bring in much needed funds to the sector.
Additional allocation for National Housing Bank of Rs 4,000cr for low cost housing (total allocation now stands at Rs 2,000 cr). Extended additional tax incentive on home loans shall be provided to encourage people, especially the young, to own houses.	Positive for companies in low cost housing projects.

Mutual Fund Overview

SBI Magnum Midcap Fund (G)

Equity: Mid & Small Cap

Fund Objective: To provide investors with opportunities for long-term growth in capital along with the liquidity of an open-ended scheme by investing predominantly in a well diversified basket of equity stocks of Midcap companies. Midcap companies are those companies whose market capitalization at the time of investment is lower than the last stock in the S&P CNX Nifty Index less 20% (upper range) and above Rs. 200 crores.

Fund Commentary: This mid-cap fund has had a chequered history, with a sharp improvement in returns since 2010. The fund's dramatic rise came mainly from its sterling show in the last three years when, with a 21.3 per cent CAGR, the fund had delivered more than twice its benchmark as well as category returns. During the last three years, the fund has invested in sectors where growth visibility was much better, despite the concerns on the macro and the government policy framework. The fund juggles its mid-cap versus small-cap allocations much more actively than its rivals too. In April 2014, the mix stood at 61:32 between the two, the fund has steadily reduced its exposure to mid-caps and raised it to smaller stocks. Start with small investments in this fund and build up exposures as the consistency of returns improves.

Important Information

NAV (Rs.)	43.03
Inception Date	17-Mar-05
Fund size(in Rs cr)#	495.50
Fund Manager	R. Srinivasan
Entry load	N.A.
Exit Load	1%, if redeem within 1 yr
Benchmark	S&P BSE MIDCAP
Min Investment	Rs. 5000
Min Sip Investment	Rs. 500

as on June 30, 2014

Key Ratios

Beta	0.89
Standard deviation (%)	19.23
Sharpe Ratio	0.83
Alpha	11.63
R Squared	82.71
Expense ratio (%)	2.52
Portfolio Turnover ratio (%)	47.00
Avg Market cap (Rs in cr)	5,305

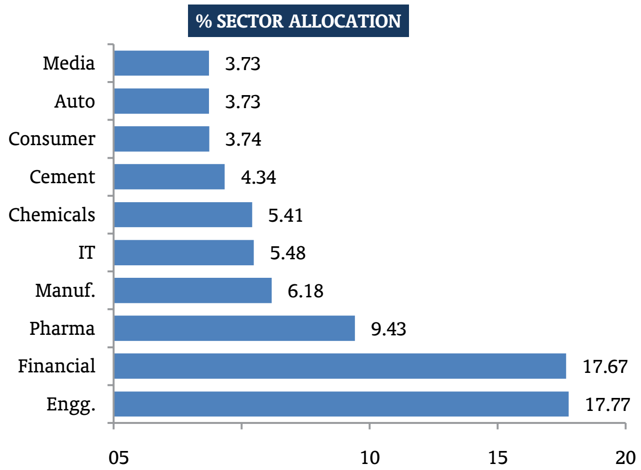
as on June 30, 2014

Top Ten Holdings

Stocks	% of Net assets
Motherson Sumi	3.73
Va Tech Wabag	3.43
Page Industries	3.36
Federal Bank	3.24
Strides Arcolab	3.17
Britannia	3.14
Ramco Cements	3.06
Swaraj Engines	3.05
SKF India	2.75
Bajaj Finance	2.57

Asset Allocation

Equity	Debt	Cash & Equiv.
92.78	0.00	7.22



Month of Recom.	Recommended in the Past	Returns till date (%)
Aug-13	HDFC Balanced Fund (G)	49%
Sep-13	HDFC Top 200 Fund (G)	68%
Oct-13	BNP Paribas Equity Fund (G)	40%
Nov-13	Birla Sun Life Frontline Equity Fund (G)	35%
Dec-13	ICICI Prudential Focused Bluechip Equity (G)	32%
Jan-14	Axis Equity Fund (G)	26%
Feb-14	Franklin India Smaller Companies Fund (G)	55%
Mar-14	HDFC Mid-Cap Opportunities Fund (G)	39%
Apr-14	Mirae Asset Emerging Bluechip Fund (G)	29%
May-14	Birla Sun Life Long Term Advantage Fund (G)	22%
Jun-14	Birla Sun Life Infrastructure Fund (G)	7%
Jul-14	HDFC Index Fund - Nifty Plan (G)	4%

Performance Of The Fund

	1 month	3 months	6 months	1 year	3 Years	5 Years	Since Inception
Fund (%)	5.8	23.6	38.2	73.46	22.4	18.45	17.6
S&P BSE MIDCAP (%)	1.44	25.67	43.97	57.79	9.64	11.54	--

Technical view

Key takeaways from July 2014:

- June CPI inflation fell to 7.31% as against 8.28% in the previous month
- Monthly WPI stood at 5.43% for the month of June as compared to 6.01% for the previous month.
- IIP in May rose to 19-month high of 4.7% v/s 3.4% in April.
- Trade deficit swelled to $ 11.76 billion, highest since July 2013
- HSBC manufacturing PMI rose marginally from 51.4 in May to 51.5 in June
- HSBC Service PMI rose vigorously to 54.4 in June v/s 50.2 last month.
- Modi led NDA government presented its first Union Budget in parliament.

Classical theory of Technical Analysis

A roller coaster ride during the month of July kept investors jittery though it registered fresh high. Volume in the market too declined compared to the previous swing high indicating few players had been fuelling the rally. Broader market was not in-sync with the Index and advance decline ratio remained marginally skewed towards the bears. Nifty ended the month with a handsome gain of 2.92% (till 25th July, 2014) while CNX Midcap and CNXSmallcap remained clearly in red further reinstates that a divergent situation might be emerging.

Post election result Nifty had been trading within the rising channel line and had been gradually inching upward characterized by high oscillation within the trading range. According to the said pattern the Index seems to be inching upward to complete its fifth leg which might end around 8050 and hence supply pressure might lead to a corrective decline in the market. However the intensity of the correction might be short lived as lower panel of the upward rising channel is likely to initiate support around 7400-7450. Another alternative view which might develop in weekly chart is the formation of a Bullish Widening pattern and present setup indicates that market might witness minor correction till the level of 7400 before rebuilding itself to head upward again till 8000.

On the longer term perspective Nifty witnessed a bullish Symmetrical Triangle formation since 2008 onward and hence the minimum target price from the said 5-legged pattern projects an upside target till 8100 and since the pattern took 5 years in the making the minimum price target can be achieved within 1/3 of the said time frame i.e. within September 2014 considering the breakout initiated previously on the month of February at 6450.

As said earlier that Nifty might be trading within the rising channel formation since May 2014 onward and with Nifty slowly inching upward has lead Nifty to trade within 38.2 degree of inclination hence indicating that the intensity of the rise had been too sharp to sustain in the longer term perspective. The best case scenario which might develop is Nifty limiting its correction till the level of 7400-7450 to shun the vertigo effect.

During the month Nifty witnessed a bearish Engulfing Candle formation in weekly chart which has a severe negative implication in the market however the bearish structural formation might come into effect if Index provides a decisive close below the crucial support level of 7400 in weekly chart. However Nifty recovered from its six week low and recouped the entire loss led by fresh buying despite volatile global cues. The preceding week resembles of a Piercing Line bull as the Index recovered from its low and breach past the recent life time high of 7808.

In totality according to classical theory of technical analysis overall price structure remains positive, and cool-off action towards the 7550-7600 regions could be used as a buying opportunity to ride the upmove. A strong close above the consolidation phase would trigger an end of the current consolidation phase and momentum in the market is likely to garner strength towards 8100 in the near term.

Modern approach in Technical Analysis

On the oscillator front Nifty witnessed frequent buy and sell signal at every intervals in both daily and weekly chart. Presently Nifty has initiated buy signal in neutral price region in daily chart further MACD took a bullish stance after a gap of over two month hence indicating that bullish fervor in the market is likely to remain. However a divergent view being noticed in weekly chart with prices registering fresh high while RSI has been on a declining mode concluding of a presence of negative divergence. Therefore divergence in both time frames is likely to keep market choppy with positive bias.

The euphoria since the start of the calendar year has led Nifty to distance away from its crucial averages (notably 50/100/200). Nifty corrected during the month of July and took support from the crucial 50dma around 7400 to provide the necessary pullback. The pullback was seen amidst growing pessimism of global geo-political tension and of a possible default by one of the Portugal's largest bank. The recent feat signifies that Indian macro variables have been improving to sustain global turmoil. As pointed out earlier that the long term moving average of 200dma normally stands at a distance of 10-12% while the present distance has widened by 15-16% hence denoting that Nifty has the potential to correct to the extent of 3%. In the best case scenario the Index might consolidate and pull the average upward.

Indian VIX

With fading of event risk from the market Indian VIX too has been remaining confined at its historical lower levels of 12-13. Indian VIX remaining at such low level results in steady movement in Index and exceptional rally or decline seems to be absent in the market. On technical front plain chart reading reveals that further downside in Indian VIX is unlikely and a minor pullback can be noticed from here onward which might not augur well for the market. Re-emerging of geo-political risk from the global front further validates that uptick in volatility might be a possibility. The resultant effect which might percolate is Nifty witnessing a substantial correction.

Gann Theory of Time cycle

As indicated earlier about Nifty developing into a bullish upward rising channel formation in daily chart and hence upside in the Index still remains till the level of 8050-8100 in near term. Presently Nifty had been gradually rising at 23.6% angle of inclination. Hence according to W.D.Gann the said angle signifies 1 unit of price & ¼ unit of time. So the said target of 8050 might be achieved within 2.5 months.

Calculation:

Current Market price- Projected price= 8050-7800= 350

Now, Time required to complete the target = 350/4=88=2.5 months.

Retracement principle:

Short term perspective has been considered in order to determine the immediate resistance level in Nifty and hence minor correction since May 2014 has been considered. Two major correction phase which has been identified are as follows:

1. Correction during the month of May 2014
2. Correction during the month of July 2014

Projected retracement of the two recent minor correction projects an upside potential in Nifty till the level of 8100 however present setup indicates that Nifty might succumb to correction first before heading higher.

Future Projection – August 2014

5-legged extracting triangle has been structurally developing since October 2013 onward. Presently price structure reveals that Nifty might be unfolding into elongated zigzag f-leg of the larger diametric pattern and now Nifty need to stay above the trend deciding level of 7600 to reach its higher target of 8300 and then towards its final destination of 9000 in medium term. Failure to do so would induce short term correction towards 7300. Another set of assumption which can be identified in the short term is the newer impulse wave since August 2013 onward. According to the assumption the rally from 5118 till 6343 can be earmarked as wave 1 followed by a correction till the level of 5933 which has been assumed as corrective wave 2 formation. The rally from 5933 to 6870 here has been identified as wave(i) of wave 3 while the correction from 6870-6638 has been marked as corrective wave(ii) of wave 3. Hence now Nifty is in the progress of the broader wave (iii) and according to the retracement principle the minimum projected price target of 161.8% retracement stands around 8175. However since the start of the month elongated Zigzag correction might be unfolding and presently Nifty is in wave b. Since Nifty has retraced more than 76.4% of wave a. it seems that the elongated wave b might extend towards the minimum target of 7950 before witnessing another round of correction and unfolds into wave c.

Inter-market analysis

U.S Market: Gradual advance in Index since the start of the calendar year remains unabated and with each passing day U.S Market had been scaling fresh highs. However on the oscillator front presence of negative divergence raises concern for the bulls and it seems that the rally might be on the verge of losing steam. DJIA might face major resistance around 18450-18500 (projected retracement level of the entire fall during the period of February-March 2014.). However on the longer term perspective DJIA sustaining above the upward sloping trendline connecting the highs of 11908 and 14198 are a sign of a much larger strength and intermediate correction might be temporary in nature. A positive correlation exist in Nifty with that of the U.S. Market and hence global exposure is likely to take its toll in Indian market and result into corrective decline. Considering the lingering geo-political tension in Israel and the Ukraine is likely to have a negative repercussion.

Dollar Index: The currency seems to be on a base building mode took support from the 61.8% retracement level at 79.80 (considering the entire rally since May 2014 onward as the first leg of rally). Since then Dollar Index had been consolidating within a narrow range. On the oscillator front too the currency has turned positive. Further the downward sloping trendline since March 2013 seems to have been breached. Initially the currency could test the interim resistance of 81.50, further double bottom formation in weekly chart indicates that the currency could test its high of 84.96. To sum up, it seems a bullish setup might be in the making however a different picture seems to have been unfolding through Elliot wave analysis and indicates that upside might be limited. Due to divergent outlook in both the timeframe is likely to keep the market choppy. An inverse correlation exist between Dollar Index with that of the Indian market and Dollar

Index appreciating from present level might result in fund outflow from Indian market which in turn might drag the Index lower.

Nymex Crude: Previous month Nymex Crude remain exposed to geopolitical tension of Israel and further added feat with the recent gunned down of an aircraft in Ukraine. On technical parlance Nymex crude took support exactly from the 50% retracement of the entire rise since January 2014 onward and provided the necessary pullback in prices. Though fundamental analyst might reason it with a different connotation but the broader picture in the commodity still remains bullish and higher target of 120-125 can be seen in near future. A decisive close above the immediate resistance level of 110 would trigger significant upside. An inverse correlation exists between Indian equity market with crude oil prices and hence the commodity appreciating from present level might act negatively for Nifty.

10 Year Bond Yield India: In the previous month 10 year bond yield declined by almost 15 bps at 8.65 which though being above the comfort level for foreign investors but their participation has declined in the past few trading session. The yield has currently broken out of the flag formation which projects an upside target of 8.92% However the yield have faced resistance from 50% Fibonacci retracement of the fall from 9.13% to 8.49% resulting in a 'Shooting Star' formation with long upper shadow. Further decline in yield might led to depreciation in our domestic currency and the resulting effect could be fund outflow.

10 Year Bond Yield US: US 10 year bond yield had been declining during the month of July 2014 which might have a positive implication as foreign fund chase in high yield assets of emerging markets like India. On technical front the yield reacted to its critical resistance at 3.01% and immediate resistance is seen at 2.60% and failure to breach past the resistance level would further drag the yield lower. Further decline in yield might led to fund inflow in Indian equity market which in turn would strengthen the domestic currency and narrow down the trade deficit figure.

Indian Rupee: Indian Rupee continues to cling near its psychological level of 60, however the domestic currency took support from the rising trendline since 2011 onward and hence it can be expected that the currency is most likely to depreciate from present level and a decisive close past 61 on weekly basis would confirm near term strength in USDINR and could test the critical resistance level of 62.50-63.00. However with narrowing of the trade gap and various measures to curb the twin deficit might act positively in favor of USDINR. On technical parlance USDINR providing a decisive close below 59 might drag the currency further lower till the 50% retracement level (considering the entire rise since June 2011 onward) of 56.50-57. Indian rupee sustaining above the psychological level of 60 might act negatively to Indian equity market.

Summing it up

Positives:

1. Rising Channel formation in Nifty projects further upside till the level of 8000-8050.
2. Longer term picture continues to remain bullish due to the presence of Symmetrical Triangle formation in weekly chart since 2007 onward.
3. Range breakout projects upside potential till the level of 8100 in near term.
4. Bullish Piercing Line candle formation in weekly chart has a bullish implication for the market.
5. Projected retracement in Nifty indicates that the Index might extend till the level of 8100 in immediate term.
6. Further upside remains according to Elliot wave theory with minimum price target of 7950-8000.
7. Broader term trend in US market continues to remain positive as long as DJIA sustains above the upward sloping trendline at 16500.
8. Present setup in 10 year GOI bond yield projects upside potential till the level of 8.92% in near term.
9. 10 year U.S bond yield projects further downside and might test 1.94%

Negatives:

1. Volume in the market has decreased with advance decline ratio remained inclined towards the bears.
2. Divergent situation exist as midcap and small cap Index underperformed the Key benchmark Index.
3. Presence of negative divergence in weekly chart and buy crossover in daily chart indicates Nifty to remain choppy in the forthcoming month.
4. Index still remains stretched according to moving average and potential downside to the extent of 3% still remains.
5. Indian VIX has been taking support from its historical low level and sustaining above the support level would have a negative percussion in Indian equity market.
6. Double bottom formation in Dollar Index might trigger correction in domestic equity market.
7. Decisive close above 110 in Nymex crude would trigger significant upside and in turn would negatively impact Indian market.
8. Present setup in Indian rupee indicates that the domestic currency might test the critical resistance level of 62-62.50 in immediate term.

To sum up Nifty during the month remained lined up with a slew of events with the presentation of the Railway budget, Union budget and the kick start of the result season. Key benchmark Index witnessed profit booking activity at higher levels during the initial part of the month due to not so reformist rail budget and renewed fiscal concern in Europe as one of the Portugal's largest bank Espirito de Santo reported of Bond default. However at the latter half of the month market rejoiced and recouped the entire losses as the first budget by Modi led NDA government lived up to the pre budget expectation and lead the roadmap to spur growth in the economy. Finance Minister Mr. Arun Jaitley's commitment of reducing the fiscal deficit to 4.1% of GDP for the current fiscal was well taken by the investors as lower target of 4.1% will lead to lower inflation, stronger domestic currency, lower debt burden and improve sovereign rating. Further the budget refrained from populism and led the growth path by relaxing the cap in FDI in Defence and Insurance and simultaneously announcing plans to revive growth that included highways, airports, ports, power plants etc. The overall budget was aimed at achieving long term growth but not by reducing spending but by reducing expenditure.

On the global front risk contagion from Banco Espirito Santo shifted focus from Iraq for the time being however considering the fact that for the past two years ECB had been apt in handling such crisis the present debt inflection seems minuscule. Shifting focus from Europe to Asia the world's second largest economy China reported GDP higher than expectation at 7.5% brought the bulls back into action. However geopolitical tension resurfaced after the recent shot down of the flight of Malaysian Airlines. The ongoing tussle between Russia and Ukraine raises further concern of rise in crude oil prices and in turn might act negatively to Indian equity market. Coming back to the domestic front impressive economic data and partial recovery in monsoon deficit continue to boost investor's sentiment and continued to maintain confidence amongst institutional investors. During the month CPI eased to 7.31% against 8.28% previously followed by improvement in IIP numbers to 4.7% from 3.4% however trade deficit widened to $ 11.76 billion from $ 11.23 billion due to surge in gold import. India has been the only emerging economy to escape the cut from IMF's update on world economic growth and retained its growth forecast at 5.4% in 2015 and a much stronger growth of 6.4% next year. Going ahead in the forthcoming month Indian equity market might be vulnerable to global cues. On the technical front Nifty continued to gradually inched higher to scale fresh high and ended the month with a gain of 2.92% (till 25th July, 2014). On the weekly chart Nifty formed a bullish piercing line candle and further reinstated that investors continue to remain bullish in Indian market and had been awaiting cool-off action to enter long though negative divergence in weekly chart calls for cautious approach at such high level. Euphoric rally since the start of the calendar year also distanced way from its average and potential downside to an extent of 3% remains. Further rising channel formation in daily chart reinstates that the Index might face resistance from it upward panel of the channel. However since Nifty had breached past the previous swing high of 7808 signals an end of consolidation phase and indicate of resumption of upward momentum. The rally post the breakout projects upside towards 8100-8150. Hence in the forthcoming month Nifty is likely to maintain its existing uptrend, near term resistance now lies around 7850 followed by 8000 while support lies at 7730 and below that 7580 might be a possibility.

Market Diary

BEST PERFORMERS FOR THE MONTH (CNX 100)

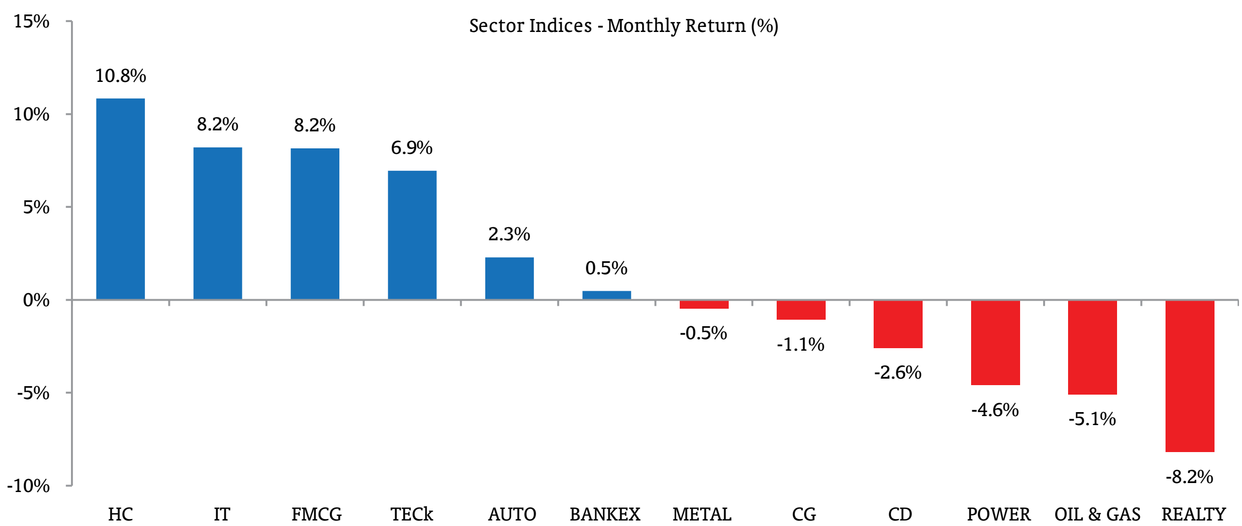
Sl No.	Co. Name	Cl. Price 25.06.2014	Cl. Price 25.07.2014	Var (%)
1	RANBAXY	469.00	585.00	24.7%
2	SUNPHARMA	632.80	782.75	23.7%
3	IDFC	128.30	154.70	20.6%
4	BHARATFORG	588.55	693.00	17.7%
5	HINDALCO	166.70	191.25	14.7%
6	ITC	316.05	357.90	13.2%
7	ADANIPORTS	237.15	268.10	13.1%
8	TCS	2310.55	2610.00	13.0%
9	IDEA	133.25	149.30	12.0%
10	CONCOR	1174.15	1310.00	11.6%
11	HCLTECH	1418.90	1580.00	11.4%
12	EXIDEIND	143.90	160.20	11.3%
13	BOSCHLTD	11969.95	13257.60	10.8%
14	DRREDDY	2478.25	2738.00	10.5%
15	DIVISLAB	1351.90	1490.50	10.3%
16	LUPIN	1023.80	1128.00	10.2%
17	GLENMARK	584.00	636.70	9.0%
18	ASIANPAINT	586.50	638.00	8.8%
19	OFSS	2961.75	3220.00	8.7%
20	TECHM	2018.20	2179.05	8.0%

(Source: BSE)

WORST PERFORMERS FOR THE MONTH (CNX 100)

Sl No.	Co. Name	Cl. Price 25.06.2014	Cl. Price 25.07.2014	Var (%)
1	PFC	322.70	262.50	-18.7%
2	RECLTD	368.30	305.75	-17.0%
3	CAIRN	369.35	308.20	-16.6%
4	UNIONBANK	229.20	191.70	-16.4%
5	JINDALSTEL	330.10	282.15	-14.5%
6	M&MFIN	279.00	238.95	-14.4%
7	RPOWER	105.80	90.65	-14.3%
8	RCOM	151.45	132.75	-12.3%
9	CANBK	444.80	394.75	-11.3%
10	FEDERALBNK	131.70	118.35	-10.1%
11	TATAGLOBAL	169.50	152.90	-9.8%
12	LICHSGFIN	326.40	294.50	-9.8%
13	ULTRACEMCO	2724.50	2467.05	-9.4%
14	MCDOWELL-N	2642.30	2398.00	-9.2%
15	BHEL	249.85	227.00	-9.1%
16	RELCAPITAL	641.80	587.55	-8.5%
17	ONGC	436.85	399.95	-8.4%
18	GAIL	467.50	429.10	-8.2%
19	HINDPETRO	416.30	382.60	-8.1%
20	ADANIENT	462.60	426.00	-7.9%

Indices Performance 25.06.2014 –25.07.2014



Source: BSE

Commodities - Monthly Round up

"The privilege of a lifetime is being who you are"

Joseph Campbel

Natural Gas

During the last week of July, natural gas was trading near 8 months low at NYMEX as weather forecasters predicted that the weather across the US will be on the milder side. Natural gas prices have been under heavy selling pressure in recent sessions after updated weather-forecasting models called for cooler temperatures across most parts of the heavily-populated Midwest and Northeast regions over the next ten days. Demand for natural gas tends to fluctuate during the summer based on hot weather and air conditioning use. Even huge build up of the gas in storage facilities across US is providing supply side bearish push into the market. Total U.S. natural gas storage stood at 2.129 trillion cubic feet as of last week of July, narrowing the deficit to the five-year average of 25.5%, down from a record 54.7% at the end of March. Injections of gas into storage have surpassed the five-year average for 13 consecutive weeks.

After the sharp rise in US natural gas prices during the colder than normal winter of 2013-2014, the prices have been falling sharply since early June 2014. They hit a high spike of over $6/mmbtu in mid-February 2014. Even as late as June they were $4.75/mmbtu. However, they have since fallen dramatically to approximately $3.75/mmbtu. The current prediction is for an El Nino year this coming winter (2014-2015). We will have to wait to see how severe that turns out to be; but some think it will lead to severe changes in weather. This could cause more natural gas use for heating. We will have to wait until later this year for the forecasts to become more definite.

Technical Analysis

Weekly Chart: Natural Gas (NYMEX Continous)

In the weekly chart of NYMEX natural gas continuous contract, from the low of 2012 March if we draw a trend line we can have a significant support line for the entire up move of the market. And on the last week of July market breached it first time since its origination which can be considered as end of bull move or contrary a start of a probable bearish move. Weekly stochastic oscillator is already hugely oversold but that's didn't warrant any up move. But if that up move happens that going to be a violent one because it will trigger short covering rally in a rapid pace. Technically that probable rally may face strong resistance at $4.050 which is again near that previous trend line area. Technically it should be a relief rally in this bearish market. Another option for the market is of course the continuation of this ongoing bearish trend where support can be noted near $3.380 level and then the solid support at $3.100 level. Another reason for expecting a rebound is, the market is at $3.800 zone which is again near one of its swing high. We are not advising to go long in the market with the help of weekly chart but to wait for a rebound to short the market from $4.050 area. Two long terms weekly SMAs, 100 and 200 are now converging near $4.100 area which is very near to our targeted zones of $4.050.

MCX Natural gas weekly chart is showing a big Head & Shoulder formation whose neckline was at 258 level. Market comfortably takes that neckline out and currently at 227 level. The ultimate target for the Head & shoulder formation is at 196 level. We are not advocating short at this level as the market is way below the neckline but it will better to wait for any decent relief rally after which we can trigger our short position. Currently we are targeting the 249-254 level to short the market and place the stop at 265. For deriving the stop loss order we took the help of Fibonacci lines and the 265 mark is just above the 61.8% retracement line which we draw from the high of 288.70 to the latest low near 227. The target for this short trade is around 201. Long term support is around 195 guarded by 200 Weeks SMA and also near to our target of 201. Weekly RSI is below 50 level, confirming our bearish view on the gas.

Weekly Chart: Natural Gas Continuous MCX

ALUMINIUM

Aluminium scored a strong rally on the month of July with a price hitting 17 months high at LME. The price of the metal is boosted by falling warehouse stocks and also by the renewed interest from the investors' community in the wake of US economic expansions. Persistent low prices for aluminium, used in everything from aeroplane bodies to beverage cans, have forced producers to shut smelters over the past 18 months. But, after reaching a low of $1,677 a tonne in February, the LME three-month price for the light metal has soared, to $2,055 a tonne on Tuesday. For the year to date, the price has gained 14 per cent. Warehouse stocks have fallen 10 per cent this year, to two-year lows, but are still huge, at 4.94m tonnes. The extent of the contango – where the price of aluminium for future delivery exceeds cash prices – has also fallen to an 18-month low, making the financing of the metal less attractive. Traders say that some of the metal leaving LME warehouses had been flowing into off-exchange sheds, where storage costs are lower, and which already hold as much as 5m tonnes of metal.

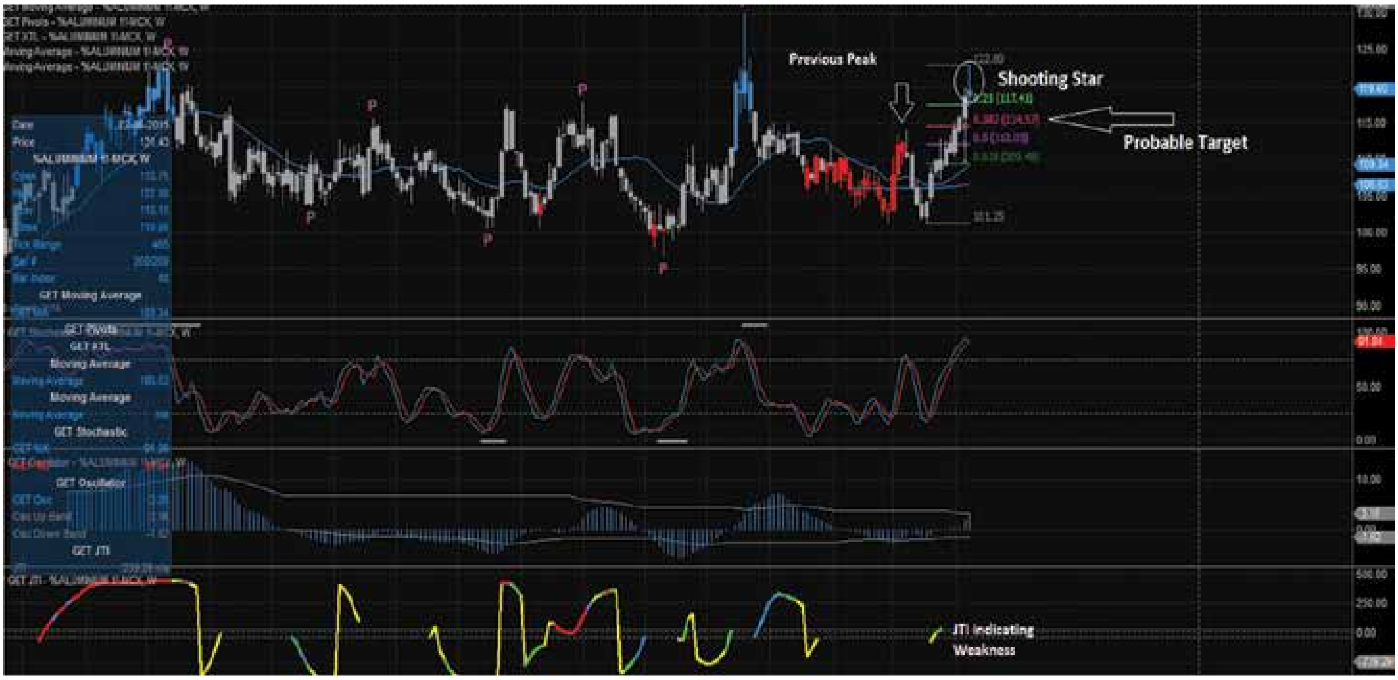
Norsk Hydro, a major aluminium producer, said that low prices had encouraged companies to shut up to 5m tonnes of aluminium capacity over the past few years. Only 1m tonnes of that capacity can be easily restarted, according to the CEO. He said the global aluminium market was in its best shape since the financial crisis. This makes market tighter and a global automobile boom after 2008 crisis is making things more bullish for the metal.

Technical Analysis

In MCX weekly chart, Aluminium made a shooting star which indicates the lack of buyers at the top near the 122-123 range and also works as an early warning sign that the recent rally may fizzle out. We are not turning outright bearish at the moment but certainly this formation may provide some clue where we can short the market for some profit. Now if the market takes out the low of the Shooting Start which is at 118.15, technically we can short the market and of course the stop should be some points above the high of that Shooting star which is at 122.80. If we draw the Fibonacci Lines from the high of 122.80 to the low of 101.25, 38.2% retracement level is at 114.60 which can be considered as the first objective of our short call which is also coinciding with a previous reactionary peak. If the market is in long term bullishness then it should not break below 109.80 which is again at the 61.8% retracement level. Even the support 109.80, is lying at 20 weeks EMA which is giving more importance to the number. So at present we are going to play short in the aluminium market.

Now if our above assumption nullified and the market move with its original trend then first of all our stop loss will be triggered and it will also going to indicate that we are in a solid long term bull market where any correction will be treated as buying opportunity. In other words we can say that if we stopped out by the market then reverse the position and then place the new stop around 117.The target of this reversed the long trade will be 129 and then 132.

Weekly Chart: Aluminium Continuous, MCX



EURO/DOLLAR

The U.S. dollar hit an eight-month high against the Euro on 24th July on German business sentiment heightened concerns that geopolitical tensions were weighing on the Euro zone economy. Germany's Ifo business climate index, based on a monthly survey of some 7,000 firms, fell to 108.0 in July, marking a third consecutive monthly decline and missing estimates of 109.4. And this wide divergence with US economic data which is showing continuous improvement in US economy is taking a toll on the pair. U.S. weekly jobless claims hit their lowest level since 2006 on July bolstered views of an improving U.S. labor market. Earlier last month, data showed a surge in U.S. nonfarm payrolls growth in June. German business sentiment underscored the impact of tensions surrounding Russia and Ukraine on Germany, Europe's biggest economy. The potential impact of hard-hitting sanctions against Russia likely to hurt business confidence.

Technical Analysis

The weekly chart is showing some break down from its consolidating action which itself a first major bearish development for the market. We are advocating short for the pair below 1.3420 and the target will be 1.3240 the stop loss for this short recommendation should be at 1.3545. The target area is near 200weeks EMA which can be considered as good support for the market. And if we get one weekly closing below 200 weekly EMA, it will prove a real catastrophe for the pair and we will not be surprised if we get it around 1.2750 levels. Bullishness is nowhere in the market so traders should not be at long side.

Weekly Chart: Eur/USD Spot

World Economic Event Calender – August 2014

Monday	Tuesday	Wednesday	Thursday	Friday
				1
				US: Change in Nonfarm Payrolls US: ISM Manufacturing US: Univ. of Michigan Confidence JN: Markit/JMMA Japan Manufacturing PMI CH: HSBC China Manufacturing PMI
4	5	6	7	8
UK: Halifax House Prices MoM UK: Markit/CIPS UK Construction PMI UK: Halifax House Price 3Mths/Year EC: PPI MoM	IN: RBI Repurchase Rate US: Factory Orders EC: Markit Eurozone Composite PMI EC: Retail Sales MoM US: ISM Non-Manf. Composite	US: MBA Mortgage Applications UK: Industrial Production MoM US: Trade Balance JN: Leading Index CI EC: Markit Eurozone Retail PMI	UK: Bank of England Bank Rate US: Initial Jobless Claims EC: ECB Main Refinancing Rate EC: ECB Deposit Facility Rate US: Bloomberg Consumer Comfort	JN: BoP Current Account Balance US: Wholesale Inventories MoM IN: Exports YoY CH: Trade Balance JN: Trade Balance BoP Basis
11	12	13	14	15
JN: Tertiary Industry Index MoM JN: Machine Tool Orders YoY	JN: Industrial Production MoM IN: Industrial Production YoY JN: PPI YoY US: Monthly Budget Statement EC: ZEW Survey Expectations	JN: GDP SA QoQ UK: Jobless Claims Change US: MBA Mortgage Applications US: Retail Sales Advance MoM UK: Claimant Count Rate	US: Initial Jobless Claims EC: CPI YoY JN: Machine Orders MoM EC: GDP SA QoQ US: Import Price Index MoM	UK: GDP QoQ US: Univ. of Michigan Confidence US: Industrial Production MoM US: Empire Manufacturing US: Net Long-term TIC Flows
18	19	20	21	22
UK: Rightmove House Prices YoY US: Chicago Fed Nat Activity Index	US: CPI MoM US: Existing Home Sales JN: All Industry Activity Index MoM US: Richmond Fed Manufact. Index UK: PSNB ex Interventions	US: MBA Mortgage Applications JN: All Industry Activity Index MoM JN: Trade Balance	US: Initial Jobless Claims JN: Markit/JMMA Japan Manufacturing PMI CH: HSBC China Manufacturing PMI EC: Markit Eurozone Manufacturing PMI US: Markit US Manufacturing PMI	
25	26	27	28	29
UK: Nationwide House PX MoM US: New Home Sales US: Markit US Composite PMI US: Dallas Fed Manf. Activity US: Chicago Fed Nat Activity Index	US: Consumer Confidence Index US: Durable Goods Orders US: Richmond Fed Manufact. Index	US: MBA Mortgage Applications	US: Initial Jobless Claims US: GDP Annualized QoQ EC: Consumer Confidence US: Pending Home Sales MoM US: Personal Consumption	JN: Industrial Production MoM JN: Jobless Rate US: Univ. of Michigan Confidence US: Personal Income EC: CPI Estimate YoY

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

Group Companies

Ashika Credit Capital Ltd.
(RBI Registered NBFC)
CIN No. L67120WB1994PLC062159

Ashika Global Securities Ltd.
(Formerly Known As Ashika Global Securities Ltd.)
(RBI Registered NBFC)
CIN No. U65929WB1995PLC069046

Ashika Capital Ltd.
(SEBI Authorised Merchant Banker)
CIN No. U30009WB2000PLC091674

Ashika Stock Broking Ltd.
(Member : NSE, BSE, MCX-SX, Depository participant of CDSL / NDSL)
CIN No. U65921MH1994PLC171897

Ashika Commodities & Derivatives Pvt. Ltd.
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