INSIGHT

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March, 2015

BUDGET 2015-16

Multi Commodity Exchange of India Ltd.

Bharat Earth Movers Ltd.

Rolta India Ltd.

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Stock Picks

Valuation at a Glance

Q3FY15 Report Card

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Budget Review

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Commodity Monthly Round-up

World Economic Event Calender

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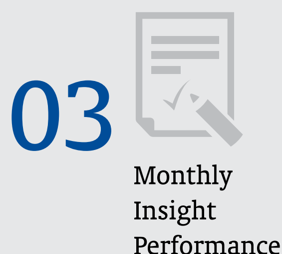
03  Monthly Insight Performance

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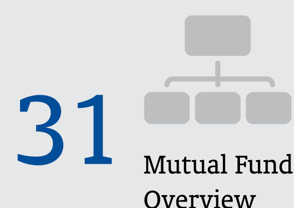
31  Mutual Fund Overview

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Market Overview

Union Budget 2015-16 presented by our finance minister, Mr Arun Jately keeping broad themes in his mind which has been articulated in his budget speech, presented as below:

A. Measures to curb black money;

B. Job creation through revival of growth and investment and promotion of domestic manufacturing and 'Make in India';

C. Minimum government and maximum governance to improve the ease of doing business;

D. Benefits to middle class taxpayers;

E. Improving the quality of life and public health through Swachch Bharat initiatives; and

F. Stand alone proposals to maximise benefits to the economy.

This budget have been well articulated in a sense that on one side they have taken care of the social programme's and upliftment of the middle & the lower strata of the society like the expanded insurance net, swatch bharat cess, additional surcharge on the super-rich etc., and on the other side they tried to balance it by incentivizing the corporate by laying a road map of reducing corporate tax from 30% to 25% in four years starting FY-2017 (but tax exemptions and incentives to the industry will be withdrawn), centre's spend on infrastructure, doing away with inverted duty structure etc. The budget has also talked about the controversial GAAR issue and has been postponed for another two years. Further, it has also been decided that when implemented, GAAR would apply prospectively to investments made on or after 01.04.2017 and also the clarity with regards to FIIs functioning from India will not be treated as a "permanent establishment' working from India "With a view to facilitate relocation of fund managers of offshore funds in India, it is proposed to modify the permanent establishment (PE) norms". Though the fiscal consolidation plan has been extended by one year more.

The budget has been quite interesting in touching upon certain issues like the curbing of the black money, amendment of Section 6 of FEMA to control capital gains. A new comprehensive Benami Transactions (Prohibition) Bill will be introduced in the current session of the Parliament. This law will enable confiscation of benami property and provide for prosecution, thus blocking a major avenue for generation and holding of black money in the form of benami property, especially in real estate. It has taken a step further by introducing a few other measures as proposed in the Budget for curbing black money within the country. The Finance Bill includes a proposal to amend the Income-tax Act to prohibit acceptance or payment of an advance of Rs.20,000

or more in cash for purchase of immovable property. Quoting of PAN is being made mandatory for any purchase or sale exceeding the value of Rs.1 lakh. The third party reporting entities would be required to furnish information about foreign currency sales and cross border transactions. Provision is also being made to tackle splitting of reportable transactions. To improve enforcement, CBDT and CBEC will leverage technology and have access to information in each other's database. The budget also laid down the intent to facilitate more of the usage of debit/credit cards and less usage of cash.

Also other important announcements are FPI & FDI being merged into one, FMC being merged with SEBI, new gold loan monetization scheme, FII can invest in AIFs (Alternative Investment Funds), NBFCs with size of over Rs 500 crore will get access to SARFAESI, increased central spend on infrastructure by Rs 70,000 crores, which were key positives for select sectors and stocks.

Tha budget has taken a positive step for the REIT's by proposing to rationalize the capital gains regime for the sponsors exiting at the time of listing of the units of REITs and InvITs, subject to payment of Securities Transaction Tax (STT). The rental income of REITs from their own assets will have pass through facility. Budget has also abolished the Wealth Tax and rather introduced an additional 2% surcharge on super-rich with a taxable income of over Rs 1 Crore. It has also given its affirmation of introduction of GST by April'2017. To facilitate a smooth transition to levy of tax on services by both the Centre and the States, it proposed to increase the present rate of service tax plus education cesses from 12.36% to a consolidated rate of 14%. And also the budget has tweaked on the inverted duty structure in many of the sectors.

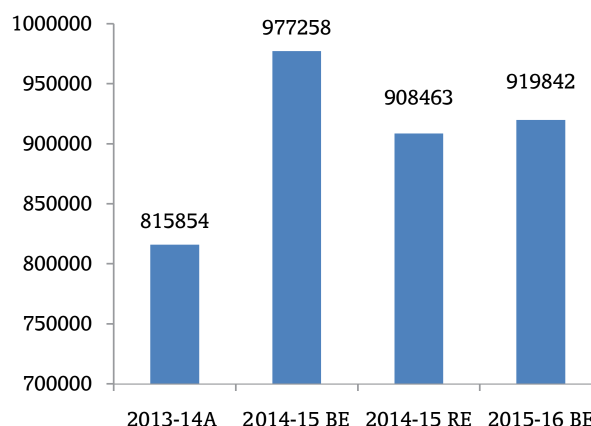
Overall it was a budget with some wisely thought out plans, proposals and policies and at the same time it managed to meet the expectations of the market. Overall the budget did not put up any negative shockers which might have disappointed the otherwise optimistic market which is scaling newer highs intermittently on great hopes from this government. For the markets, after the initial bout of volatility, market finally chose to bounce back and give a positive closing. The biggest gainer was the banking sector and major contribution to Nifty gain came from this sector alone. Finance Minister Arun Jaitley's proposal to simplify the procedures for local companies to attract foreign investments is likely to favour select private sector lenders who will now be able to raise additional money from foreign institutional investors (FIIs).

"To further simplify the procedures for Indian companies to attract foreign investments, I propose to do away with the distinction between different types of foreign investments, especially between foreign portfolio investment and foreign direct investments, and replace them with composite caps. The sectors which are already on a 100% automatic route would not be affected," Mr Jaitley said while presenting the Union Budget for 2015-16.

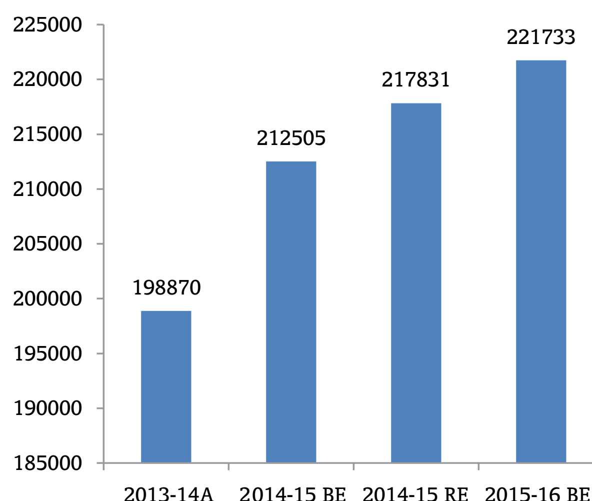
As per current rules, foreign shareholding in private sector banks is capped at 74% of the paid-up voting equity capital. Within this limit, FII shareholding is capped at 49%. The proposed composite cap for foreign investment by the finance minister will now allow FIIs to have up to 74% stake in private sector banks as per industry experts and this has led to a spark in the private sector banking stocks.

In a major announcement Mr Jaitley also showed an intention to formally codify the proposed inflation-targeting regime which will require amending the Reserve Bank of India (RBI) Act. The aim, he said, was to keep inflation stable. This is seen as a major step, as a formal inflation-targeting regime requiring a buy-in from the government will reduce pressure and interference from the government in the central bank's stance and monetary policy direction.

Tax Revenues (in Rs cr)



Non-Tax Revenues (in Rs cr)



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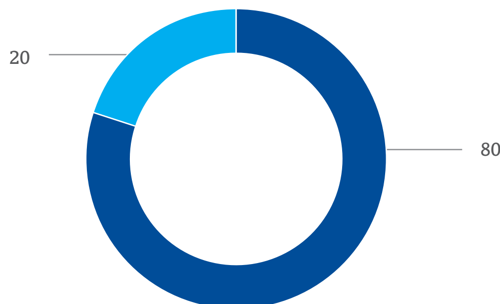
Monthly Insight Performance

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 January 2012 we have recommended 148 stocks out of which 119 has achieved target. Hit Ratio stands at 80%. Out of these 64 stocks have given a return of more than 100%. During this period the Nifty has given a return of 69% and a return of 73% from its peak.

The stocks recommended by us such as Cera Sanitaryware, Aurobindo Pharma, Symphony, Shree cement, MRF, Pidilite Ind, Kaveri Seeds, Havels India, Gujarat Gas, Lupin, Sharda Motor , Torrent Pharma, Maruti Suzuki, PI Industries, Britannia, Wim Plast, Dabur, VA Tech Wabag, Berger Paints, Axiscades Engg, Adani Ports, Indusind Bank, Srikalahasti Pipes (Lanco Ind.), Hexaware Ltd., Relaxo Footwears, L&T, Zydus Wellness, Tatamotor - DVR, Prism Cement, MRF Ltd., Glenmark Pharma, UPL, Castrol India, Pidilite, Emami Ltd, Pidilite Ind., Info Edge (India), Bharti InfraTel, Maruti Suzuki, Finolex Ind., Dr Reddy, Indian Bank, HPCL, Berger Paints India, Cummins India, Tech M, Can Fin Homes, LIC Housing Fin, Zensar Tech, Godrej Consumer, Zydus Wellness Ltd , Indusind Bank Ltd, Escorts, Bajaj Finserv, Bajaj Finserv , Motherson Sumi, Multibase India, Axis Bank Ltd., Tata Motors Ltd. , AIA Engineering, Zee Entertainment, V-Guard Ind., IPCA Lab and Magma Fincorp have generated exceptional returns (more than 100% returns) for our investors. A few of them have generated returns in excess 200% 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.

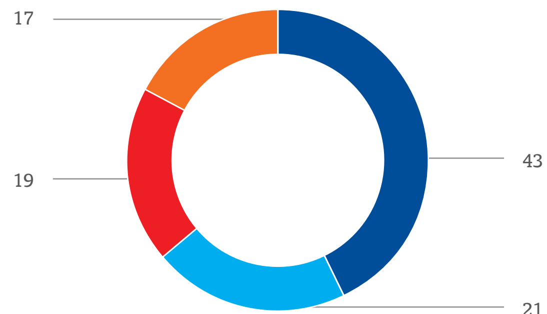
Success Rate (%)



Calls Open
Target Achieved

Total Call: 148

Return Classification (%)



More than 100% Return (64 Stocks)
80-40% Return (31 Stocks)
40-20% Return 19% (28 Stocks)
Less Than 25% Return 17% (25 Stocks)

Recommended Stocks

Time Period	Script	Sector	Reco Price	Target Price	Target Return	High after Reco	Return from High	CMP (as on 25/02/2015)	Status
Feb-15	SML Isuzu	Auto	979	1222	24.8%	1142.0	16.6%	1046.5	
	HBL Power	Battery	34.9	55	57.6%	60.0	71.9%	53.5	Target Achieved
	Mangalam Cement	Cement	321	432	34.6%	324.5	1.1%	271.9	
	Amrutanjan Health	Pharma	449	650	44.8%	494.8	10.2%	467.8	
Jan-15	Torrent Pharm	Pharma	1096	1338	22.1%	1223.0	11.6%	1103.2	
	Emami	FMCG	783	924	18.0%	1045.9	33.6%	986.7	Target Achieved
	Dewan Housing	Finance	397	480	20.9%	518.8	30.7%	490.0	Target Achieved
	KPIT Tech	IT	200	263	31.5%	232.4	16.2%	208.9	

Time Period	Script	Sector	Reco Price	Target Price	Target Return	High after Reco	Return from High	CMP (as on 25/02/2015)	Status
Dec-14	Bajaj Corp	Personal Products	327	385	17.7%	486.0	48.6%	438.3	Target Achieved
	Alstom India	Electrical Equipment	586	725	23.7%	772.0	31.7%	676.0	Target Achieved
	Transport Corp	Transportation	284	354	24.6%	290.5	2.3%	249.1	
	Multibase India	Rubber Products	164	300	82.9%	342.5	108.8%	286.5	Target Achieved
	Albert David	Pharma	256	363	41.8%	328.8	28.4%	239.1	
Nov-14	ONGC	Oil & Gas	395	516	30.6%	412.5	4.4%	317.2	
	Cadila Helthcare	Pharma	1384	1600	15.6%	1760.2	27.2%	1542.8	Target Achieved
	Karur Vysys	Banks	541	700	29.4%	617.0	14.0%	580.3	
	JK Lakshmi Cement	Cement	348	396	13.8%	429.9	23.5%	355.5	Target Achieved
Diwali Pick	Ashok Leyland	Auto	44	65	46.2%	71.2	60.1%	67.0	Target Achieved
	Karur Vysys	Banks	540	700	29.6%	617.0	14.3%	580.3	
	SKS Microfinance	Finance	317	412	30.0%	475.8	50.1%	417.3	Target Achieved
	NOCIL	Chemical	43	60	38.4%	49.4	14.0%	35.4	
Oct-14	Kesoram Industries	Diversified	117	176	50.4%	145.5	24.4%	120.9	
	Akzo Nobel	Paints & Chemical	1240	1460	17.7%	1551.0	25.1%	1467.8	Target Achieved
	IFB Industries	Household Appliances	295	380	28.8%	534.0	81.0%	494.6	Target Achieved
	Munjal Auto	Auto Parts	102	155	52.0%	134.0	31.4%	86.6	
Sep-14	Tata Motors	Auto	527	598	13.5%	612.4	16.2%	568.2	Target Achieved
	Timken India	Industrial Products	447	545	21.9%	575.0	28.6%	540.6	Target Achieved
	KEC International	Heavy Electrical Equipment	102	130	27.5%	120.7	18.3%	84.8	
	Indoco Remedies	Pharma	256	327	27.7%	344.8	34.7%	292.5	Target Achieved
	Ingersoll-Rand	Industrial Products	649	785	21.0%	1049.0	61.6%	992.5	Target Achieved
Aug-14	Bodal Chemicals	Chemical	60	94	56.7%	76.3	27.2%	39.2	
	Som Distilleries	Breweries & Distilleries	211	269	27.5%	246.0	16.6%	198.4	
	Sharda Motor	Auto Parts	391	536	37.1%	1150.3	194.2%	1101.3	Target Achieved
	Axiscades Engg	IT	106	138	30.2%	278.9	163.1%	244.9	Target Achieved
	Visaka Industries	Cement Products	119	173	45.4%	144.0	21.0%	112.9	
	Deccan Cements	Cement	270	408	51.1%	491.0	81.9%	341.0	Target Achieved
	Gulshan Polyols	Chemical	177	274	54.8%	323.5	82.8%	293.4	Target Achieved
Jul-14	Mahindra Lifespace	Real Estate	560	710	26.8%	664.4	18.6%	531.5	
	V-Guard Ind.	Industrial Products	593	746	25.8%	1198.0	102.0%	963.1	Target Achieved
	Astra Microwaves	Defence	142	186	31.0%	165.8	16.8%	149.3	
	Himatsingka Seide	Textile	74	95	28.4%	106.0	43.2%	83.1	Target Achieved
	Mangalam Cement	Cement	221	285	29.0%	351.0	58.8%	271.9	Target Achieved
Jun-14	Coal India	Coal	392	500	27.6%	423.7	8.1%	386.6	
	Container Corporation	Logistics	1180	1500	27.1%	1650.0	39.8%	1575.0	Target Achieved
	Balmer Lawrie	Logistics	473	700	48.0%	681.4	44.1%	576.9	
	Can Fin Homes	Housing Finance	305	450	47.5%	664.2	117.8%	606.5	Target Achieved
	Srikalahasti Pipes (Lanco Ind.)	Iron & Steel Products	46	70	52.2%	118.4	157.3%	132.7	Target Achieved
May-14	Bank of Baroda	Banking	164.4	201.6	22.6%	228.9	39.2%	177.2	Target Achieved
	AIA Engineering	Industrial Products	606	726	19.8%	1238.0	104.3%	1093.8	Target Achieved
	MOIL Ltd.	Metals & Mining	255	341	33.7%	341.7	34.0%	284.8	Target Achieved
	Wim Plast	Plastic Products	620	800	29.0%	1720.0	177.4%	1546.0	Target Achieved

Time Period	Script	Sector	Reco Price	Target Price	Target Return	High after Reco	Return from High	CMP (as on 25/02/2015)	Status
Apr-14	Engineers India	Engg. & Const.	224	270	20.5%	331.7	48.1%	209.2	Target Achieved
	Gujarat Gas	Gas	263	305	16.0%	812.0	208.7%	594.3	Target Achieved
	City Union Bank	Banking	52.8	69	30.7%	101.4	92.0%	98.1	Target Achieved
	Relaxo Footwears	Footwear	297	390	31.3%	749.8	152.5%	650.1	Target Achieved
Mar-14	Motherson Sumi	Auto Ancillary	232	285	22.8%	487.8	110.3%	454.0	Target Achieved
	PI Industries	Agrichem	252	315	25.0%	712.0	182.5%	630.0	Target Achieved
	VA Tech Wabag	Water Treatment	645	765	18.6%	1748.0	171.0%	1700.2	Target Achieved
Feb-14	Bharti InfraTel	Telecom - Infra	171	213	24.6%	387.0	126.3%	372.3	Target Achieved
	UPL	Fertilizer	187	251	34.2%	447.8	139.4%	411.3	Target Achieved
	Finolex Ind.	Pipes	155	185	19.4%	347.7	124.3%	280.4	Target Achieved
Jan-14	NIIT Tech	IT	355	500	40.8%	487.0	37.2%	410.0	
	Zensar Tech	IT	349	500	43.3%	754.0	116.0%	702.8	Target Achieved
	Bajaj Finserv	Banking	726	850	17.1%	1546.1	113.0%	1431.3	Target Achieved
	FDC Ltd.	Pharma	130	170	30.8%	174.4	34.2%	156.5	Target Achieved
Dec-13	MRF Ltd.	Tyre	17350	19430	12.0%	41782.0	140.8%	40912.3	Target Achieved
	Info Edge (India)	Web Services	446	550	23.3%	1015.0	127.6%	803.2	Target Achieved
	Indian Bank	Banking	101	120	18.8%	224.3	122.0%	188.1	Target Achieved
	Symphony	Consumer Durable	405	500	23.5%	2384.0	488.6%	2183.0	Target Achieved
Nov-13	Pidilite Ind.	Paints & Chemical	266	350	31.6%	607.0	128.2%	552.5	Target Achieved
	Aurobindo Pharma	Pharma	216	297	37.5%	1273.3	489.5%	1013.7	Target Achieved
	Kaveri Seeds	Agri Products	305	580	90.4%	1025.0	236.5%	939.3	Target Achieved
	Speciality Restaurant	Restaurants	124	198	59.7%	215.1	73.5%	180.3	Target Achieved
Oct-13	Britannia	FMCG	759	845	11.3%	2117.0	178.9%	2069.4	Target Achieved
	Glenmark Pharma	Pharma	520	610	17.3%	841.0	61.7%	790.2	Target Achieved
	Ultratech Cement	Cement	1808	2045	13.1%	3199.9	77.0%	3042.9	Target Achieved
Sep-13	L&T	Engg. & Const.	705	810	14.9%	1776.6	152.0%	1697.9	Target Achieved
	Tech M	IT	1375	1495	8.7%	2995.1	117.8%	2762.6	Target Achieved
	Indusind Bank	Banking & Finance	344	470	36.6%	889.8	158.7%	858.6	Target Achieved
	Escorts	Auto	82	108	32.5%	174.3	113.8%	135.9	Target Achieved
Aug-13	Hexaware Ltd.	IT	107	130	21.5%	275.0	157.0%	266.8	Target Achieved
	Godrej Consumer	FMCG	815	950	16.6%	1203.9	47.7%	1126.9	Target Achieved
	Torrent Pharma	Pharma	421	475	12.8%	1223.0	190.5%	1103.2	Target Achieved
Jul-13	TCS Ltd	IT	1460	1640	12.3%	2839.7	94.5%	2672.2	Target Achieved
	Dabur India	FMCG	150	170	13.3%	276.9	84.6%	264.4	Target Achieved
	Rallis India	Chemical	130	148	13.8%	254.8	96.0%	242.1	Target Achieved
Jun-13	Hero MotoCorp	Auto	1736	2020	16.4%	3270.0	88.4%	2624.6	Target Achieved
	Divis Lab	Pharma	977	1120	14.6%	1888.1	93.2%	1745.8	Target Achieved
	Corporation Bank	Banking & Finance	77	92	19.8%	86.0	12.0%	62.5	
May-13	Maruti Suzuki	Auto	1673	1920	14.8%	3758.5	124.7%	3579.9	Target Achieved
	Dr. Reddy Lab	Pharma	1991	2280	14.5%	3666.3	84.1%	3279.4	Target Achieved
	BPCL	Oil & Gas	405	460	13.6%	785.0	93.8%	751.9	Target Achieved
	ING Vysya Bank	Banking & Finance	602	740	22.9%	1008.7	67.6%	944.2	Target Achieved
Apr-13	L&T	Engg. & Const.	1366	1830	34.0%	1776.6	30.1%	1697.9	
	Pidilite	Chemical	264	300	13.6%	607.0	129.9%	552.5	Target Achieved
	Godrej Consumer	FMCG	778	910	17.0%	1203.9	54.7%	1126.9	Target Achieved
Mar-13	ITC	FMCG	291	352	21.0%	402.0	38.1%	399.7	Target Achieved
	Berger Paints	Chemical	95	116	21.6%	252.7	166.0%	222.5	Target Achieved
	LIC Housing Fin	Banking & Finance	232	284	22.4%	504.9	117.6%	482.3	Target Achieved
	Zee Entertainment	Media & Ent.	215	265	23.3%	402.4	87.2%	348.6	Target Achieved

Time Period	Script	Sector	Reco Price	Target Price	Target Return	High after Reco	Return from High	CMP (as on 25/02/2015)	Status
Feb-13	Axis Bank Ltd.	Banking & Finance	301	397.8	32.2%	625.6	107.8%	553.0	Target Achieved
	Tata Motors Ltd.	Auto	298	379	27.2%	612.4	105.5%	568.2	Target Achieved
	Cairn India Ltd.	Oil & Gas	324	410	26.5%	386.0	19.1%	244.6	
	Petronet LNG Ltd.	Oil & Gas	152	200	31.6%	221.9	46.0%	176.8	Target Achieved
Jan-13	Adani Ports	Others	135	180	33.3%	352.8	161.3%	328.2	Target Achieved
	J & K Bank	Banking & Finance	130.3	167	28.2%	195.5	50.0%	106.6	Target Achieved
Dec-12	Zee Entertainment	Media & Ent	198	235	18.7%	402.4	103.2%	348.6	Target Achieved
	Indusind Bank Ltd	Banking & Finance	416	500	20.2%	889.8	113.9%	858.6	Target Achieved
Nov-12	IPCA Lab	Pharma	450	545	21.1%	906.9	101.5%	672.9	Target Achieved
	L&T Finance	Banking & Finance	55	85	54.5%	97.1	76.5%	66.1	Target Achieved
	Zydus Wellness Ltd	FMCG	445	560	25.8%	952.0	113.9%	836.0	Target Achieved
Oct-12	Sun TV	Media & Ent.	357	446	24.9%	494.9	38.6%	437.6	Target Achieved
	Allahabad Bank	Banking & Finance	147	180	22.4%	191.1	30.0%	106.4	Target Achieved
	Shoppers stop	Others	393	465	18.3%	624.4	58.9%	472.4	Target Achieved
Sep-12	Dish TV	Media & Ent.	68	92	35.3%	84.9	24.8%	80.6	
	Havels India	Consumer Durables	111	127.6	15.0%	346.9	212.5%	268.2	Target Achieved
Aug-12	Lupin	Pharma	570	672	17.9%	1705.5	199.2%	1664.3	Target Achieved
	Bajaj Finserv	Banking & Finance	730	877	20.1%	1546.1	111.8%	1431.3	Target Achieved
Jul-12	Uflex	Others	112	145	29.5%	180.9	61.5%	137.1	Target Achieved
	Cummins India	Engg. & Const.	438	513	17.1%	960.7	119.3%	895.2	Target Achieved
	Exide Inds	Others	135	165	22.2%	205.2	52.0%	178.2	Target Achieved
	Engineers India	Engg. & Const.	200	280	40.0%	331.7	65.9%	209.2	Target Achieved
Jun-12	Glenmark Pharma	Pharma	350	410	17.1%	841.0	140.3%	790.2	Target Achieved
	Godrej Consumer	FMCG	558	675	21.0%	1203.9	115.8%	1126.9	Target Achieved
	Cera Sanitaryware	Consumer Durables	248	340	37.1%	2895.0	1067.3%	2511.7	Target Achieved
	HPCL	Oil & Gas	300	365	21.7%	665.5	121.8%	614.3	Target Achieved
May-12	Emami Ltd	FMCG	457	535	17.1%	1045.9	128.9%	986.7	Target Achieved
	Berger Paints India	Chemical	114	141	23.7%	252.7	121.7%	222.5	Target Achieved
	Graphite India	Others	92	110	19.6%	126.4	37.4%	87.7	Target Achieved
	Rainbow papers	Others	66	85	28.8%	94.4	43.0%	72.3	Target Achieved
Apr-12	Tatamotor - DVR	Auto	158	200	26.6%	391.4	147.7%	365.8	Target Achieved
	Pidilite Ind	Chemical	172	210	22.1%	607.0	252.9%	552.5	Target Achieved
Mar-12	Magma Fincorp	Banking & Finance	70	ACCu		141.0	101.4%	98.0	Target Achieved
	Torrent Power	Power	222	290	30.6%	252.9	13.9%	174.1	
Feb-12	Castrol India	Oil & Gas	236	ACCU		544.0	130.5%	469.9	Target Achieved
	Prism Cement	Cement	48.75	ACCU		119.6	145.3%	108.6	Target Achieved
	MRF	Auto	9767	ACCU		41782.0	327.8%	40912.3	Target Achieved
	Shoppers Stop	Others	340	ACCU		624.4	83.6%	472.4	Target Achieved
	Allahabad Bank	Banking & Finance	200	ACCU		211.3	5.7%	106.4	
	Zydus Wellness	FMCG	382	ACCU		952.0	149.2%	836.0	Target Achieved
	MRPL	Oil & Gas	71	ACCU		80.8	13.8%	63.3	
	Akzo Nobal	Consumer Durables	857	ACCU		1551.0	81.0%	1467.8	Target Achieved
	Maruti Suzuki	Auto	1320	ACCU		3758.5	184.7%	3579.9	Target Achieved
	M & M	Auto	749	ACCU		1433.7	91.4%	1267.1	Target Achieved
Feb-12	Tata Power	Power	115	120	4.3%	117.6	2.2%	83.0	Target Achieved
	Dr Reddy	Pharma	1642	1795	9.3%	3666.3	123.3%	3279.4	Target Achieved
Jan-12	Shree cement	Cement	2100	ACCU		11786.0	461.2%	11064.1	Target Achieved
	Dabur	FMCG	102	125	22.5%	276.9	171.5%	264.4	Target Achieved

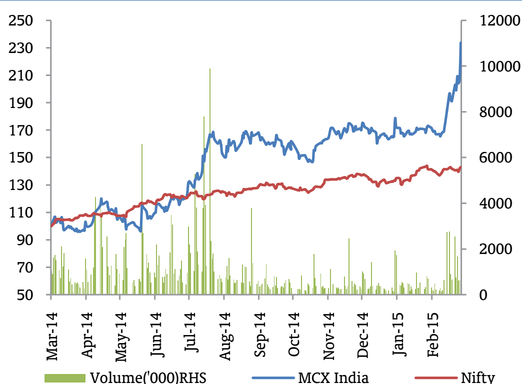
Stock Picks

Multi Commodity Exchange of India ltd. CMP: Rs 1177 Rating: Buy Target: Rs 1552

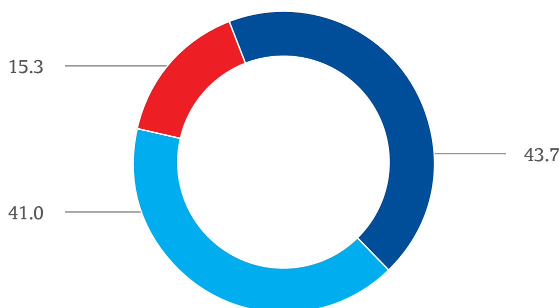
Company Information

BSE Code	534091
NSE Code	MCX
Bloomberg Code	MCX IN
ISIN	INE745G01035
Market Cap (Rs. Cr)	5377
Outstanding shares(Cr)	5.1
52-wk Hi/Lo (Rs.)	1081 / 465
Avg. daily volume (1yr. on NSE)	1,041,237
Face Value(Rs.)	10
Book Value (Rs)	224.7

MCX India vs. Nifty



Share holding pattern as on Dec 2014 (%)



Particulars (In Rs. Cr.)	FY13	FY14	FY15E	FY16E
Net Sales	524.0	340.7	338.3	408.3
Growth (%)	(3.9)	(35.0)	(0.7)	20.7
EBITDA	315.2	145.7	188.4	252.7
EBITDA Margin (%)	60.2	42.8	55.7	61.9
Net profit	299.2	153.2	121.4	158.4
Net Profit Margin (%)	57.1	45.0	35.9	38.8
EPS (Rs)	58.7	30.2	23.8	31.1

Consensus Estimate: Bloomberg

Company Description

MCX, commenced its operation on November 2003, promoted by Financial Technologies and other financial institutions. The company is under the purview of Forward Market Commission (Regulator of India's commodity markets), under the Ministry of Finance. However, in budget 2015-16, Finance minister announced to merge the FMC with SEBI, to improve more transparency in commodity market. MCX offers online trading, and clearing and settlement of commodity futures transactions, provides a platform for price discovery and price risk management and secure and transparent trade mechanisms.

Investment Rationale

Merging FMC with SEBI to strengthen regulation & bring more transparency

Government, during last year, had ordered the merger of NSEL (National Spot Exchange ltd) with MCX's parent firm Financial Technologies India, following the Rs 5,600 crore payment crisis at NSEL that took place in July 2013. After the crisis, the commodities market regulator was moved to the finance minister from the consumer affairs ministry. Further, a notification to bring FMC under the ambit of the finance ministry was issued by the government. Thus to strengthen the regulation and expedite more transparency, Finance Minister in the budget 2015-16 announced the merger of FMC, the regulator of commodity future market with the capital market regulator SEBI. Such move would result in an autonomous commodity derivatives regulator, which would have disciplinary power to curb illegal Dabba trading. It is believed that bringing FMC under the finance ministry would help in better co-ordination between regulatory bodies like Sebi, Insurance Regulatory and Development Authority (Irda) and Pension Fund Regulatory and Development Authority (PFRDA). The merger would also ensure that India's commodity future market should comply with the international regulatory requirements. Moreover, it is expected that it could result in improvement of exchange volumes by 20-25% in a year due to expected slowdown in dabba trading. However, the commodity transaction tax has not been rolled back by the government in the budget, which was also expected by the industry.

Have dominant position in India

MCX is the largest commodity exchange in India in terms of trading value, with market share of around 85%. It offers trading in around 50 commodities futures in various classes such as bullion, metals, energy and agri-commodities. It's dominant market position in commodities derivatives trading gives it a competitive advantage and creates an entry barrier. MCX has strong network with 2,100 registered members operating on

over 400,000 terminals. However, in the past year, the average daily turnover in the exchange has slowed down due to implementation of a commodities transaction tax. Albeit, the tax implementation, it can be expected that the volume could rise on the back of increasing penetration. Moreover, it is a unique business model with low capital requirement and higher operating margin of 45-50%. Thus the company is financially sound with strong cash flows.

Improvement in average daily traded volume

Average daily traded volume has been gradually improving since past few months as the company has started to focus on its market development efforts. Average daily traded volume has improved to Rs 230-240 billion, comparable to adjusted pre-crisis and post implementation of commodity transaction tax. MCX has resumed market outreach efforts to grow business. Deliverable base metal contracts and cotton could be future growth areas for the company. However, to scale up the business, MCX should standardize their products and improve warehousing capabilities.

Allowing commodity option trading could be a game changer

The Forward Contracts Regulation Amendment Bill (FCRA Bill) had been due in the Parliament for long and as per the amendment in the bill, it will allow trading in commodity options and would empower the regulator. The tabled bill of 2010 has now expired and a new FCRA bill is likely to be introduced. The direct beneficiary of the bill is MCX as the options are getting introduced for trading and banks and institutions being allowed to trade on commodity exchanges. Thus it can be expected that the allowing of commodity option trading could be a game changer for MCX as it would increase the volume, resulting in higher operating revenue. The value based commission structure in India, high transaction tax and higher requirement of capital are the catalysts for surging option trading in India. In NSE, it has been observed that options account for around 79% of volumes, which is much higher than global equities exchanges. Further, it is believed that the onset of option trading in MCX would also spur future volumes as futures and options volumes feed off each other due to arbitrage opportunities. The industry, is expecting that the FCRA bill could be passed in ongoing parliamentary session which started on February 23, 2015 and would conclude on 8th May 2015.

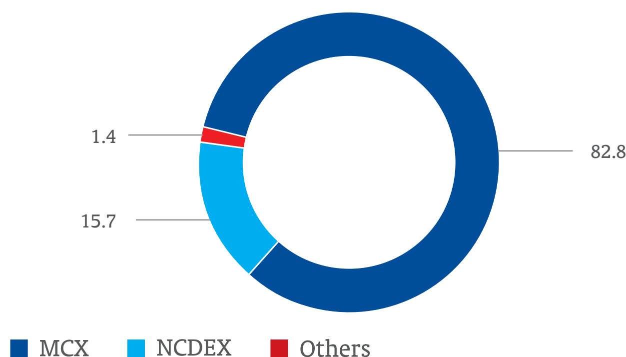
Key Risk

- The company is in regulated business thus any adverse regulatory changes could have negative impact on its business
- Global slowdown could hurt commodity prices which in turn could adversely impact trading volumes for MCX
- Company is facing competition from NCDEX and further BSE has announced its plan to set up a commodity exchange which can intensify the competition and could hurt the volume growth.

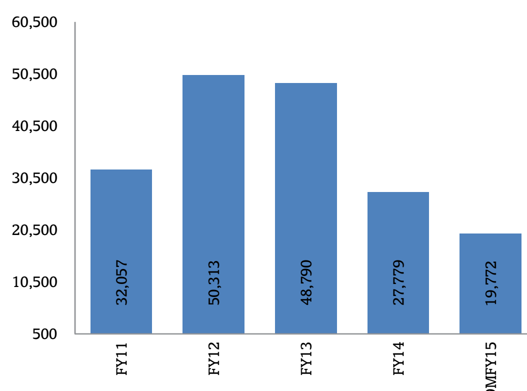
Outlook & Valuation

MCX is the largest commodity exchange in India with market share of around 85% and has sound financials. In past one and half years, the company has overcome all the adversities and eventually got the stable management. In our view, MCX has weathered all the ill effects like NSEL payment crisis, implementation of commodity transaction tax and global commodity price shock. The merger of FMC with SEBI announced by Finance minister in the budget is one of the key trigger to re rate the scrip as it would empower the regulator and bring more transparency in commodity trading. Further, if FCRA bill passes in ongoing parliamentary session it will allow commodity option trading in MCX and it is a big positive for MCX. The bill will also allow the banks and institutions to trade in commodities market and that would be a big trigger for the company as it would amplify the average daily turnover growth. Moreover, any reduction in commodities transaction tax will be an incremental benefit for MCX. Hence we are positive on the scrip and recommend our investors to BUY the scrip with target price of Rs 1552 on conservative FY16E EPS of Rs 31.03 (as per bloomberg consensus). However, the earnings could move higher than Bloomberg estimates once the FCRA bill will pass in the ongoing parliament session. At current price, the scrip is valued at P/E multiple of 38x of FY16E EPS.

Market Share (9MFY15) (%)



Average Daily Volume – Single Side (Rs. Cr.)

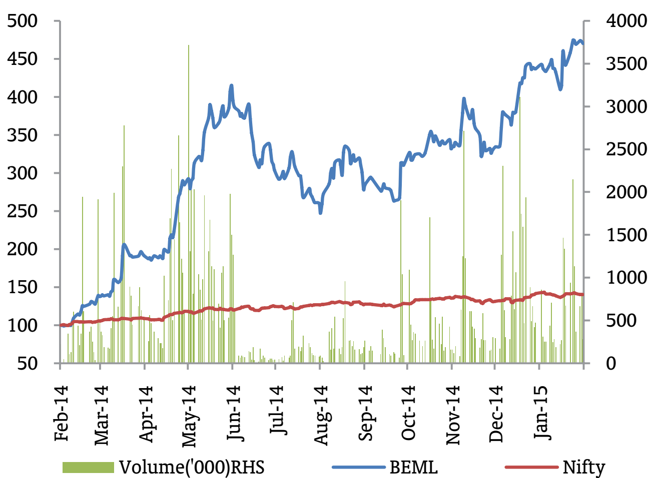


Bharat Earth Movers Ltd. (BEML) CMP: Rs 978 Rating: Buy Target: Rs 1,200

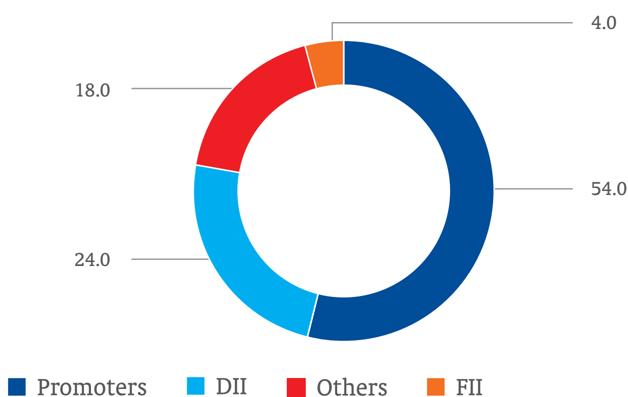
Company Information

BSE Code	500048
NSE Code	BEML
Bloomberg Code	BEML IN
ISIN	INE258A01016
Market Cap (Rs. Cr)	4108
Outstanding shares(Cr)	4.2
52-wk Hi/Lo (Rs.)	1024 / 201.6
Avg. daily volume (1yr. on NSE)	592,394
Face Value(Rs.)	10
Book Value (Rs)	499.7

BEML vs. Nifty



Share holding pattern as on Dec 2014 (%)



Particulars (In Rs. Cr.)	FY11	FY12	FY13	FY14
Net Sales	2643.8	2715.1	2801.3	2903.7
Growth (%)	(6.7)	2.7	3.2	3.7
EBITDA	77.4	125.7	(47.4)	95.4
EBITDA Margin (%)	2.9	4.6	(1.7)	3.3
Net profit	146.9	32.0	(93.4)	(5.9)
Net Profit Margin (%)	5.6	1.2	(3.3)	(0.2)
EPS (Rs)	35.3	13.7	(20.0)	1.5

Source: Capitaline

Company Description

BEML, is a Miniratna PSU, having business interest in Construction and Mining (C&M) Equipment, Defence and Railways. Under C&M equipment, it manufactures a wide range of heavy earthmoving equipments catering to the construction & mining industry, in defence segment it manufactures/ procures and supplies equipments & vehicles to Indian defence services and under purview of Ministry of Defence. Rail & Metro segment is the largest revenue contributor for the company and under this segment it manufactures coaches and other related equipments for various city metros and Indian Railways. Further in 2007, BEML has diversified itself by entering into aerospace segment by setting up an aerospace facility at Bengaluru to manufacture aerospace components and sub-assemblies. Rising defence spends in India and reducing dependency on imports by increasing indigenization are the key long term growth drivers for BEML as it currently derives 12% revenue from defence segment.

Investment Rationale

Expanding product ranges to capitalize on opportunities

In defence segment, BEML is the leading defence equipment manufacturer in India. It's manufacturing products include variants of Tatra vehicle, BridgeLayer, Field Artillery Tractor, Medium & Heavy Recovery Vehicle,etc. It also supplies Engineering Mine Ploughs, Tank Transportation Trailers, Weapon Loading equipment, Armoured Recovery Vehicle,etc. Further, the company also participates in the country's integrated guided missile development project by supplying ground support vehicles. In 2007, it also entered into aerospace segment and started supplying ground support equipment such as aircraft towing tractors (ATT), multi-purpose weapon loaders (MPWL- Bheema) and crash fire tenders (CFT). The company's ultimate objective is to manufacture fixed wing and rotary wing aircraft, assemble UAV (Unmanned Aerial Vehicle) from kits and upgrade aircraft and helicopters. BEML also intends to concentrate on manufacturing of gears and hydraulic aggregates to aeronautical standards as it has the core strength in these spheres. BEML is also working together with a foreign firm to build and supply 155mm 52-calibre tracked guns to the armed forces. All the above developments highlight company's strong focus in expanding and developing its defence product ranges in order to capaitalize on huge opportunities emerging in Indian defence sector.

Increasing India's defence spend likely to benefit the company

India's defence spend is among the top 10 nations globally, however in absolute terms its way below US, China, Russia, France, UK, Germany and Japan. In total global defence spend, India's share is 3%, while China has share of 10%. However, post 2008 economic downturn the developed nations has been

going slow in their defence spending and seeking for cost effective defence equipment and technologies from emerging nations. Thus it would provide scope for domestic defence equipment manufacturers to capitalize on these opportunities. Further, India's defence capital expenditure is low at 41% of total defence spend, while in US and China the proportion is at 50-60%. This resulted in high imports of defence equipments & technologies and currently India is the top defence products importer in the world with share of 22%. New government has emphasized on reducing the import of defence products and giving more focus on indigenous products through its "Make in India" campaign. The government has envisaged to make India as a global manufacturing hub, so that India can turn into global defence exporter to rich countries from net importer in coming decade. Government has been urging to private players to invest in defence sector on the backdrop of its assurance to the industry to provide all kinds of structural support such as simplification of the "Make" procedure, financial incentives like tax holidays and incentivizing research and development. Further, the obligation for foreign players to source at least 30% of any defence order exceeding Rs 3 billion, a lot of business is likely to ensue to domestic players like BEML.

Rail segment top contributor to revenue

BEML derives maximum revenue from rail segment with 41% contribution to topline. It has a robust order book of Rs 30 billion in rail segment mainly led by metro rail orders. The company has a total manufacturing and supplying capacity of 12-14 rakes in Metro coaches, 120-130 Metro coaches and 5-6 rakes in DEMU category per annum. Indian Railways' bright investment outlook and traction in Metro projects in many cities would bode well for BEML's revenue growth. As per the management, going ahead company would be able to sustain the steady EBITDA margin of 6-7% on the back of robust order book and strong execution skill.

Strong order book

Due to presence of the company in high entry barrier sector like mining & construction, railway & defence, it enjoys strong order inflows despite weak economic sentiment. Currently, BEML's order book stands at Rs 60 billion with railways accounting for ~Rs 30 billion, defence ~Rs 20 billion and the balance from mining. Such robust order book provides revenue visibility for next 1.5-2 years and the management has guided a strong sales growth in coming years on the back of strong traction in railways, mining and defence. The management also conveys that the company is eyeing on 40% gross profit margin in the defence business as BEML is focusing on higher value-added products. BEML is the key beneficiary from the NDA government's thrust of Infrastructure development as it has strong presence in mining & construction, railway and defence.

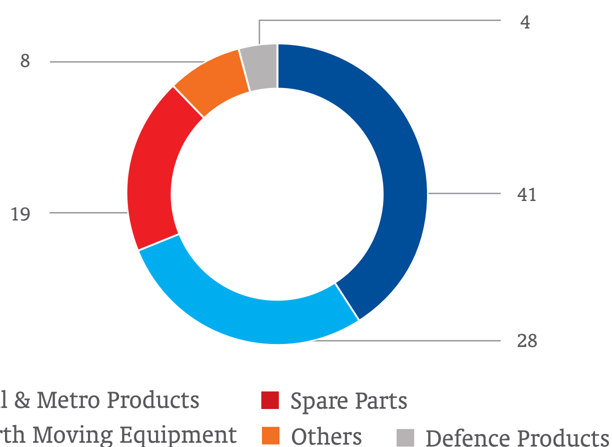
Key Risk

- Company's business is capital intensive, thus any adverse macro factors could have negative bearing on company's financials
- Any regulatory changes could adversely impact company's business as it has presence in regulated sector like mining, defence and railway.

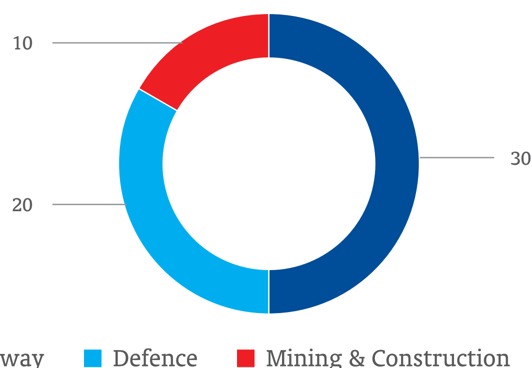
Outlook & Valuation

BEML is a strong play in defence space with robust order book of Rs 20 billion in defence segment. Strong order book across the segment provides strong near term revenue visibility. Expanding product ranges, India's rising defence expenditure, government's Make in India push, bright investment outlook in railway sector and recovery in mining activities are the key catalysts for the company in the long run. As per the FICCI, India's defence spend could reach to USD 620 billion between FY14-FY22, thus have immense opportunity for domestic defence equipment manufacturers. The Indian defence sector is at an inflexion point and poised to grow at a sustainable high rate in the next decade. Offset clause in defence procurement in which foreign players are obliged to source at least 30% of total contract exceeding Rs 3 billion to domestic manufacturers is believe to bring lot of business for domestic players like BEML. Thus, we believe that the company has strong long term growth story given government's strong focus on revamping defence sector. Despite of strong share price run up in bourses, we believe the scrip has still enough room to scale higher. We recommend our investors to BUY the scrip on dip with target price of Rs 1,200 from 18 months investment perspective.

FY14 Revenue Mix (%)



Order Book (Rs. Bn.)



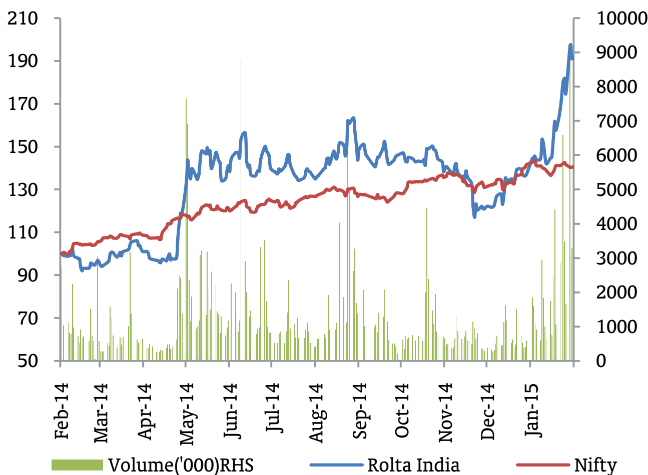
Rolta India Limited

CMP: Rs 191 **Rating: Buy** **Target: Rs 250**

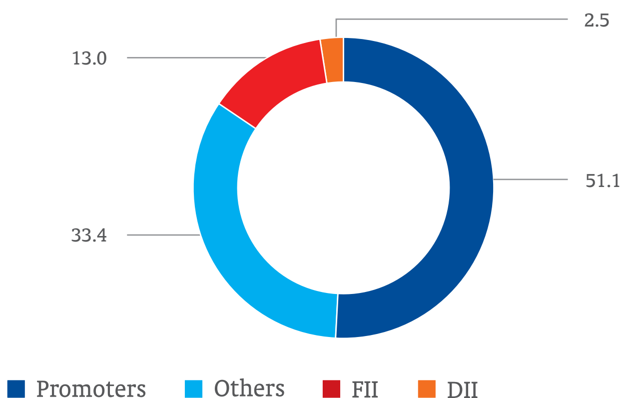
Company Information

BSE Code	500366
NSE Code	ROLTA
Bloomberg Code	RLTA IN
ISIN	INE293A01013
Market Cap (Rs. Cr)	3083
Outstanding shares(Cr)	16.1
52-wk Hi/Lo (Rs.)	152.8 / 69.2
Avg. daily volume (1yr. on NSE)	1,318,760
Face Value(Rs.)	10
Book Value	72.6

Rolta India vs. Nifty



Share holding pattern as on Dec 2014 (%)



Particulars (in Rs Cr)	FY11	FY12	FY13	FY14
Net Sales	1805.6	1828.8	2178.8	2501.7
Growth (%)	17.8	1.3	19.1	14.8
EBITDA	720.3	806.8	(279.7)	805.8
EBITDA Margin (%)	39.9	44.1	(12.8)	32.2
Net profit	311.9	242.3	308.8	283.7
Net Profit Margin (%)	17.3	13.3	14.2	11.3
EPS (Rs)	24.9	15.0	(52.0)	17.6

Source: Capitaline

Company Description

Rolta is a leading provider of innovative IT solutions for many vertical segments, including Federal and State Governments, Defence and Homeland Security, Utilities, Process, Power, Financial Services, Manufacturing, Retail, and Healthcare. These enterprise level solutions are built around Rolta's intellectual property and domain expertise to offer unique business intelligence for impactful insights for effective decision making. The business of the company is primarily divided into two segments - Enterprise Geospatial & Engineering Solutions (EGES) and Enterprise Information Technology & Security Solutions (EITS). EGES & EITS contributes 28% & 72% to the revenues and 44% & 56% to the EBITDA. The company caters $500 billion market. The high growth segments for the company are: (a) BI and Big Data, (b) Cloud/SD, (c) Mobility Enterprise Applications, Consultancy, Security. Rolta India has a presence in more than 40 locations worldwide (16 in North America) with a client base of more than 3500. The company has further tie ups with global leaders – SAP & Oracle.

Investment Rationale

Transformation to an IP led model

The company has strategically changed from a service led business to an Intellectual property (IP)-led one. The transformation started back in 2008, when the management felt the urge to move up the value chain in Geospatial and Engineering domains, in which the company had a strong hold. Overtime, the company has expanded its foothold in US (through organic and inorganic route) and at the same time gained exposure in India's defence sector. Today, the Rolta's indigenous command control, intelligence surveillance and the recognizance solutions that are based on Rolta IP has practically become the standard for Indian Defense with an installed base of 100s of sites spread across the length and breadth of the country. Apart from defence, company has gained made strong ties with clients through IP designed solutions for key verticals like oil & gas, refineries, chemicals, power and utilities. Today, IP-dependent business constitutes ~80% of the total revenues for the company. The contribution is a mix of some services which customize the IP and some services which is for data related to that IP. On a pure play basis, IP led business is 25%. However, the management is eyeing to increase it to 30-33%, given the strong margins.

Strong candidate for "Make in India"

Rolta India is a seasoned campaigner when it comes to defence and has been associated with Ministry of Defence, GOI for over two decades. The company has worked closely with the Army in war like situations participation in the Army's "Operation VIJAY", "Operation PARAKRAM" and in several other major exercises. Rolta has already won and completed numerous projects classified as "Buy India" and is a selected vendor to

bid for large Defence "Make India" projects. The key focus areas for the company are (1) Command, Control & Intelligence Systems, (2) Battlefield Management System, (3) Digital Soldier System, (4) Military Communications, (5) Optronics, Vehicle Systems and (5) Homeland Security. As per KPMG, the whole defence market which Rolta caters to is potentially to the tune of $24 billion collectively. The company has tied up with Bharat Electronics Ltd (BEL) to bid for defense orders like 'Battlefield Management System'. Rolta is one of the two consortiums (the other consortium being Tata Power SED-L&T) which has recently won the contract worth ~Rs 50,000 crore of which Rolta's share could be ~Rs 10,000 crore. Rolta believes that it is the only company with the indegenous software which has been proven and tested and gives a clear headaway to the other consortium. Rolta now needs to prepare a project report with BEL, following which it would then have to create a proto-type model. The management is hopeful of completing the project report within 2-3 months and the prototype is expected to be ready in another 9-10 months. Thereafter, the testing will be done by the Ministry of Defence (MoD) in various terrains, fields, from mountain and sand and is expected that the process will take another year. Thus, all in all if everything is on track, the management is hopeful of receiving orders two years from now. However, out of the two consortiums, the one which offers better priced product and is better technically suited, will receive the major share (~70%). According to the management, the company is ready with the products and will require mininal time to deliver the prototype compared to other consortium which might require much more time. In case, the other consortium is not able to deliver on time, Govt might go ahead with Rolta-BEL consortium only. However, that is totally dependent on the discretion of Govt only. The company has been working for six to seven years on the project and have invested close to Rs 100 crore on the software and is very optimistic that the prototype will be ready in a year.

De-leveraging on the cards

In a bid to transform the company to an IP-led one, Rolta India had to take the leveraged route. As of H1FY15, the consolidated debt-equity level of the company stands at~2.28x. However, going ahead, the debt levels are going to come down as the company is done with major capex for the projects in hand and there will be limited capex going ahead. Moreover, there were working capital issues which led to higher debt levels in H1FY15. The management has targeted to reduce the debt-EBITDA levels to 2x from 4x in H1FY15 in the next three years and hopes to be free-cashflow positive in H2FY15 and expects to generate ~$50 million free-cashflow in next two to three year.

Q3FY15 result

For Q3FY15, Rolta registered 9% sequential growth in consolidated revenues at Rs 967 crore. EBITDA registered a growth of 6% QoQ to Rs 345crore. However, EBITDA margins declined by 100 bps QoQ to 35.7%. Consolidated net profit grew by 8% QoQ to Rs 76.6 crore. On segment basis, EGES & EITS registered sequential revenue growth of 8% and 10% respectively. However, PBIT margins improved for EITS segment.

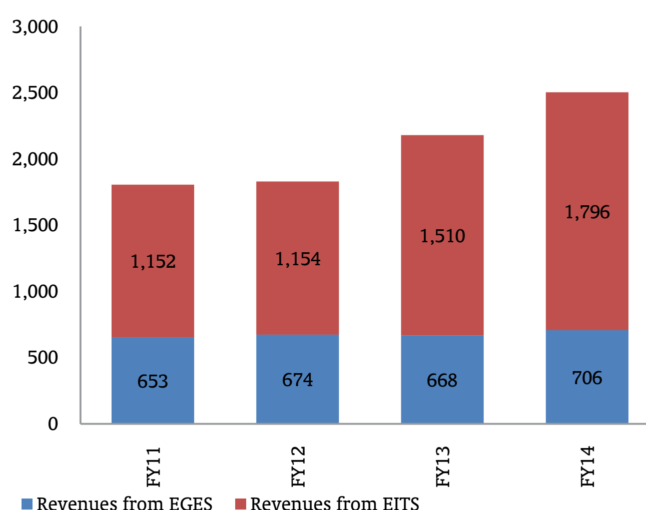
Key Risks

- Slow down in GIS segment
- Non-receipt of Battlefield Management System order
- Inadequate free cash generation to repay ECB debt

Outlook & Valuation

India's defence spend is among top 10 nations globally, however in absolute terms its way below US, China, Russia, France, UK, Germany and Japan. In total global defence spend, India's share is 3%, while China has share of 10%. Further, India's defence capital expenditure is low at 41% of total defence spend, while in US and China the proportion is at 50-60%. This resulted in high imports of defence equipments & technologies and currently India is the top defence products importer in the world with share of 22%. New government has emphasized on reducing the import of defence products and giving more focus on indigenous products through its "Make in India" campaign. Rolta India is a seasoned campaigner in the defence segment and has an association with the Ministry of Defence, Govt of India for over two decades. The company is a leader in GIS (Geographic Information System) application where Rolta enjoys strong leadership with a market share of ~ 70% in India. The company has changed its focus to IP-led business from service led one. While this strategy helps in earning higher margins, the debt levels of the company increased. However, going ahead, the company has targeted to de-leverage its balance sheet and to improve cashflows on limited capex outlook. The company is a key beneficiary of Government's "Make in India" campaign and could be the major share (~70%) consortium for Battlefield Management System order with BEL which could be a game changer. Defence contributes ~20% of the revenues as of now and is expected to go higher once the company starts receiving orders in a time frame of two years from now. Moreover, the promoters have been increasing stake in the company, (as more than 50% promoter holding imbibes confidence while bidding for defence projects) so as to not fall prey to creeping acquisitions. At the CMP, the scrip trades at 11x FY15 EPS (Annualised) and investors are advised to "BUY" on dips for a target of Rs 250.

Segmental Sales Trend (Rs. Cr.)

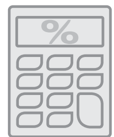


Valuation at a Glance

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	1728.3	22490.5	15.1	12.6	2.0	11.1	13.3	7.0	8.0	0.4
2	ACC	1655.8	31085.9	23.7	18.7	3.8	14.5	17.4	34.0	54.9	2.1
3	Ambuja Cements	261.1	40456.1	22.9	18.8	N/A	N/A	16.2	3.6	43.5	N/A
4	Adani Enterprises	695.9	76535.8	38.2	22.0	3.2	9.8	13.4	1.4	6.9	0.2
5	Adani Ports	328.2	67939.1	30.7	24.2	7.8	23.0	23.4	1.0	12.3	0.3
6	Apollo Hospitals	1313.2	18269.2	49.8	39.9	6.1	11.1	13.5	5.8	25.3	0.4
7	Asian Paints	813.9	78064.3	52.1	38.1	19.3	32.8	37.5	5.3	41.7	0.7
8	Axis Bank	553.0	130859.6	17.6	14.3	3.4	17.6	19.8	4.0	17.5	0.7
9	Bharti Airtel	348.6	139349.4	24.9	20.5	2.3	8.1	9.5	1.8	25.9	N/A
10	BHEL	274.2	67113.2	30.2	24.8	2.0	11.0	7.5	2.7	19.8	1.0
11	Bharat Forge	1308.1	30450.7	40.8	30.9	11.3	20.2	26.6	4.5	19.7	0.3
12	Bajaj Auto	2180.0	63080.6	18.4	15.7	6.2	37.1	32.0	50.0	50.1	2.3
13	Bajaj Finserv	1426.2	22693.6	13.1	12.1	2.4	18.0	17.4	1.8	1.8	0.1
14	Bajaj Holidings	1371.4	15262.2	N/A	N/A	1.3	17.8	N/A	30.0	16.8	2.2
15	Bank of Baroda	177.2	38035.4	N/A	N/A	1.0	14.1	N/A	4.3	21.7	2.4
16	Bank of India	229.1	14711.0	4.9	3.8	0.5	10.8	11.2	5.0	12.6	2.2
17	Bosch Ltd	26285.6	82533.7	N/A	N/A	11.2	15.4	N/A	55.0	19.5	0.2
18	BPCL	751.9	54365.1	16.9	13.0	2.8	21.6	17.7	17.0	31.4	2.3
19	Cairn India	244.6	45849.1	6.4	9.1	0.8	23.6	7.9	12.5	19.2	5.1
20	Canara Bank	401.5	18519.5	6.8	5.5	0.6	9.5	N/A	11.0	19.3	2.7
21	Container Corp	1575.0	30707.5	30.3	25.4	4.5	14.5	14.5	12.3	25.2	0.8
22	Cipla Ltd	676.4	54308.2	41.2	29.0	5.4	14.6	15.6	2.0	11.6	0.3
23	Colgate-Palmolive	1946.6	26471.7	N/A	N/A	80.2	159.2	N/A	20.0	62.7	1.0
24	Coal India Ltd	386.6	244190.6	16.2	14.0	5.8	33.3	34.8	29.0	121.2	7.5
25	Crompton Greaves	174.2	10917.9	38.0	21.0	3.0	6.8	12.6	1.2	30.8	0.7
26	Dabur India Ltd	264.4	46433.4	43.4	35.4	17.4	38.5	35.2	1.8	33.4	0.7
27	Divi's Lab	1745.8	23172.1	26.6	21.5	7.8	28.3	27.5	20.0	34.3	1.1
28	DLF Ltd	147.5	26274.5	44.7	29.2	1.0	2.4	3.1	2.0	55.1	1.4
29	Dr Reddy's Lab	3279.4	55849.8	24.4	21.3	6.1	26.3	21.7	18.0	14.2	0.5
30	Exide Industries	178.2	15142.8	22.4	18.7	4.4	16.7	20.1	1.8	28.1	1.0
31	Federal Bank	140.4	12016.5	N/A	N/A	1.8	12.9	N/A	2.0	20.1	1.4
32	GAIL	405.8	51468.5	13.3	13.4	1.6	15.6	10.4	10.4	27.6	2.6
33	Godrej Consumer	1126.9	38364.7	42.0	33.7	10.2	21.4	23.4	5.3	23.5	0.5
34	GlaxoSmith Pharma	3105.1	26301.1	48.1	41.1	13.2	24.1	31.3	50.0	87.9	1.6
35	Glenmark Pharma	790.2	21437.7	28.9	21.3	7.2	18.9	23.9	2.0	10.0	0.3
36	Grasim Inds	3668.3	33694.1	16.7	12.6	1.6	10.0	10.3	21.0	9.3	0.6
37	HCL Tech	1983.2	139347.6	18.3	16.5	6.2	36.8	29.2	10.0	10.7	N/A
38	HDFC	1340.6	210815.9	22.0	18.4	5.6	22.9	23.0	14.0	27.5	1.0
39	HDFC Bank	1052.5	263670.5	23.7	20.1	5.7	21.6	20.2	6.9	18.8	0.7
40	Hero Motocorp	2624.6	52409.0	20.1	16.5	9.3	N/A	43.9	65.0	61.7	2.5
41	Hindalco	153.7	31728.4	11.2	8.9	0.8	5.7	8.2	1.0	9.5	0.7
42	HPCL	614.3	20800.2	15.0	10.8	1.5	7.8	12.2	15.5	48.6	2.5
43	Hindustan Unilever	901.9	195101.8	48.3	41.3	55.1	123.3	107.6	13.0	71.3	1.4
44	ICICI Bank	322.5	186883.5	14.6	12.4	2.4	15.2	16.3	4.6	24.1	1.4
45	IDBI Bank	74.9	12005.6	N/A	N/A	0.5	5.1	N/A	1.0	13.9	1.3
46	Idea Cellular	152.8	54953.5	17.9	16.3	3.1	12.8	13.2	0.4	6.8	0.3
47	IDFC	168.9	26888.1	14.8	13.7	1.7	12.6	11.0	2.6	21.9	1.5
48	IndusInd Bank	858.6	45436.3	N/A	N/A	4.4	17.8	N/A	3.5	13.1	N/A
49	Infosys	2317.6	266170.0	21.3	19.1	5.1	25.3	24.2	31.5	34.0	N/A
50	ITC	399.7	319862.7	31.9	27.7	11.7	35.3	34.6	6.0	53.7	1.5

N/A: Not Available

Source: Bloomberg Consensus as on February 25, 2015



Valuation at a Glance Cont...

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	25.2	6129.8	N/A	13.7	0.5	-7.2	1.5	0.0	N/A	0.0
52	Jindal Steel & Power	182.9	16733.6	11.3	9.0	0.7	8.7	8.4	1.5	7.2	0.8
53	JSW Steel	1000.2	24175.8	10.4	9.2	1.1	2.2	10.9	11.0	62.7	1.1
54	Cummins India	895.2	24814.9	33.7	26.6	16.7	34.0	N/A	4.7	38.5	0.5
55	Kotak Mahindra Bank	1342.6	103655.3	34.0	27.5	5.4	14.4	15.5	0.8	2.6	0.1
56	LIC Housing Finance	482.3	24339.9	17.6	13.2	3.2	18.7	N/A	4.0	17.2	0.8
57	Lupin	1664.3	74786.9	31.2	26.4	10.8	30.3	28.1	6.0	14.6	0.4
58	Larsen & Tourbo	1697.9	157830.4	37.0	27.4	4.2	13.7	13.4	14.3	26.9	0.8
59	Mahindra & Mahindra	1267.1	78698.6	17.2	13.6	3.2	21.6	17.7	13.5	18.5	1.1
60	M & M Financial	245.4	13957.5	15.9	12.3	2.6	19.3	16.8	3.8	22.6	1.5
61	Mphasis	382.8	8043.1	12.0	10.9	N/A	N/A	13.2	N/A	N/A	N/A
62	Maruti Suzuki	3579.9	108141.6	30.6	22.3	5.0	14.1	19.1	12.0	12.7	0.3
63	NMDC	136.0	53900.3	8.3	8.3	1.8	N/A	19.0	8.5	52.9	6.3
64	NTPC	146.1	120425.0	12.9	12.2	1.4	13.6	11.1	5.8	41.6	3.9
65	Oracle Financial Servc	3261.3	27591.7	21.3	19.2	3.1	16.8	22.8	0.0	0.0	0.0
66	Oil India	479.0	28794.4	9.1	7.4	1.4	14.8	16.7	21.5	43.9	4.5
67	ONGC	317.2	271337.4	10.7	9.3	1.6	16.3	14.5	9.5	30.7	3.0
68	Petronet LNG	176.8	13260.0	N/A	N/A	2.7	15.1	N/A	2.0	21.1	1.1
69	PNB	160.2	28992.7	6.9	5.3	0.8	10.0	N/A	2.0	12.8	1.2
70	Power Finance	273.0	36037.1	6.0	5.4	1.3	21.3	19.5	9.0	21.8	3.3
71	Power Grid Corp	154.6	80854.2	15.2	12.7	2.3	14.9	15.9	2.6	30.9	1.7
72	Ranbaxy Lab	688.9	29321.8	40.6	32.4	8.8	N/A	19.2	N/A	N/A	N/A
73	Reliance Capital	447.7	10995.8	13.2	11.5	0.9	6.1	6.6	8.0	28.0	1.8
74	RCOM	69.0	17174.0	18.4	13.5	N/A	N/A	3.3	0.0	0.0	N/A
75	Rural Electrification	318.8	31480.2	N/A	N/A	1.5	24.7	N/A	9.5	19.8	3.0
76	Reliance Industries	843.2	272802.7	11.3	10.5	1.2	11.8	11.0	9.5	12.4	1.1
77	Reliance Power	62.2	17433.9	17.2	13.2	0.9	5.4	6.0	0.0	0.0	0.0
78	Steel Authority of India	70.1	28931.1	11.8	9.5	0.7	6.2	6.9	2.0	31.5	2.9
79	State Bank of India	295.6	220649.7	12.6	10.1	1.5	10.4	12.8	3.0	15.8	1.0
80	Shriram Transport Fin	1180.2	26776.7	19.6	15.2	3.1	17.1	16.3	7.0	11.7	0.6
81	Siemens	1340.8	47746.8	N/A	N/A	12.0	24.5	N/A	6.0	23.5	0.4
82	GlaxoSmithKline Cons	5773.3	24279.9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
83	Sesa Sterlite	210.8	62480.8	10.7	9.8	0.9	13.9	7.8	3.3	15.3	1.5
84	Sun Pharma	890.8	184483.6	29.5	25.1	10.0	18.7	26.6	1.5	9.9	0.2
85	Tata Steel	350.9	34079.9	13.8	9.0	N/A	N/A	8.5	10.0	28.4	N/A
86	TCS	2672.2	523411.3	24.5	21.3	9.5	39.8	36.3	32.0	32.8	1.4
87	Tech Mahindra	2762.6	66307.1	21.6	17.0	5.5	N/A	27.6	20.0	15.4	N/A
88	Tata Global	153.5	9492.4	22.5	19.5	1.6	9.0	8.2	2.3	29.0	1.5
89	Tata Power	83.0	22448.4	29.7	15.5	1.7	-3.2	9.4	1.3	N/A	1.5
90	Titan Industries	422.3	37486.8	44.3	35.6	14.9	32.7	30.1	2.1	25.4	0.5
91	Tata Chemicals	451.4	11498.4	14.1	11.6	2.1	-17.2	15.1	10.0	N/A	2.2
92	Tata Motors	568.2	170705.1	9.9	8.4	2.8	27.1	23.3	2.0	4.6	0.4
93	United Breweries	973.0	25726.6	86.2	65.9	15.8	14.6	19.1	0.9	10.7	0.1
94	Union Bank of India	174.8	11110.2	N/A	N/A	0.6	9.3	N/A	4.0	15.0	2.3
95	United Spirits	3371.9	49002.3	235.9	85.4	16.2	-114.8	16.7	0.0	N/A	0.0
96	United Phosphorus	411.3	17626.4	15.0	12.6	3.4	19.2	20.2	4.0	18.1	1.0
97	Ultratech Cement	3042.9	83497.2	33.0	23.5	4.9	13.6	16.2	9.0	11.2	0.3
98	Wipro	663.8	163889.2	18.9	17.1	4.1	23.6	21.8	8.0	25.1	N/A
99	Yes Bank	794.9	33199.2	16.4	13.6	4.0	24.9	N/A	8.0	17.9	1.0
100	Zee Enternainment	348.6	33476.4	37.2	31.7	12.3	26.6	22.0	2.0	21.8	0.6

N/A: Not Available

Source: Bloomberg Consensus as on February 25, 2015

Q3FY15 Report Card

The Indian equity market witnessed exciting twists and turns throughout 2014 due to events on all fronts, political, economical, social and corporate, both global and domestic. Market started the year with high hopes then saw really high levels in middle of the year as new BJP government led by Mr. Modi came into power with full majority and then improved with rising reforms but fear from Euro zone led by Greece were major challenges. Key macro indicators appeared to be on track after witnessing intensive lows. However, in the current result season there was no good news for investors. In Q3FY15, on consolidated basis, Sensex aggregate Sales declined 1.6%, EBIDTA declined 0.6% and PAT declined 7% YoY, which was lowest in several recent quarters. The major dragger in Sensex companies are heavyweight sectors like energy (due to a plunge in the crude oil prices) and metals (due to foreign exchange fluctuation, weak demand in Europe and a decline in the base metal prices). However, several companies in industries like Telecom, Infrastructure and FMCG delivered moderate results.

The government had recently updated the base year to calculate Gross Domestic Product (GDP) to 2011-12 from 2004-05. Under the new methodology economy is likely to grow at a faster pace of 7.4 per cent in the current fiscal as against 6.9 per cent in 2013-14 after a robust 7.5% expansion in the October-December quarter, overtaking China as one of the fastest growing major economies. Under the new series the economy grew 8.2% in the July-September quarter and 6.5% in the April-June quarter. Currently the major drag for Indian economy is industrial production which shows muted growth. Going ahead lower interest rate, reform momentum, increase in investment in defense sector, revival of investment & CAPEX cycle, pick up in auto sales and revival in real estate sector would be key drivers of GDP. Recently on 15-Jan-2015 RBI made a surprise rate cut of 25 bps before the sixth bi-monthly policy which is certainly positive for India Inc, indicating the direction over the coming months. But the consensus in the market remains that the central bank will opt for a 50-75-basis point rate cut this calendar year, including one before the next policy review, scheduled for April 7.

For 2014 FIIs were net buyers of Rs. 97,054 cr in the equity segment. For the month of Dec 14, FIIs were net buyers of Rs. 1,036 cr and during 9MFY15 they were net buyers of Rs. 74,859 cr while DIIs were the net sellers of Rs. 28,557 cr for 2014. For the month of Dec 14, DIIs were net buyers of Rs. 5,956 cr and during 9MFY15 they were net sellers of Rs. 14,638 cr. India also remained a favoured destination for investment, FDI inflow is US$ 28.78 billion against US$ 22.04 billion in 2014 seen a growth of 31% whereas in 9MFY15 FDI inflow is US$ 21.05 billion up 27% from US$ 16.56 billion last year.

Quarterly Performance Analysis

The aggregate revenue of CNX 500 companies (excluding Banks, NBFC & Oil companies) stood at Rs 827,666 crore, a growth of 5% on YoY basis. Sequentially the growth is at just 2%. Higher operating expenses led to lower operating margins which declined 77 bps compared to Q2FY15. During Q3FY15, the EBITDA margins of CNX 500 companies (excluding Banks, NBFC & Oil companies) stood at 16.7%. This led EBITDA in Q3FY14 to remain almost flat with a decline of just 1% YoY, while QoQ also it registered a degrowth of 2% at Rs 138,555 crore. The depreciation cost of these companies registered a growth of 11% YoY from 7% YoY in Q2FY15 at Rs 41,974 crore. However sequentially, there is 4% increase in depreciation. Interest cost has also decreased the profitability in the quarter by growing 11% YoY against 6% in Q2FY15 at Rs 36,658 crore. However QoQ the interest cost had declined by 1%. Earnings of CNX 500 companies (excluding Banks, NBFC & Oil companies) has registered a decline of 15% YoY during the quarter as compared to 9% YoY growth in Q2FY15. Sequentially the profit decreased by 10% at Rs 54,071 crore. Profit margin also decreased by 85 bps at 6.5% against 7.4% in Q2FY15.

CNX 500 (Excluding Banks, NBFC & Oil Companies)

(In Rs. Cr.)	Q3FY13	Q4FY13	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15
Net Sales	688947	748086	692863	765185	785028	851712	794333	811540	827666
Growth (YoY)	7%	4%	6%	15%	14%	14%	15%	6%	5%
Growth (QoQ)	4%	9%	-7%	10%	3%	8%	-7%	2%	2%
Operating Exp.	577523	631252	577987	633443	644861	709468	652262	669455	689111
Growth (YoY)	7%	6%	7%	15%	12%	12%	13%	6%	7%
Growth (QoQ)	5%	9%	-8%	10%	2%	10%	-8%	3%	3%
% of Sales	84%	84%	83%	83%	82%	83%	82%	82%	83%
Operating Profit	111424	116834	114877	131741	140167	142245	142070	142085	138555
Growth (YoY)	8%	-3%	3%	18%	26%	22%	24%	8%	-1%
Growth (QoQ)	0%	5%	-2%	15%	6%	1%	0%	0%	-2%
OPM	16%	16%	17%	17%	18%	17%	18%	18%	17%
Depreciation	31151	32445	33074	37583	37782	39170	38979	40348	41974
Growth (YoY)	14%	18%	15%	29%	21%	21%	18%	7%	11%
Growth (QoQ)	7%	4%	2%	14%	1%	4%	0%	4%	4%
Interest	26917	27444	31033	35057	32885	35161	35477	37048	36658
Growth (YoY)	23%	18%	25%	56%	22%	28%	14%	6%	11%
Growth (QoQ)	19%	2%	13%	13%	-6%	7%	1%	4%	-1%
Other Income	18464	25300	17973	19136	22646	22687	25026	23487	22324
Growth (YoY)	14%	24%	1%	8%	23%	-10%	39%	23%	-1%
Growth (QoQ)	5%	37%	-29%	6%	18%	0%	10%	-6%	-5%
Adj Profit	50809	57590	46382	54709	63883	65910	64320	59901	54071
Growth (YoY)	3%	-15%	-15%	-1%	26%	14%	39%	9%	-15%
Growth (QoQ)	-8%	13%	-19%	18%	17%	3%	-2%	-7%	-10%
NPM	7%	8%	7%	7%	8%	8%	8%	7%	7%

Source: Capitaline

Sectoral performance review

Banking Sector

Q3FY15 is another really disappointing quarter for Indian financials with overall earnings for banks declined due to weak domestic macroeconomic condition, higher loan loss provisioning, low balance sheet growth and weak Indian rupee against major currencies. Public sector banks witnessed pressures on earning growth due to sharp hike in the provisions, higher employee cost, lower asset quality and fresh loan restructurings and inspite of this the profits of public sector banks has grown moderately in recent quarter largely supported by strong other income gains led by treasury gains. Private sector banks had faced headwinds of a slowing economy with low balance sheet growth, pressures on asset quality, and higher restructuring of loans reducing the private banks earnings growth moderately but still outperform public sector banks.

In Q3FY15, banks continueed to report subdued balance sheet growth due to protracted slowdown in the loan growth as corporate activities continues to remain weak despite improvement in the sentiments. Factors supporting credit growth are agri and retail. In retail, disbursement in commercial vehicle segment have picked up significantly for banks. Credit growth has slowed down further from 11.0% Y-o-Y in Q2FY15 to 10.9% Y-o-Y on the back of muted industry credit growth (7.3% YoY) and services sector credit growth (9.9% Y-o-Y). Incremental growth in non food credit in the system has been driven by retail loans (15.3% Y-o-Y) and agricultural loans (20.2% Y-o-Y). Corporate credit demand and standstill investment cycle have been primary factors for muted industry credit growth. Industrial production growth has slipped again from 4.2% in Q2FY15 to 1.4% in Q3FY15 due to significant weakness in consumer segments and slow recovery in intermediate and capital goods segments. Deposit growth, on the other hand, grew on aggregate basis by 12.6% YoY. The current account and savings account (CASA) ratio deteriorated on an average by 20-25 basis points (BPS) quarter on quarter (QoQ) due to a rise in the term deposit growth.

Steep fall in bond yield has supported banks' earnings in Q3FY15; G-Sec yields have declined 66bps from 8.51% in Q2FY15 to 7.86% in Q3FY15. The net interest margin of banks on an aggregate basis remained stable QoQ and YoY. The cost of funds eased during the quarter which was negated by a fall in the yields due to a reversal of interest income on the non-performing assets (NPAs). Bank reported a sequential increase in the net interest margin. The net interest income growth remained weak for the sector mainly due to a slower credit offtake. Asset quality worsened sharply during Q3FY15 mainly contributed by the PSBs as fresh slippages remained on the higher side coupled with lower recoveries and upgrades which led to increase in GNPAs for almost all the banks. Restructured accounts continue to show an uptrend for the sector, however, the growth rate has declined against the earlier quarters. The gross NPA for the PSBs increased to 5.1% from 4.8% in Q2FY15 led by a rise in the slippages ratio. Private banks except ICICI Bank on other hand maintained relatively stable asset quality, with moderate fresh restructuring of loans portfolio.

BSE Bankex & Bank Nifty

Company (Rs Cr)	NII	YoY	QoQ	Net Profit	YoY	QoQ	NIM (%)	CAR (%)	GNPA (%)	RoA (A) (%)
St Bk of India	13777	9%	4%	2910	30%	-6%	3.1	12.0	4.9	0.6
HDFC Bank	5700	23%	3%	2795	20%	17%	4.4	15.7	1.0	2.0
ICICI Bank	4812	13%	3%	2889	14%	7%	3.5	16.4	3.4	1.9
Punjab Natl.Bank	4233	0%	2%	775	3%	35%	3.2	11.5	6.0	0.5
Axis Bank	3590	20%	2%	1900	18%	18%	3.9	14.1	1.3	1.9
Bank of Baroda	3286	7%	-3%	334	-68%	-70%	2.2	12.4	3.9	0.2
Bank of India	2780	2%	-8%	173	-70%	-78%	2.3	10.7	4.1	0.1
Canara Bank	2380	7%	1%	656	60%	5%	2.2	9.9	3.4	0.5
Union Bank (I)	2121	8%	2%	302	-13%	-19%	2.5	10.3	5.1	0.3
Kotak Mah. Bank	1059	16%	2%	465	37%	4%	4.7	16.0	1.9	1.9
Yes Bank	909	37%	6%	540	30%	12%	3.2	15.5	0.4	1.8
IndusInd Bank	861	18%	3%	447	29%	4%	3.7	12.4	1.1	1.9
Federal Bank	587	8%	-3%	265	15%	10%	3.2	14.5	2.2	1.4
Total	46096	11%	2%	14450	10%	-3%				

Source: Capitaline

Auto & Auto ancillary

The performance of the automobile sector was largely lackluster in Q3FY15. Due to an early festive season this year as compared with the last year affected the growth of the auto industry in Q3FY15. The early festive season had pushed up the growth rates in Q2FY15 as a large part of the inventory stocking by manufacturers had been completed in August and September of 2014 which had inflated the growth rates in that quarter. Thus, on a high base of the last year the volumes of the two-wheeler industry grew by merely 1.4% in Q3FY15 after growing at 19.1% in Q2FY15. Similarly, the PV sales volume grew by 2.6% as compared with a growth of 7.3% in the previous quarter. The MHCV segment was an exception as an improvement in freight rates, a fall in diesel prices and a low base of the last year enabled it to record a sharp 40% growth in Q3FY15. A majority of the commodities saw a declining trend in Q3FY15 which boosted the Gross Profit Margin (GPM) during the quarter whereas Operating Profit Margin (OPM) was restricted largely due an increase in the overheads cost driven by wage hikes and higher promotional expenses dealer incentives and discounts rose to push the consumer demand in the festive season. As a result, the growth in the PAT was restricted.

The aggregate consolidate revenue of auto & auto ancillary companies (including BSE Auto & CNX Auto) registered a growth of 9% YoY, while sequentially the increase was 8% at Rs 134,373 crore. EBITDA margin declined by 64 bps to 13.7%, largely due an increase in the overheads cost and high cost inventory, which though had increases the operating profit by 5% YoY and increase by 4% QoQ at Rs 18,417 crore. Higher finance costs and higher taxation decline the earnings of the auto manufacturers. During Q3FY15, PAT of auto & auto ancillary companies decrease by 8% YoY, while QoQ it substantially increase by just 1%.

Four wheeler major Maruti Suzuki posted a growth of 15% YoY in its top-line, whereas net profit of the company had increased by 18% on YoY basically due to lower operating expenses and lower base effect. Two-wheeler major Hero MotoCorp posted decline in its revenue by just 1% YoY, on account of lower volume and higher base effect. Net profit of the company has increased by 11% on YoY.

In the near term the sentiment for the auto Industry has been somewhat dampened by the government's decision to not extend the concessional excise duty benefit after December 31, 2014. However, a significant fall in fuel prices and the expected lowering of interest rates should help boost sentiment and provide a growth impetus to the industry. The demand for scooters is expected to drive the growth in the two-wheeler industry even as the subdued rural sentiment has affected the demand for motorcycles. With discretionary spending yet to pick up, elevated discounts continue to drive the PV segment, which is yet to stabilize. The CV segment is witnessing a recovery and improving economic activity would continue to fuel the up move in the segment.

BSE Auto & CNX Auto

Company (Rs Cr)	Net Sales	YoY	QoQ	Operating Profit	YoY	QoQ	Net Profit	YoY	QoQ
Tata Motors	69973	10%	16%	9910	1%	4%	3581	-25%	9%
Maruti Suzuki	12576	15%	2%	1593	18%	5%	802	18%	-7%
M & M	9583	-9%	0%	994	-28%	-1%	942	1%	0%
Motherson Sumi	9149	15%	14%	829	5%	42%	254	2%	143%
Hero Motocorp	6839	-1%	-1%	822	-8%	-12%	583	11%	-24%
Bajaj Auto	5657	10%	-5%	1227	8%	56%	861	-5%	46%
Ashok Leyland	3361	72%	4%	238	346%	2%	32	119%	-73%
MRF	3353	5%	0%	626	50%	3%	324	80%	2%
Apollo Tyres	3105	-13%	-6%	412	-24%	-17%	184	-45%	-29%
Bosch	2458	14%	-4%	200	-6%	-54%	111	-20%	-64%
Eicher Motors	2294	37%	1%	303	82%	-1%	154	60%	-7%
Exide Inds.	1559	20%	-12%	180	26%	-13%	97	25%	-23%
Bharat Forge	1198	44%	5%	362	69%	13%	196	109%	13%
Amtek Auto	1119	25%	7%	352	32%	11%	71	-9%	-5%
Cummins India	1083	6%	-5%	189	-4%	0%	181	23%	-11%
Amara Raja Batt.	1066	24%	0%	180	20%	-3%	102	8%	2%
Total	**134373**	**9%**	**8%**	**18417**	**5%**	**4%**	**8476**	**-8%**	**1%**

Source: Capitaline

Metal & Mining

Q3FY15 has been a weak quarter for metal companies with the companies combating various regulatory hurdles for continuity in operations, competitive pressures from China, weak commodity pricing environment subdued end market demand along with higher fixed costs dented the performances. This shows the profitability for the sector decline both on yoy as well as qoq basis. Pricing has been weak across companies but particularly so for the Ferrous segment. Weak demand and increasing imports from China and Russia at significantly lower prices has impacted realizations.

Non ferrous metal prices during the quarter under review were subdued wherein decline was witnessed in prices of all the four major non ferrous metals namely lead, zinc, copper and aluminium. During the quarter average price of copper was US$6634/tonne, down 5.2% QoQ and 7.3% YoY; lead was US$2001/tonne, down by 8.2% QoQ and 5.3% YoY; Zinc was US$ 2236/tonne, down by 3.2% QoQ however up by 17.3% YoY whereas aluminium was US$ 1968/tonne, down by 1.0% QoQ however up by 11.2% YoY. Depreciating rupee partially negated the fall witnessed in LME prices. On the ferrous metal front, steel demand remained subdued with steel consumption growing by merely by 1.3% to 48.62 million tonnes (MT) during the period Apr'14-Nov'14. Imports increased by 49% to 5.5 MT whereas exports decreased by 5.3% to 3.5 MT, making India net importer of total finished steel in April-November period. Steel companies have reported an increase in finished steel inventories during the quarter due to subdued domestic demand.

The aggregate revenue of Metal and Mining companies (Both BSE & CNX Metal) where almost flat to negative at Rs 122,322 crore. Various regulatory hurdles for continuity in operations, competitive pressures from China, weak commodity pricing environment subdued end market demand along with higher fixed costs dented the performances. Aggregate operating profit during Q3FY15 decreased by 14% on YoY and on QoQ basis it has decrease by 6%. PAT witnessed decline of 26% YoY, whereas sequentially it has also decline by 20% at Rs 8,795 crore.

Looking at the sales growth YoY, Hindalco had posted a growth of 18% and profit had grown by 8% at Rs 359 crores. During Q3FY15, NALCO posted 16% YoY growth in revenue and 171% YoY growth in its profit. Coal India posted 5% YoY increse in revenue and 16% YoY decline in its profit. JSW Steel registered 3% YoY decline in revenues. Tata Steel's revenue decreases by 8% YoY to Rs 33,633 crore, driven by lower realizations and lower demand.

Company (Rs Cr)	Net Sales	YoY	QoQ	Operatingn Profit	YoY	QoQ	Net Profit	YoY	QoQ
Tata Steel	33633	-8%	-6%	3077	-23%	-15%	157	-69%	-87%
Sesa Sterlite	19219	-2%	-2%	6147	-6%	-1%	1588	-15%	-2%
Coal India	17763	5%	13%	3463	-15%	67%	3262	-16%	49%
JSW Steel	13223	-3%	-5%	2296	-5%	-18%	329	-29%	-56%
S A I L	11107	-3%	-5%	1208	4%	-10%	579	9%	-11%
Hindalco Inds.	8603	18%	1%	923	47%	98%	359	8%	356%
Jindal Steel	5045	-2%	-2%	-430	-125%	-126%	-1619	-388%	-466%
Hind.Zinc	3853	12%	1%	2089	15%	5%	2379	38%	9%
NMDC	2946	4%	-5%	1948	2%	3%	1593	2%	2%
Bhushan Steel	2460	2%	-17%	447	-26%	-24%	-454	-729%	-53%
Natl. Aluminium	1906	16%	-4%	527	158%	11%	354	171%	4%
Jindal Saw	1777	4%	12%	199	20%	-3%	62	24%	-17%
G M D C	326	12%	22%	126	1%	71%	80	-3%	45%
Hind.Copper	241	-43%	9%	18	-86%	-46%	11	-85%	-38%
MOIL	218	-17%	-10%	103	-24%	2%	108	-31%	-3%
Orissa Minerals	0	NM	NM	-10	-10%	-10%	6	64%	4%
Total	**122322**	**-1%**	**-2%**	**22131**	**-14%**	**-6%**	**8795**	**-26%**	**-20%**

Source: Capitaline

Information Technology

Traditionally, 3Q is a weak quarter for IT companies as the numbers of working days are not as much of other quarters, due to the holiday season and furloughs. Inspite of this IT companies reported better than expected Q3FY15 earnings as deal momentum has been strong which led to healthy volume growth. Demand environment too has been enhanced in recent times. However, cross-currency fluctuations has negatively impact the topline growth. The Tier-I companies in constant currency terms has given a not so bad performance in a seasonally soft quarter with a cumulative revenue growth of 3.8% QoQ and Dollar revenue growth for Tier-I companies grew an average 1.6% QoQ. But the margin performance amazed positively across the board, with back-to-back quarters of margin enhancement driven by operational efficiencies. Management commentary on the demand outlook remains positive and indicates a worldly enhancement in the demand.

NASSCOM has cited that industry exports are expected to grow by 13-15% in FY15 to ~USD 100 bn while for FY16 the growth forecast in exports has been lowered to 12-14%. Whereas according to the trade association, the domestic market is likely to surpass $48 bn in FY15, which would be a growth of 14% as compared to the year-ago period. According to Gartner, IT spending in India is expected to reach $73.3 billion in 2015, a 9.4% increase from the 2014 forecast. IT services will record the strongest revenue growth at 15.7% in 2015, as per Gartner. Software will grow at 14%. Devices will continue to account for the second largest part of the market with 33% share of revenue and will grow 12.6% in 2015. The telecommunication services segment will account for 39.3% of the Indian ICT market and it is set to grow at 4.2% revenue growth in 2015.

The aggregate revenue of BSE IT and CNX IT companies posted a growth of 12% YoY and 4% QoQ at Rs 73,630 crore. Ordinary operating expenses management and lower employee cost moderate the growth in EBITDA of these IT companies. EBITDA grew 8% YoY and 5% QoQ at Rs 18,907 crore. PAT also grow by 3% QoQ to Rs 14,655 crore, while YoY it grew 6%.

In rupee terms, IT companies like TCS, Wipro, HCL Tech and Tech Mahindra reported 15%, 7%, 13% and 17% YoY revenue growth respectively. Infosys had posted a revenue growth of 6% YoY. Midsized IT companies like MindTree, KPIT Tech, Rolta India, Cyent and Hexaware Technologies reported decent growth in its top-line. Profit growth remained high for major IT companies, except TCS and HCL Tech which witnessed a profit growth of 2% and 2% respectively on QoQ basis.

BSE IT & CNX IT

Company (Rs Cr)	Net Sales	YoY	QoQ	Operatingn Profit	YoY	QoQ	Net Profit	YoY	QoQ
TCS	24501	15%	3%	7048	5%	4%	5328	0%	2%
Infosys	13796	6%	3%	3689	13%	6%	3250	13%	5%
Wipro	12085	7%	2%	2768	4%	6%	2193	9%	5%
HCL Technologies	9283	13%	6%	2318	18%	8%	1915	28%	2%
Tech Mahindra	5752	17%	5%	1160	2%	6%	805	-20%	12%
Rolta India	967	27%	9%	345	21%	6%	77	3%	8%
Oracle Fin.Serv.	938	-4%	-1%	343	-5%	-3%	250	-23%	-21%
Mindtree	912	15%	3%	187	21%	6%	141	59%	2%
KPIT Tech.	780	15%	3%	108	4%	8%	65	7%	-7%
Cyient	712	23%	6%	116	2%	7%	101	45%	12%
Hexaware Tech.	712	15%	6%	135	-3%	12%	87	-15%	1%
Vakrangee	702	44%	1%	194	38%	7%	89	80%	12%
CMC	638	14%	3%	93	3%	-10%	72	2%	-5%
NIIT Tech.	595	1%	1%	86	-10%	5%	48	-9%	20%
Persistent Sys	495	14%	7%	100	-5%	4%	74	16%	4%
eClerx Services	242	10%	4%	81	-9%	-1%	61	-2%	-2%
Tata Elxsi	221	11%	8%	50	16%	21%	28	29%	17%
Just Dial	154	29%	5%	50	50%	18%	32	8%	2%
Info Edg.(India)	146	18%	-1%	36	-14%	-14%	39	20%	16%
Total	**73630**	**12%**	**4%**	**18907**	**8%**	**5%**	**14655**	**6%**	**3%**

Source: Capitaline

FMCG Sector

FMCG sector continued to witness subdued volume growth with moderate demand in rural area whereas urban area demand has still not picked up, the growth in the sales volume of most of the FMCG companies remained muted in Q3FY15. Inspite of muted volume growth revenue growth was driven by increase in average realization. Further as anticipated, the GPM of the FMCG companies saw a substantial improvement due to softness in the raw material prices and boosted their performance at the operating level whereas most FMCG companies witnessed a limited expansion in operating margins as companies were holding high cost inventories but lower spend towards advertisement & promotion helps the companies to improve margins. International businesses performed well on constant currency basis, but they grew in mid single digits in INR terms due to negative currency impact.

The aggregate revenue of FMCG companies (both BSE and CNX FMCG index) increased by 7% YoY but shows a moderate growth of 2% on QoQ basis at Rs 38,722 crore. Softening of commodity prices and increase in average realization and increased product mix aided the FMCG companies to post strong operating profit. EBITDA during the quarter has shown a growth of 9% as compared to previous year. Sequentially it has marginally grown by 2%. Net profit of these companies also surged 12% YoY due to lower tax outgo during Q3FY15. On QoQ basis profit grew by 9%.

ITC registered a sales growth of 2% YoY during Q3FY14, due to lower cigarettes revenue but driven by FMCG and paper product. Lower interest cost coupled with moderately high depreciation cost and higher effective tax rate led the company to post 10% YoY growth in net profit at Rs 2,635 crore. Godrej Consumer posted 13% YoY growth in net sales. However EBITDA growth was surged 29% YoY growth due to lower raw material cost and lower employee expenditure. Hindustan Unilever's net sales grew by 8% YoY with net profit growth of 18% YoY. Jubilant Food's net sales grew 21% YoY, however net profit witnessed a growth of 4% YoY on the back of lower operating efficiencies.

The moderation in inflationary expectations, savings from lower fuel prices and improving consumer sentiment (especially in the urban markets) are expected to materially improve urban discretionary and consumer spending in the coming quarters. Moreover, the pay-scale revision of government employees as per the recommendation of the Seventh Pay Commission in the next 9-12 months could be an additional trigger for urban consumer demand in future. FMCG companies are expecting the H2FY15 to be better than H1FY15 on the back of expected revival in urban demand and benign input prices.

BSE FMCG & CNX FMCG

Company (Rs Cr)	Net Sales	YoY	QoQ	Operatingn Profit	YoY	QoQ	Net Profit	YoY	QoQ
ITC	8943	2%	-1%	3464	5%	-1%	2635	10%	9%
Hind. Unilever	7774	8%	2%	1332	9%	7%	1252	18%	27%
Nestle India	2531	12%	-2%	550	20%	3%	326	16%	5%
United Spirits	2318	2%	6%	238	7%	49%	79	21%	383%
Godrej Inds.	2297	14%	0%	106	-14%	-20%	91	39%	-5%
Godrej Consumer	2236	13%	9%	398	29%	18%	264	35%	12%
Tata Global	2144	3%	6%	199	9%	24%	84	-30%	35%
Dabur India	2079	9%	8%	352	18%	0%	283	16%	-2%
Britannia Inds.	2033	13%	3%	207	30%	-6%	137	37%	-49%
Marico	1452	21%	1%	237	17%	21%	160	18%	35%
GlaxoSmith C H L	1012	17%	-9%	106	20%	-46%	96	21%	-40%
United Breweries	1000	5%	-8%	122	-18%	-3%	40	-28%	-6%
Colgate-Palm.	996	12%	0%	195	29%	4%	131	16%	1%
Emami	692	18%	41%	209	12%	85%	184	22%	98%
Jubilant Food.	554	21%	11%	73	8%	19%	35	4%	21%
Mcleod Russel	481	1%	-3%	107	-26%	-57%	80	-37%	-64%
Rasoya Proteins	178	-74%	46%	21	-43%	-194%	3	-81%	108%
Total	**38722**	**7%**	**2%**	**7915**	**9%**	**2%**	**5881**	**12%**	**9%**

Source: Capitaline

Sector Outlook: Defence

"Firing all guns"

India's defence sector is set to witness a big turnaround under the leadership of Prime Minister Narendra Modi. Modi government's vision to make India as a manufacturing hub through their " Make in India" mission, is the next big reform wave for the defence sector as it would propel the growth through indigenous manufacturing both for domestic and global clients. Over the last couple of years, India has been emerging as the world's largest weapons buyer and is in the process of replacing the ageing Soviet-era military hardware with modern military weapons from major defence manufacturers such as USA, Israel, Russia, UK and France. Despite of slowdown in defence spending by major countries post economic downturn, India has emerged as the largest importer of defence arms and is expected to spend USD 620 billion over the next decade (as per FICCI). The NDA government post victory in 16th Loksabha election, has envisaged to revamp country's ailing GDP growth by increasing investments in key infrastructure sectors, boosting employment generation, rationalizing subsidy bills and curbing fiscal deficit. Since, NDA government came into power, it has always been encouraging investments and is in the process to establish conducive business environment by streamlining the country's complex tax structure. Government through its Make in India vision would turn India as a global manufacturing hub, thus developing country's weak infrastructure sector and generating employment opportunities. Modi government has been urging the foreign investors to set up their manufacturing base in India and reap the advantage of low cost manufacturing process. Defence is such a sector that would be benefited most from Make in India mission and could witness significant growth path in near future on the back of slew of initiatives taken by defence ministry such as increase in FDI cap de-licensing of non-lethal and dual use items and a declared export strategy. However, India's spend in defence is relatively much lower than other developed and emerging economies. US, holding the first position with 37% spending in defence, followed by Europe, China, Russia and Japan. India's spending on defence stand at 3% despite of gathering pace in defence spending in the past few years. Since, the defence sector was officially opened to the private sector in 2001; the sector has been expressing its desire to repeat the success stories witnessed in country's automobile sector, textile and pharmaceutical. Defence has been accorded the highest priority by the present government with the Prime Minister himself emphasizing the commitment and focus on defence on every major occasion. The government is further streamlining the acquisition process by simplifying the Defence Procurement Procedure to eliminate red tape and facilitate speedier acquisition for meeting the operational requirements of Indian forces.

India's defence spending far below than the developed & emerging nations

The defence spending is non-plan expenditure for the government and the spending is far below compared with other developed and emerging nations. USD 1.7 trillion was

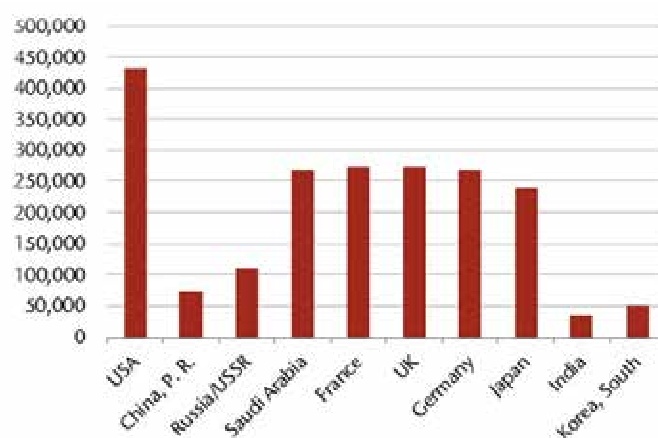
the estimated defence spends globally in CY13. Global defence spends increased by a CAGR 5% from CY01-11, mainly driven by China. Post economic downturn, the defence spends are witnessing a declining trend, as developed economies like the US and Europe are showing lower defence spend patterns. US is the leader in defence spending with 37% since 1990, though the share has declined from 44%. China comes in second, accounting for 10% of the spend in CY13. The global defence spend has changed dramatically in past 25 years, barring US. Europe defence spending has declined from 23% in CY91 to 13% in CY13 with Germany, France and UK had been pulling the plug. While, Middle East has doubled from 4% in CY91 to 8% in CY13, driven by the spike in spend from Saudi Arabia. Japan and Russia remained steady at 4-5% of the total spend. India's share in total global defence spend was low at 2-3% as of CY13, while China has zoomed to 10% of global spend from 2% in CY91. In absolute terms, India's defence spending is one-third of China, given China's strong economic growth in past decade. The global defence spend include revenue and capital expenditure with India's capital spend as a proportion of total defence spend stood at 41%. While for China and US, capital spends accounts for 50-60% of their respective defence budgets. Even, India's defence spend per soldier is the lowest among the top 10 countries and almost half of China. The developed economies like US and Europe have a clear lead in spend per solider. Within the military forces, navy equipment tends to be the most expensive, followed by the air force and then the army. India is not in a reasonably strong position in any of the military forces relative to other countries. Besides, as matter of concern, in terms of army equipment, Pakistan does not lag India by much. Thus in the long run the companies whose operations are related with the defence sector have immense growth opportunities going ahead.

Global Defence spend and India's position

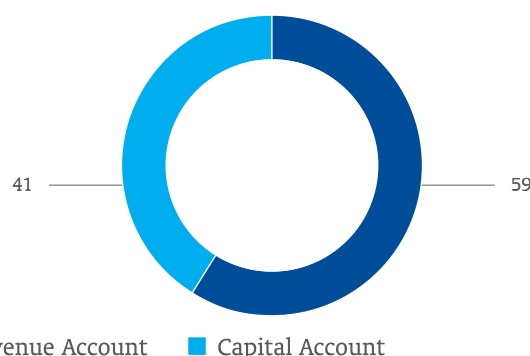
Country	Defence spend (USD bn)	World share (%)	% of GDP
USA	619	37	3.8
China	171	10	2
Russia/USSR	85	5	4.1
Saudi Arabia	63	4	9.3
France	62	4	2.2
UK	56	3	2.3
Germany	49	3	1.4
Japan	59	4	1
India	49	3	2.5
South Korea	32	2	2.8

Source: SIPRI

India's defence spend per soldier is lowest among top nations (USD p.a)



India Government's Defence spend (FY15 Budgeted) (%)

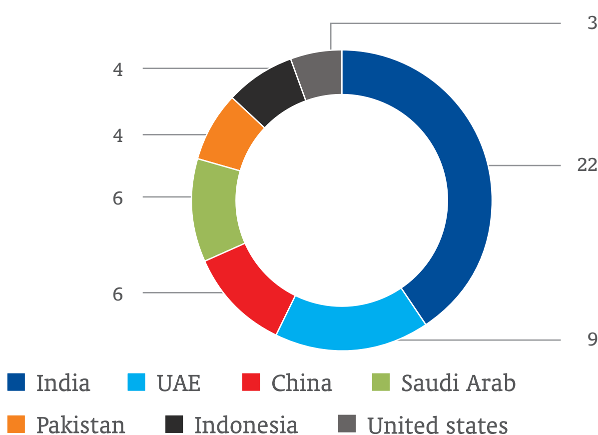


Source: India budget

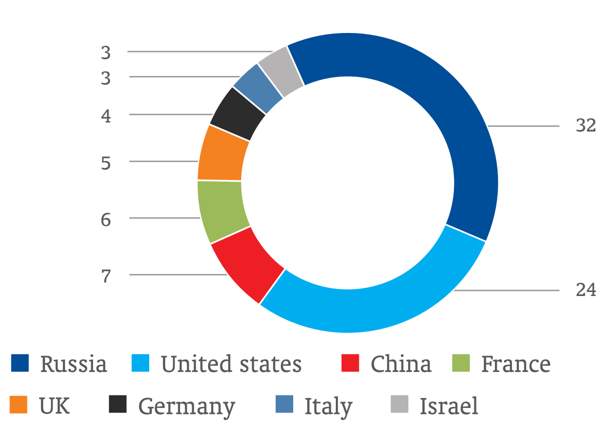
India in the top importer of defence products thus indigenization is most likely to happen

During CY11-13, the global defence trade was subdued due to global slowdown and since China gradually raised its domestic manufacturing capability. Over the years, China has developed its defence manufacturing facilities transforming from a lead importer at 11% of global defence trade in CY01 to just 6% in CY13. This is despite its absolute defence spends rising more than 3x during the same period. While, for India the import of defence equipment has gone up significantly from 5% of total global imports to 22% in CY13. These statistics reveal the importance of indigenization in defence equipment & technology space. Russia and US, the top two exporting countries with 32% and 24% share in total global exports. As India is the largest importer of defence products, its Research and development spend is quite low at 3% of the overall defence spend. Globally, developed and emerging countries like US and China have significant R&D expenditure as these nations have in house strong manufacturing capabilities and resources. India's lack of R&D spend limits its capability in manufacturing advanced military equipment in India without any support from global majors. Over the years, inefficient policies have been hurting the industry and thus no such Joint venture between foreign and domestic companies has been formed. However, as the NDA government is increasing its focus on 'Make in India', and globally spending patterns are showing declining trends, foreign companies are showing interest in forming JVs in India.

India Top importer of defence products (%)



Russia & US top exporters of defence products (%)



Source: SIPRI

Make in India push to benefit the sector

After a massive win in 16th Loksabha election, NDA government unleashes several reform oriented policies to revamp the country's ailing economic conditions. Increasing manufacturing activities, reviving capex cycle, generating employment, curtailing government expenditures, hiking foreign investment caps on key sectors are the notable reforms that NDA government has intended to implement. To increase manufacturing output, the government has launched Make in India campaign and thus encouraging entrepreneurs to set up their manufacturing capacities in India. Even, the government also set up a website that encourages corporate to step up investment in domestic manufacturing facilities. In the initial cabinet, Arun Jaitley was entrusted with responsibility of both the finance and defence ministries. Given two large and meaningful portfolios, valid

concerns on focus on defence were raised. In November 2014, Manohar Parrikar took over the defence portfolio from Arun Jaitley as a part of Bharatiya Janata Party's (BJP) larger plans on gradually expanding the cabinet. Since, Mr Parrikar took over the responsibility, he has shown strong commitments to revive the sector by announcing concrete acquisition plans of USD 41 billion and redirecting pending major orders which would be manufactured rather than procuring from overseas. In last year, defence ministries scrapped couple of orders given to foreign manufacturers and directed to build domestically. The orders include 197 light utility helicopters worth of USD 991.65 million and eight naval minesweepers, which will be built by Goa Shipyard Limited with maximum indigenous technology under the 'Make in India' campaign. Moreover, Defence Acquisition Council (DAC) has cleared projects worth of Rs 227 billion. The council has given its nod to float Request for Proposal for 814 artillery guns (155mm/52 calibers) worth Rs 156 billion. While 100 guns will be bought off-the-shelf, the balance 714 will be made in India. Last such guns were purchased way back in the 1980s and since past 15 years purchase of these guns have been put on the back burner. Further, the integrated air command system, which integrates all ground and air censors worth Rs 71.6 billion, has also been cleared. Defence minister also conveyed that to expedite the pending projects, Defence Acquisition council could meet twice in a month. Currently, India imports 70% of its defence equipment requirements as per of Ministry of Defence and now the new government is moving towards reversing this ratio by domestically manufacturing 70% of requirement as per the Ministry of defence . The studies reveal that a 20 to 25% reduction in imports could directly create an additional 100,000 to 120,000 highly skilled jobs in India and if that percentage of indigenous procurements raise from 30% to 70% in the next five years, then the employment numbers could be doubled. Moreover, relaxing FDI norms to ensure the global partner can hold 49% vs 26% earlier clearly indicates government's intention of incentivizing foreign players to set up operations in India with Indian firms. Thus the Make in India push to provide higher growth opportunities for domestic defence firms.

Easing of regulatory norms and framing investor friendly policies

Defence is a massive capital intensive sector thus it needs huge capital expenditure and technology up gradation. Hence, to address the issue, government has raised the permitted level of FDI in defence from 26% to 49% (with up to 100% permissible in cases where a vendor is bringing in state of the art technology). Further, government has also eased other regulatory norms required in defence sector such as permitting investments up to 24% by foreign institutional investors and aggressively pruning the list of products for which defence licenses are required. In 2006, to promote indigenization, the offset clause was introduced and is applicable for defence purchases above Rs 3 billion and in categories of 'Buy (Global)' (outright purchase from foreign / Indian vendor) and 'Buy and Make with Transfer of Technology" (purchase from foreign vendor followed by licensed production). Further in the offset clause, vendor has to give another contract or benefit to an Indian Defence company in value terms of 30% of foreign exchange component of the contract it has executed. As per the industry experts, the offset policy aims to acquire the state of the art technology and skills in core defence areas and not for exporting low-end products. To make the offset policy more productive, the defence ministry is planning to introduce more reforms in the policy. Moreover, the NDA government has highlighted a list of measures that include the urgent need to support research and development by investing in scientists, soldiers & technologies. Moreover in recently held aerospace exhibition, Aero India 2015, Prime minister urged private entrepreneurs to invest into defence sector and at the same time has been trying to address their key issues pertaining to the investments. After years of request from private sectors for access to cheap finance, the Prime minister called for a financing system (launching a Technology Development Fund) suited to the special needs of this industry. Easing of financing hurdle would improve the business sentiment in India as it is a market where buyers are mainly governments and thus the capital investments are large and risks are high. The NDA government is also considering on reforming the current tax regime so that manufacturing of products become cheaper than import, thus benefiting country's micro, small and medium enterprises in defense production. A strong defence industry in India can boost investment, expand manufacturing, support enterprise, raise the technology level and eventually increase economic growth for the country.

Indigenous equipment manufacturing to boost GDP and improve trade balance

Indian defence sector is amongst the top ten in the world and the new government is very clear and focused in its vision - indigenization of the industry and acquiring advanced technologies which will in turn help to reduce dependency on imports. The manufacturing sector accounts for ~15% of the GDP significantly lower than ~30% of China, Korea and Thailand even among the Asian nations. Thus, clearly in a bid to promote "Make in India", the government is all poised to leverage this sector to attract higher investments - both in R&D and production. As per PWC, India allocates about 1.8% of its gross domestic product (GDP) towards defence spending, of which 40% is allocated to capital acquisitions. Further, only about 30% of India's equipment is manufactured in India, mainly by public sector undertakings. Besides, even when defence products are manufactured domestically, there is a large import component at both system and sub-system levels. The government has opened up the construction sector and is believed to have deregulated almost 60% of the items under the defence manufacturing category and in the time to come, FDI can go up to even 100% in the sector. India's capital defence spending during the past 10 years has been broadly in line with the nominal GDP growth of ~15% CAGR. There has been higher emphasis to increase the capital expenditure proportion vis-à-vis revenue expenditure. India is a net importer of defence equipments and contributes heavily in worsening of the trade balance for the nation. It can be argued that the government spends almost the whole amount it receives through FDI on defence imports. Although, significantly lower as compared to overall GDP, Russia, US and even China are the top exporters for defence equipments. It is estimated (by Tata Power, Strategic Electronics Division) that with 25%, 50% and 75% reduction in

defence imports, India's manufacturing GDP will grow by 8%, 11% and 14% respectively and will help in creating additional jobs. FICCI estimates that the annual opportunity for Indian companies (PSU & Pvt together) is expected to reach $41bn in size by FY22 (7xFY14) and $168 billion of cumulative opportunity between FY14-22 driven by domestic and external demand. Of course, the underlying assumption being that the total defence budget allocation to be $620bn between FY14-22 of which 50 per cent would be on capex. Thus, it is certainly a long way ahead. However, one should remember that the opening up of the economy has seen tremendous opportunities as well as growth in two strong foreign exchange earning sectors for India – Auto and Pharma. Thus, with the right policies, India can also largely lower down its dependence on imports with strong budgetary allocation towards Defence capex. Historically, India spends ~0.7% of GDP on Defence capex and going by the same, capital defence spending can be to the tune of ~$250 billion in the next 10 years.

Defence Exports of Top 5 Nation (2013)

	(in USD mn)	As % of GDP
Russia	8283	0.41%
United States	6153	0.04%
China	1837	0.02%
France	1489	0.06%
United Kingdom	1394	0.06%

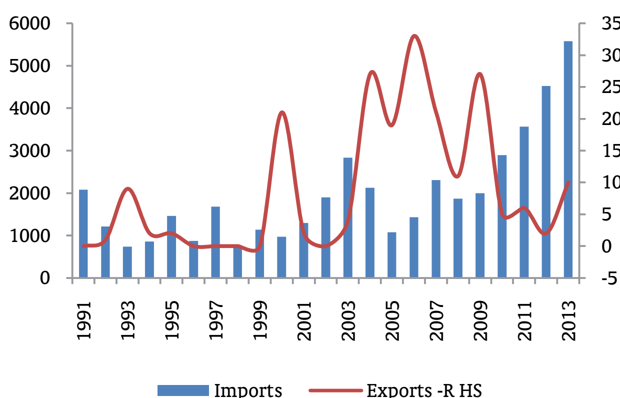
Source: SIPRI, Trading Economics

Economic impact of reducing Defence imports

% Reduction	Acceleration in Manufacturing GDP Growth rate	Additional Jobs
25%	8%	120,000
50%	11%	150,000
75%	14%	200,000

Source: Tata Power, Strategic Electronics Division

India's Defence Trade (in USD million)



Source: SIPRI

2015-16 key budget announcements on the sector

In the Union Budget for fiscal 2015-16, Finance minister Arun Jaitley had allocate Rs 2.47 trillion for the defence sector. It's a modest 7.9 percent increase in defence spending for the fiscal year starting April 1. For the current fiscal year, the allocation was Rs. 2.29 trillion, a jump of 12 percent over the previous year. Though the total defence spend growth estimated by government in budget 2015-16 was modest, the most important is that the government has increased the defence capital expenditure by 15%, while revenue expenditure has been increased by 8%, thus focusing more on indigenous manufacturing of defence equipments. Government's intended to focus on the 'Make in India' initiative to boost local manufacturing of defence equipment and exports in the coming year. "Defence of every square inch of our mother land comes before anything else. Keeping our defence forces ready for any eventuality. This year too, I have provided adequately for the needs of the armed forces," Finance Minister Arun Jaitley said in its budget speech.

In terms of defence expenditure, India stands among the top 10 nations globally and thus the sector has immense growth potential. The sector imports 70% of its needs from global market and thus the indigenization are required to reduce import dependency and to boost domestic manufacturing output which in turn could contribute in GDP growth and can simultaneously improve trade balance. NDA government has been emphasizing on revamping the defence sector and thus keen on implementing Make in India mission. The government has been assuring the industry to provide all kinds of structural support such as simplification of the "Make" procedure, financial incentives like tax holidays and incentivizing research and development. Further, the government has also streamlined its offset policy with innovative components, giving a thrust to medium and micro, small and medium enterprises sector, and simplifying export rules. As per the Federation of Indian Chambers of Commerce, India's defence spend is expected to hit USD 620 billion between fiscal years 2014 and 2022, with half of it going into capital expenditure (capex), potentially turning from a leading buyer of expensive arms to an arms supplier to rich nations. Thus it can be expected that the Indian defence sector is at an inflexion point and poised to grow at a sustainable high rate in the next decade.

Budget Review

The Union Budget 2015-16 had to deal with high expectations and the general verdict has been that the budget has been cautiously reformist. While in a bid to not hugely deviate from the fiscal consolidation plans, the big ticket investments have been curtailed, there have been major twists on the taxation front. While the corporate tax rate has been reduced to 25% from 30% over a period of four years starting next financial year, there has been increase in surcharge by 2%. On the personal income tax front, there have been no changes while the surcharge has been increased by 2% for super rich (gross total income above Rs 1 crore). However, the major announcements for the stock markets were merger of FMC and SEBI, reduction of corporate tax rate, abolition of distinction between FPI & FDI and the deferment of GAAR by two years. The biggest highlight for the budget was on the steps given to curb blackmoney. There were major morale boosting announcements for the banking sector (particularly private banks) with the potential merger of the FII & FDI limits into single limit of 74%, decline in corporate tax rate from 30% to 25% over four years, thrust on financial inclusion. However, there were no major announcements for the PSU banks except for appointment of CEOs (which was incidentally announced before the budget) even from private sector banks. The biggest challenge now will be in the hands of RBI, which can lower the interest rates to fuel the growth cycle. According to market experts, the intent of the government is very clear and people trying to avoid tax will find it difficult to keep unaccounted cash. In a bid to boost higher infrastructural activities, expenditure in the sector will go up to Rs 70,000 crore while road outlays will increase by Rs 14,031 cr in FY16 over last year. Moreover, there is a conscious effort on the part of the government to raise the capex part of the budgeted expenditure rather than revenue. The economic survey tabled has also highlighted strong expectations for FY16. The real GDP growth at market prices is estimated to be at 0.6-1.1% higher than FY15. For FY16, GDP growth is estimated to clock 8.1to 8.5% taking 2014-15 as the base. On the inflation front, the economic survey has relied upon the benefits from lower oil prices and the likely easing in the monetary policies, lower inflationary expectations. The inflation is likely to be in the range of 5-5.5%, considering that the monsoon will be a normal one. Experts have acknowledged the efforts of the government in presenting a pragmatic budget balanced on all fronts. The fiscal deficit target for FY16 has been revised to 3.9% of GDP from 3.6% guided last year and the fiscal consolidation plan has been stretched by one year and fiscal deficit target of 3% of GDP is now targeted to be achieved in FY18. The constraints on the fiscal part are quite understandable in a bid to accommodate

realistic economic assumptions, higher public expenditure and increased devolution to states. Overall, the stance by the new government increases the higher devolvement of the states as well as the citizens which can turn India in a more participative society. The key features and announcements are:

- Current account deficit (CAD) for FY15 to be below 1.3% of GDP
- GST to be in place by April 1, 2016
- Likely to end FY15 with GDP of 7.4%
- Expect CPI to remain close to 5 percent by year-end.
- Formation of monetary policy committee shortly.
- Allocation of Rs 5,300 crore for micro-irrigation, Rs 25,000 crore for rural infrastructure, Rs 34,699 cr for MNREGA and Rs 8.5 lakh crore Farm Credit in FY16
- To lift infrastructure, expenditure in the sector will go up to Rs 70000 crore. He said road outlays will increase by Rs 14,031 cr in FY16.
- Govt will establish national infra fund, to allocate Rs 20,000 crore
- NBFCs with size of over Rs 500 cr will get access to SARFAESI
- To merge commodities regulator, FMC with SEBI
- To set up 5 ultra mega power projects of 4,000 mw
- The government will do away with distinction between FPIs and FDIs
- Allocation of Rs 75 crore for electric vehicles
- Allocation of Rs 33,150 crore towards healthcare
- FY16 defence allocation at Rs 2.46 lakh crore
- The government estimates FY16 total expenditure at Rs 17.77 lakh crore. Of this planned expendiure stands at Rs 4.65 lakh crore and non planned expenditure ar Rs 13.12 lakh crore.
- Reduction in corporate tax rate to 25 percent from 30 percent earlier over the next 4 years. The FM said he will rationalise & remove exemptions for corporates in the next 4 years.
- Central excise duty to be raised to 12.5%
- Income tax levy on royalty fees for technicals reduced to 10 %
- GAAR deferred by two years
- No change in personal income tax slabs
- Govt to reduce customs duty on 22 items
- Govt increases Service tax from 12.36% to 14%
- Govt to have 100% tax deduction for Swachh Bharat and Clean Ganga
- Health insurance premium limit for senior citizens to be Rs 30,000. Govt to increase limit of deduction of health insurance premium to Rs 25,000
- Transport allowance exemption increased to Rs 1,600/month
- Govt to allow exemption of Rs 1.5 lakh under new pension scheme
- Govt allows additional deduction of Rs 50,000 for contribution to NPS
- Govt aims to receive Rs 41,000 crore from PSU divestments in FY16
- Govt says divestment proceeds to be Rs 26,353 crore in FY15
- Total divestment target for FY16 is at Rs 69,500 cr
- Service tax exemption withdrawn on MF agents to AMC
- Fuel subsidy to be at Rs 60,270 crore in FY15. Petroleum subsidy to be Rs 30,000 cr in FY16
- Customs duty on commercial vehicles increased to 40% from 10%
- Govt aims for Rs 4.7 lakh cr in corporate tax revenue in FY16
- Govt aims for Rs 2.29 lakh cr in excise tax revenue in FY16
- Govt aims for Rs 2.08 lakh cr in customs tax revenue in FY16
- Govt to give Rs 1.08 lakh cr to states under non-plan spend against Rs 79,166 cr
- Total subsidy to be at Rs 2.27 lakh cr in FY16
- Entertainment sector removed from service tax negative list

Budget Analysis

The revenue receipts have been budgeted just 1.4% higher at RS 11,41,575 crore on the back of 1.3% growth in tax revenues (net to the centre) and 1.8% growth in the non-tax revenues as against revised FY15 budget estimates. The gross tax revenue has been pegged at 15.8% against revised FY15 estimates. Out of the total tax receipts, Union Excise & Service tax growths have been assumed at 23.9% & 24.8% respectively. The states share has been increased by 55% against revised FY15 estimates, which suggests greater deployment of power and participation of the states. Out of the non-tax revenues, dividend and profits have been budgeted higher by 13.4% against revised FY15 budget estimates led by higher divestment proceeds targeted by the government. Capital receipts have been budgeted at Rs 6,35,902 crores, a growth of 14.6% over the revised FY15 numbers (this is largely financed by borrowings). On the Expenditure side, total non-plan expenditure has been budgeted 8% higher while the plan expenditure has been lowered by 1% against revised FY15 budget estimates. Budgetary support for the central plan has been raised by 37% while at the same time central assistance for State & UT Plans has been lowered by 26% as compared to revised FY15 budget estimates. However, the biggest positive has been 34% hike in capital plan expenditure, which will help in reviving the investment cycle in the economy. The total defence allocation has been raised by 11% but here too, the capex content has been raised by 15% as against 8% for revenue. Capex spent on defence leads to grater purchase of defence equipments. Thus, clearly the focus for the government is on reforms, which is clearly evident from the budget allocation as well as announcements. As far as the tax regime is concerned, the proposed reform in reducing corporate tax rates to 25% over the next four year period and simultaneously doing away with exemptions is a big move. The increase in service tax to 14% from 12.36% as well as the increase in excise duty to 12.5% from 12% are clearly steps in order to gear up towards the transformation to GST, which is a major positive.

(in Rs Cr)

		2014-2015 Budget Estimates	2014-2015 Revised Estimates	2015-2016 Budget Estimates
1	Revenue Receipts	1189763	1126294	1141575
	2 Tax Revenue (net to centre)	977258	908463	919842
	3 Non-Tax Revenue	212505	217831	221733
4	Capital Receipts (5+6+7)$	605129	554864	635902
	5 Recoveries of Loans	10527	10886	10753
	6 Other Receipts	63425	31350	69500
	7 Borrowings and other liabilities *	531177	512628	555649
8	Total Receipts (1+4)$	1794892	1681158	1777477
9	Non-Plan Expenditure	1219892	1213224	1312200
	10 On Revenue Account	1114609	1121897	1206027
	of which,			
	11 Interest Payments	427011	411354	456145
	12 On Capital Account	105283	91327	106173
13	Plan Expenditure	575000	467934	465277
	14 On Revenue Account	453503	366883	330020
	15 On Capital Account	121497	101051	135257
16	Total Expenditure (9+13)	1794892	1681158	1777477
	17 Revenue Expenditure (10+14)	1568111	1488780	1536047
	18 Of Which, Grants for creation of Capital Assets	168104	131898	110551
	19 Capital Expenditure (12+15)	226781	192378	241430
20	Revenue Deficit (17-1)	378348	362486	394472
		(2.9)	(2.9)	(2.8)
	Effective Revenue Deficit (20-18)#	210244	230588	283921
		(1.6)	(1.8)	(2.0)
	Fiscal Deficit {16-(1+5+6)}	531177	512628	555649
		(4.1)	(4.1)	(3.9)
	Primary Deficit (22-11)	104166	101274	99504
		(0.8)	(0.8)	(0.7)

Actuals for 2013-14 in this document are provisional.

$ Excluding receipts under Market Stabilisation Scheme.

* Includes draw-down of Cash Balance.

Notes:
1. GDP for BE 2015-2016 has been projected at `14108945 crore assuming 11.5% growth over the Advance Estimates of 2014-2015 (Rs. 12653762 crore) released by CSO.
2. Individual items in this document may not sum up to the totals due to rounding off.

(In crores of Rupees)

	Budget 2014-2015	Revised 2014-2015	% change over BE	Budget 2015-2016	Growth (%)
Tax Revenue					
1. Gross Tax Receipts	1,364,524	1,251,391	-8%	1,449,490	16%
Direct Tax	736,221	705,628	-4%	797,995	13%
Indirect Tax	628,303	545,763	-13%	651,495	19%
Less: Transfer To Contingency Fund	5,050	5,120	1%	5,690	11%
Less - State's share	382,216	337,808	-12%	523,958	55%
Centre's Net Tax Revenue	977,258	908,463	-7%	919,842	1%
Non - Tax Revenue					
Interest receipts	19,751	22,166	12%	23,600	6%
Dividend and Profits	90,229	88,781	-2%	100,651	13%
External Grants	2,405	2,811		1,774	
Other Non Tax Revenue	99,009	102,830	4%	94,413	-8%
Receipts of Union Territories	1,111	1,243	12%	1,296	4%
2. Total Non Tax Revenue	212,505	217,831	3%	221,734	2%
3. Total Revenue Receipts (1+2)	1,189,763	1,126,294	-5%	1,141,576	1%
4. Non debt capital Receipts	73,952	42,236	-43%	80,253	90%
Recoveries of Loans	10,527	10,886	3%	10,753	-1%
Other Receipts (incl disinvestment)	63,425	31,350	-51%	69,500	122%
5. Borrowings and other liab.	514,017	528,299	3%	543,608	3%
Total Receipts (3+4+5)	1,777,732	1,696,829	-5%	1,765,437	4%

Key Sectoral Announcements & Impact

Auto sector

- Positive: Import duty on vehicles with capacity more than 10 seats increased to 40 per cent from 10 per cent.
- Positive: Customs duty on commercial vehicles increased to 40% from 10%
- Positive: Excise duty waived on electric & hybrid vehicles
- Positive: Govt to allocate Rs 75 cr for electric vehicles

Cigarette companies

- Negative: The government has hiked excise duty on sub-65mm cigarettes by 25 per cent and cigarette of other lengths by 15 per cent. It will have a negative impact on the cigarette manufacturers
- Negative: Excise duty on tobacco increased to Rs 70/kg from Rs 60/kg

Airlines

- Negative: The government has hiked Service Tax of 2.4 per cent for non-economy class air travel.

Banking and finance sector

- Positive: Potential merger of separate limits on FII & FDI for banks into single limit of 74%
- Positive: reduction in corporate tax rate from 30% to 25% over four years
- Positive: development of corporate bond market
- Positive: Setting up of Micro Units Development Refinance Agency or Mudra Bank with a corpus of 20,000 crore.
- Positive: NBFC's with more than Rs 500 crore to come under SARFAESI Act
- Positive: Government to provide 79.4 billion rupees capital infusion to state-run banks
- Positive: Propose to do away with different types of foreign investment caps and replace them with composite caps
- Positive: To allow foreign investment in alternative investment funds
- Positive: Public investment needed to catalyse investment
- Positive: Govt to incentivise credit, debit card transactions
- Positive: Govt intends to announce autonomous bank board bureau
- Positive: Govt aims for farm credit of Rs 8.5 lakh crore in FY16
- Positive: To merge commodities regulator, FMC with SEBI

Notes: Private Banks- The above announcements are extremely lucrative for private banks. At present FIIs can invest up to 49% out of total 74% of foreign holding ceiling. According to the market experts, f the government merges the sub-limit on foreign investment in banks with the overall limit, the weightage of the private banks is likely to increase will rise from 2% now to 7% in MSCI index, a major trigger for Axis Bank, Yes Bank & HDFC Bank. Plans to develop the committee for corporate bond market will lead to reduce share of bank-lending to corporate sector, in turn can increase bank's fee income. Govt's move to incentivise credit, debit card transactions is a right move to curb black money while reduction in corporate tax rate will improve profitability.

MCX India- The merger of FMC with SEBI announced by Finance minister in the budget is one of the key trigger for MCX as it would empower the regulator and bring more transparency in commodity trading. Such move would result in an autonomous commodity derivatives regulator, which would have disciplinary power to curb illegal Dabba trading. It is believed that bringing FMC under the finance ministry would help in better co-ordination between regulatory bodies like Sebi, Insurance Regulatory and Development Authority (Irda) and Pension Fund Regulatory and Development Authority (PFRDA). The merger would also ensure that India's commodity future market should comply with the international regulatory requirements. Moreover, it is expected that it could result in improvement of exchange volumes by 20-25% in a year due to expected slowdown in dabba trading. Further, if FCRA bill passes in ongoing parliamentary session it will allow commodity option trading in MCX and it is a big positive for MCX. The bill will also allow the banks and institutions to trade in commodities market and that would be a big trigger for the company as it would amplify the average daily turnover growth. Moreover, any reduction in commodities transaction tax will be an incremental benefit for MCX.

Infrastructure

- Positive: Investment in infrastructure will go up by 700 bln rupees in 2015/16 over last year
- Positive: Plans to set up national investment infrastructure fund
- Positive: Proposes tax-free infrastructure bonds for projects in roads, rail and irrigation projects
- Positive: Allocated Rs 25000 crore for Rural Infrastructure Development Fund
- Positive: Will need to build additional 100,000 km of road
- Positive: Ports in public sector will be encouraged to corporatise under Companies Act
- Positive: Govt says will see 6 crore units of rural & urban housing by 2020
- Positive: Govt earmarked Rs 1200 cr for DMIC projects

Steel Sector

- Negative: The government has hiked tariff rate of customs on iron, steel products to 15 per cent.
- Positive: Import tax on iron and steel increased to 15 percent from 10 percent
- Positive: Import tax on metallurgical coke increased to 5 percent from 2.5 percent
- Positive: Customs duty on bituminous coal reduced to 10% from 55%
- Positive: Special additional duty on iron and steel scrap cut by 2%

Real Estate Sector

- Positive: REITs will now become attractive post removal of long term capital gains tax on exit by sponsors in the REIT. It is positive for all companies planning REITs like infra companies with power SPVs below.

Divestment to benefit metals

- Positive: The government plans to sell stake in Hindustan Zinc and BALCO.

Gold

- Positive: To develop a sovereign gold bond
- Positive: To introduce gold monetisation scheme to allow depositors to earn interest
- Positive: To introduce Indian-made gold coin to reduce demand for foreign gold coins

Defence

- Positive: Govt allocated Rs 2.47 lakh crore for defence equipment in FY16

FMCG

- Negative: Excise duty on mineral water & aerated drinks increased to 18%

IT

- Positive: Fee for technical services rate reduced from 25% to 10%

Leather Products

- Positive: Govt reduces excise duty on leather footwear to 6%

Tourism

- Positive: Govt to increase Visa on arrivals to 150 countries

Power

- Positive: Proposes 5 "ultra mega" power projects for 4,000 MW each
- Positive: Second unit of Kudankulam nuclear power station to be commissioned
- Positive: Govt to increase target of renewable power to 1,75,000 MW
- Positive: Govt will target to put up projects worth 60,000 MW under Wind Power and 100000 MW under solar power.

Telecommunications

- Positive: Govt reduces royalty rates

Agriculture

- Rs. 5,300 crore to support micro-irrigation, watershed development and the 'Pradhan Mantri Krishi Sinchai Yojana'.
- Rs. 25,000 crore in 2015-16 to the corpus of Rural Infrastructure Development Fund (RIDF) set up in NABARD; Rs. 15,000 crore for Long Term Rural Credit Fund; Rs. 45,000 crore for Short Term Co-operative Rural Credit Refinance Fund; and Rs. 15,000 crore for Short Term RRB Refinance Fund.
- Target of Rs. 8.5 lakh crore of agricultural credit during the year 2015-16.
- Focus on improving the quality and effectiveness of activities under MGNREGA.

Mutual Fund Overview

FRANKLIN INDIA HIGH GROWTH COMPANIES FUND (G)

EQUITY: DIVERSIFIED

Fund Objective: The fund seeks to achieve capital appreciation through investments in Indian companies / sectors with high growth rates or potential. It will focus on companies offering the best trade-off between growth, risk and valuation. It will be managed based on a mix of top-down (macro analysis to identify sectors) and bottom up approach (micro analysis to pick stocks within these sectors).

Fund Commentary: The fund managers have done a commendable job in providing a return of more than 15% since inception. The fund has consistently outperformed the benchmark since inception. The top holdings are in bluechip companies with highest allocation in banking and finance followed by Information Technologies & Automobile. The beta of the fund suggests that the fund is almost at par with the benchmark. With the easing of interest rates, the sectors will get a leg up. However, the risk is on the higher side as suggested by standard deviation and the expense ratio is also a tad on the higher side. But the fund manager has justified the high risk by generating strong alpha and a decent sharpe ratio. Investors can consider this fund from a long term investment point of view. The fund invests in high growth companies in order to outperform the benchmark.

Important Information

NAV (Rs.)	29.72
Inception Date	June 29, 2007
Fund size(in Rs cr)#	1,773.00
Fund Manager	R. Janakiraman / Roshi Jain
Entry load	N.A.
Exit Load	1% if redeemed within two years
Benchmark	CNX 500
Min Investment	Rs. 500
Min Sip Investment	Rs. 5000

as on Dec 2014

Key Ratios

Beta	1.00
Standard deviation (%)	15.74
Sharpe Ratio	1.72
Alpha	15.27
R Squared	86.40
Expense ratio (%)	2.64
Portfolio Turnover ratio (%)	48.00
Avg Market cap (Rs in cr)	37,654

as on Dec 2014

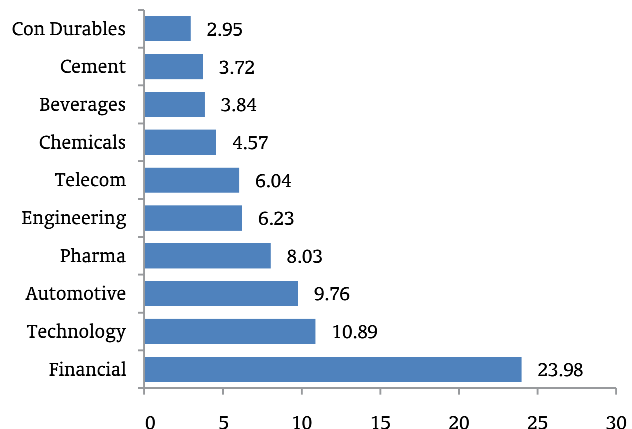
Top Ten Holdings

Stocks	% of Net assets
Axis Bank	5.8
Maruti Suzuki	4.9
SBI	4.8
Tech Mahindra	4.2
HDFC Bank	4.0
Idea Cellular	3.9
TCS	3.5
ICICI Bank	3.4
Tata Motors	3.1
Sanofi India	3.0

Asset Allocation

Equity	Debt	Cash & Equiv.
89.97	0.00	10.03

% Sector Allocation



Month of Recom.	Recommended in the Past	Returns till date (%)
Mar-14	HDFC Mid-Cap Opportunities Fund (G)	75%
Apr-14	Mirae Asset Emerging Bluechip Fund (G)	71%
May-14	Birla Sun Life Long Term Advantage Fund (G)	47%
Jun-14	Birla Sun Life Infrastructure Fund (G)	22%
Jul-14	HDFC Index Fund - Nifty Plan (G)	17%
Aug-14	SBI Magnum Midcap Fund (G)	29%
Sep-14	ICICI Prudential Value Discovery Fund (G)	18%
Oct-14	Franklin India Prima Plus Fund (G)	20%
Nov-14	DSP BlackRock Opportunities Fund - Regular Plan (G)	12%
Dec-14	Franklin India Opportunities Fund (G)	8%
Jan-15	Canara Robeco Emerging Equities Fund (G)	7%
Feb-15	Reliance Tax Saver (ELSS) Fund (G)	0%

Performance Of The Fund

	1 month	3 months	6 months	1 year	3 Years	5 Years	Since Inception
Fund (%)	-1.28	7.91	24.71	89.94	35.37	21.77	15.4
CNX 500 (%)	-0.33	3.86	12.5	49.41	18.58	11.85	-

Technical view

Key takeaways from February 2015:

- CPI inflation accelerated to 5.4% in January against 5.2% in December 2014.
- WPI inflation was at a negative 0.39% in January against 0.11% in the previous month.
- Industrial growth slowed to 1.7% in December from 3.9% in November.
- India's trade deficit narrowed to 11 month low in January to $8.32 billion against $9.43 billion a month earlier.
- RBI kept status quo on the repo rate at 7.75% while slashed SLR by 50bps to 21.5%.
- Greece reached an agreement with its European creditors to extend bailout for 4-months to rework terms of debt repayment.
- Chinese central bank cut reserve ratio requirement by 50bps to increase liquidity.
- AAP triumph with 67 out of the total 70 seats in the Delhi assembly Election.
- HSBC Purchasing manager Index declined to 52.9 in January compared to 54.5 in December.

Classical theory of Technical Analysis

Unlike the previous few consecutive months Indian equity market witnessed remained rangebound throughout the month with upside remaining capped . Nifty was unable to register successive high due to the presence of event risk in the form of Union budget. Volume in the market though has increased marginally compared to the previous month with breadth of the market remained slightly in favor of the bulls. FII though changed stance and remained on the sell side on the market. It seems Nifty had been taking a pause due to absence of any fresh trigger and awaiting fresh cues in the form of a reformist budget. But the budget failed to provide the requisite punch to breach the resistance level.

At the initial start of the month Nifty progressed on a negative note witnessed 7 consecutive day of decline but eventually halted lower levels and witnessed a smart pullback. Rangebound trading action during the month has resulted in to form Bearish 'Hanging Man' candle in the monthly chart which has a negative implication and if Nifty is unable to breach past the previous swing high of 8996 would further accentuate the selling pressure and might be reckoned as immediate top for the market. Hence immediate term trend might be under threat.

The dream rally since September 2013 has lead Nifty to witness a classical bullish chart pattern in Index. Presently Nifty is trading amidst the rising channel line and fifth leg of the pattern is in the formation stage. If the said pattern materializes then the extended 5-leg of the pattern might rally till 9100-9150. Global fragility would prove as hindrance for Nifty to head higher.

Since Nifty moved above the 2008-10 high resulted in to form a 5-legged Ascending triangle. The six year old pattern breakout opened up higher target for Nifty of 9000+. The Index is expected to strengthen further above the recent high as it would indicate of a larger pattern breakout from the rising channel line. The immediate target of 9000 might be achieved by mid 2015 (according to Gann theory).

To sum up, Nifty continues to maintain its upward trajectory with its successive higher high formation in both daily and weekly time frame and might scale beyond 9000. However in the forthcoming month sustainability of the positive momentum would be decided if the Index is able to maintain above 9000. Inability to breach past the said resistance level might stir the hibernating bears in the market.

Modern approach in Technical Analysis

On the oscillator front, the 14 week RSI is in a rising trajectory after forming double bottom formation while prices registered new high hence indicating presence of positive divergence with neutral price reading indicating of a bullish structural buildup. MACD too has generated a positive crossover above the zero line with rise in price further validating of a positive setup.

ADX in daily time frame is trading at neutral price region of 20 while (+DM) continues lies above the ADX however in weekly time frame the ADX now has crossed the (-DX) hence indicating of a negative structural buildup. Overall it seems due to divergent view point in both the time frame would hold a rangebound outlook in the Index.

Nifty had been honoring the band Bollinger study in both daily and weekly time frame and continued to remain confined within the band. Presently the upperband in the daily and weekly time frame coincides around the crucial psychological resistance level of 9000. Historically it had been noticed that if prices breach past the upper band a spurt in price action is noticed. Hence another stint of euphoria is only applicable above the said resistance level and a change of trend in the Index can only be adjudicated if prices break below the mid band in the weekly chart at around 8500.

Prices again have distanced away from its averages in both daily and weekly time frame. Short term moving averages though have been providing the intermediate support towards the market but the longer averages like that of 50/100/200 are over 5% away indicating an overstretched situation. Historically the long term average of 200dma maintains a distance of 5-7% (considering 5 year time frame). Presently the difference between the Index and the crucial 200dma stands at 10%. Hence to conclude, that a probable 2-3% correction might be on cards.

Indian VIX

Volatility Index is a key measure of market expectations of near term volatility conveyed by stock option Index prices. The VIX index is also known as fear and greed index in the market. VIX is based on real-time option prices, which reflect investors' consensus view of future expected stock market volatility. During periods of financial stress, which are often accompanied by steep market declines, option prices - and VIX - tend to rise. Greater the fear, higher is the VIX level. As investor fear subsides, option prices tend to decline, which in turn causes VIX to decline. Since December 2014 onward Volatility Index had been gradually inching upward and continues to remain at an elevated level. Plain chart reading indicates that VIX might be bottoming out however with event risk in the form of Union Budget being out of the way some amount of cool-off can be noticed. An inverse relation exists between Indian VIX and Nifty but this time it should not be read as negatively as it indicates expectation of realized volatility rather than Implied volatility.

Gann Theory of Time cycle

Some interesting aspect being observed in monthly and quarterly time frame which need to adhered before taking a directional bet in the market which are as follows.

During the recent past Nifty had been maintaining its higher high formation for the past 9 consecutive months in monthly chart. The rise for 9 consecutive months had been the second highest number since May 2006 when the Index recorded 13 consecutive highs. Historically whenever Index rose for more that 8 consecutive month led to a corrective decline to an extent of 15-20%.

On the Quarterly chart the Index maintained 11 consecutive higher high formations. Historically such feat was achieved during March 2008 where it rose for 12 consecutive quarters. Since then the Index corrected by almost 64% from its high.

To add further, since 2000 onward Nifty witnessed a major top during the Jan-Feb of every month and the said study sufficed for 12 out of the total 15 observation.

Hence to conclude based on the above said observation it would be advisable to remain cautious in the market and fresh long position need to be avoided until and unless the January top of 8996 is breached.

Retracement principle:

February remained volatility with wild swing in both ends and kept the investors seeking opportunity at every notable correction. Different trading cycles got shaped up in the midst and helped towards projected line of action through retracement principle. A strong pullback taking support from the December high confirms that a significant higher bottom is in place and maximum downside or a sound base for the Index is seen around 8550-8600 as it coincides with the 38.2% retracement of the entire upmove since December 2014. Projected retracement of the correction in the month of February indicates that Nifty is likely to head higher towards the minimum 150% retracement at around 9250.

However historical correction from January 2008 till October 2008 projects presence of crucial resistance from 161.8% retracement at 8895-8950, hence until the said resistance level is breached Nifty might remain truncated and sharp correction might be in the offering.

Future Projection – March 2015

Nifty since February 2014 onward had been unfolding into 7-legged diametric formation. Since December 2014 onward it seems a Extracting triangle might be in the making with sub wave developing into truncated ZigZag and hence if the December low of 7961 if considered as the 'x' of the double zigzag formation then the recent rally in Index might be termed as the beginning of the larger motive wave 'a' with a minimum price target of 150% of the previous leg i.e. around 8960. Inability to breach past the said resistance level might result into form a corrective wave structure 'b' till 8440 (50% retracement). An alternative 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. From there onward Nifty had been unfolding into wave 3 with 261.8% retracement level of wave 1 at 8977. Hence in both the instance it seems Nifty is near a very crucial resistance zone of 8960-8980. Hence buying on strength should be the ideal approach in the forthcoming month.

Inter-market analysis

U.S Market: Global stock market cheered during the month of February on the cease fire agreement between the Russia and

Ukraine coupled with eurozone ministers agreeing to extend the Greece's bailout by four months. Oil prices had played the biggest influential on stock index in 2014-15 and the latest sign indicates that the seven month sell-off might be nearing a bottom. Global growth fears were paramount with the sliding oil prices. US market gained substantially in the month of February lead by development in the global front and other correlated assets. DJIA had been trading in an upwards rising channel formation with higher high formation leading to a strong uptrend. The crucial 50dma in weekly chart had been providing support for a multiple number of times and recently too in the month of February the Index witnessed the pullback taking support from it at 17620. Hence it can be concluded that uptrend is likely to remain in the US market with immediate base seen around 17100 and in the immediate future DJIA might test the upper band of the channel placed at 18650.

Dollar Index: US dollar Index remained vulnerable after minutes of the Fed's January meeting expressed concern about raising interest rate too soon might dampen the U.S. economic recovery. The major reason for Dollar Index to remain truncated was the announcement that Greece agreeing to extend its debt agreement with the eurozone. A strong follow through rally by the euro lead to renewed selling pressure against the dollar Index. Hence signs are high up that dollar index is overbought. On the technical parlance Dollar Index has touched the 30 year old trendline and closed below it with its several attempt to break above the resistance level of 95 but failed to do so. To add further presence of negative divergence in oscillator indicates that the momentum is on the verge of losing steam. A decisive close below 93.40 would confirm of a change in trend. Correction in dollar index might bode well for the Indian equity market as foreign fund might seek other high yielding asset classes like that of the emerging countries.

Nymex Crude: Crude oil prices which had came off sharply since the past few month recently bounced a bit around $61 but the basic fundamental remains the same with crude market remaining oversupplied especially in the United States where inventories are at record highs and Saudi Arabia, Iran and Iraq still fighting to maintain their market share by cutting prices to Asia while demand growth remains tepid. On the technical front prices had plunged since last one year and the recent pullback seems to be the first counter trend rally of the overall bearish trend. A similar pattern structure was witnessed in 2008 and a decisive close above the recent high of 56 would confirm that a reversal is in place. Presence of positive divergence in oscillator too confirms that the pullback is likely to sustain. Overall on a overtly pessimistic note Crude oil prices seems to have entered into consolidation mode. An inverse correlation exist between crude oil with that of Nifty and crude oil witnessing signs of bottoming out might act negatively towards Indian equity market.

10 Year Bond Yield India: India's 10 year bond yield are at its three week low on speculation that the government will succeed in curbing the fiscal deficit, paving way for the central bank to cut interest rates. Though RBI governor Raghuram Rajan left borrowing costs unchanged in the recently held monetary policy and stated that further easing in monetary policy will depend on sustained fiscal consolidation. Further Prime Minster Narender Modi pledged to limit the budget shortfall to seven year low of 4.1% of GDP. Modi government scrapped the control on diesel prices, raised natural gas tariff and allowed foreign investment in industries such as defense and selling stakes in PSU's to meet deficit goal hence the markets optimism on the present government to keep the deficit under check seems justified and hence would enable RBI to further reduce rates. Falling inflation and expected rate cut had been propelling bond yield to trade lower. On the technical front the broader trend in the 10 year bond yield continues to remain negative with its bearish downward sloping channel line. Declining bond yield might lead to fund outflow from Indian market and lead to corrective decline.

10 Year Bond Yield US: The yield on US Bond the most sensitive to expectations about the Fed's rate policy outlook dropped as Fed minutes eased concerns over a rise in official interest rates and soothed concern that the rate hike could come as soon as June. Fed minutes pointed out that a premature rate hike would weigh on the economic growth of the country considering the inflation remaining low. Further on the European front Greek officials reaching a tentative accord with the Eurogroup for a four month extension of Greece's bailout weakened the asset class. On the technical front though now is trading above the 2% mark the overall trend continues to remain weak with immediate resistance placed at 2.41%, only decisive close above it would negate the near term weakness in yield, though positive divergence in RSI had been propelling the yield to head higher. Rising bond yield in US market has a negative implication towards the Indian equity market as foreign fund might seek comfort from the world's largest economy as well as from its bond yield.

Indian Rupee: Indian rupee had been the best performing Asian currency on improving fundamentals where other economics were marked down on growth prospect or being laid by debt burden. Sharp decline in crude oil prices helped to reduce the import bill for India further forex reserve seems sufficient to absorb external shocks. Consumer inflation too has been within the RBI's comfort limit and hence further rate cut seems likely. Optimism of the country on improving economic outlook might attract more global funds. Indian equity market is majorly dependent on the foreign inflows. On the technical front USDINR had been trading above the upward sloping trendline and hence presently the elevated support level for the currency is seen around 61.30. Breach below the said support level would lead to see fresh level of 60 in near term. However a rangebound trading action is more likely in the forthcoming month amidst the narrow range of 61-63.9. A negative correlation exists between the Indian rupee and Nifty and deprecation in rupee towards 64 and above might act negatively towards Indian equity market.

Summing it up

Positives:

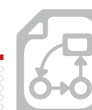
1. Bullish Channel line formation in place.
2. Bullish Symmetrical triangle formation projects upside potential.

3. Oscillator indicating positive bias.
4. Rising Bullish Channel formation in DJIA.
5. 30 year trendline initiating resistance in Dollar index.

Negatives:

1. Bearish Hanging Man candle in monthly chart.
2. Upper band of the Bollinger band initiating resistance around 9000.
3. Long term averages have distance away from its mean indicating overstretched situation.
4. Indian VIX had been gradually inching higher.
5. Inability to breach past 9000 can be recognized as immediate top for the market according to Gann theory.
6. Projected retracement of 2008 initiates resistance around 8950
7. Inability to breach past 8950-8960 would lead to a corrective action according to Elliot Wave theory.
8. Counter trend rally is seen in Crude oil.
9. Lower bond yield might result in fund outflow from Indian market.
10. Rising trendline support in Indian rupee might lead to depreciation in the currency.

To sum up Indian equity market started on a negative note with a stint of negative news flow both from the global and domestic front. On the global front the opposition party 'Syriza' came into power in Greece election that favored the end of the austerity measure however latter on Eurozone ministers agreed on the bailout plan and extended the program by another four months. Bigger boost from the global front came after Chinese government decided to cut reserve ratio requirement by 50bps to inject liquidity and boost the country's economy. On the domestic front the highly anticipated Delhi Assembly Election was eyed by the market and AAP came with a staggering win of 67 seats out of the total 70 seats and BJP managed to get only 3 seats. Market reacted on the outcome of the election result and nosedived but soon recovered as it seems that investors are of the notion that the Delhi Assembly election might not affect the ability to push reform bill to the center while on the contrary it might put pressure on the ruling party to deliver fast on the promises and hence the pullback. The measures taken so far on the reform front be it the deregulation of diesel prices, auctioning of the coal block, land acquisition bill or FDI in ordinance all had been indicating of the government's effort towards reviving the economic growth and reducing the fiscal deficit had been at the back of the investors mind to support the rally even amidst a dismal Q3 result. Talking about the result, the earning season Q3FY15 disappointed the street with decline in EBITDA and PAT margin despite lower commodity prices. Earning of the companies fell more than expected raising doubt over the rally since 2014 on hopes and optimism. Result of the public sector banks had been dismal with deteriorating asset quality with mounting NPA and hence the sharp sell off at the initial start of the month was majorly driven by Banking and Financial stocks. During the month Coal India OFS too took the wind off from the secondary market, government got good response from the mega issue and garnered almost Rs.22000 crore. With a long line up of disinvestment of public sector companies to raise Rs.60000-70000 crore in order to achieve 3.6% fiscal deficit target might put pressure on the secondary market. RBI in its recently held monetary policy meet kept repo rate unchanged at 7.75% while slashed SLR by 50bps to 21.5% and stated that further easing in monetary policy will depend on sustained fiscal consolidation. Hence market remains optimistic about cut in interest rate by the same magnitude in its next policy meet after the budget announcement based on IIP growth slowing down to 1.7% while WPI being at negative 0.39%. Amongst all the pessimism Indian equity market in the month of February was largely driven from the mega event of budget and its expectation and theme relating to Defence, Housing Finance and Infra were in flavor. Going ahead in the forthcoming month much of the trend in the market would be driven from the outcome of the Union Budget. On the technical front Nifty had been trading amidst the rising channel line which has a bullish significance further to commensurate the six year old pattern breakout of the bullish ascending triangle projects upside potential however a reel of negative structural build up unearth immediate resistance point in Nifty in the so called secular bull market. Both the said pattern indicates that immediate target for Nifty stands around 9000-9050 and fresh pattern is likely to develop if the Index is able to sustain decisively above it. The same can be concluded since the formation of bearish Hanging man candle in monthly chart. On the oscillator front Nifty continues to remain at comfortable level with buy crossover in both daily and weekly chart. Moving averages has distance away from it averages but that too at an affordable margin. On the retracement principle again the resistance level of 8950-9000 poses as a threat for the market to head higher. The bigger threat for the market stands from the Gann theory which predicts that January high might prove to be the immediate top for the market and it proved successful historically for a multiple number of times. Elliot wave theory portrays the same as inability to breach past 8950-9000 would indicate an end of the impulse wave. Other correlated market like the Crude oil and Indian rupee too are against Nifty heading higher but longer term trend in US market continues to remain unaltered with its successive higher high formation. Going ahead in the forthcoming month Nifty is likely to be event driven and fresh trigger in the form of reformistic budget would only propel the Index to head higher. On technical parlance Nifty is near a make or break level, decisive trade above or below the resistance zone of 8950-9000 would dictate the direction in the market however onus remain on the positive side.



Market Diary

BEST PERFORMERS FOR THE MONTH (CNX 100)

Sl No.	Co. Name	Cl. Price 27.01.2015	Cl. Price 25.02.2015	Cl. Price Var (%)
1	BHARATFORG	1016.30	1305.00	28.41%
2	SIEMENS	1064.25	1337.85	25.71%
3	ADANIENT	561.30	695.00	23.82%
4	HCLTECH	1616.35	1981.00	22.56%
5	UPL	350.65	411.15	17.25%
6	JINDALSTEL	159.00	183.00	15.09%
7	BOSCHLTD	23054.95	26200.00	13.64%
8	ITC	360.15	399.50	10.93%
9	CONCOR	1426.35	1579.00	10.70%
10	WIPRO	598.55	661.60	10.53%
11	LUPIN	1524.25	1669.00	9.50%
12	ACC	1528.70	1664.00	8.85%
13	BPCL	692.05	751.85	8.64%
14	INFY	2136.50	2314.00	8.31%
15	HINDALCO	142.50	153.65	7.82%
16	SRTRANSFIN	1101.65	1185.00	7.57%
17	GLENMARK	734.90	790.35	7.55%
18	HINDPETRO	572.60	613.00	7.06%
19	TCS	2502.05	2669.70	6.70%
20	MPHASIS	359.70	381.70	6.12%

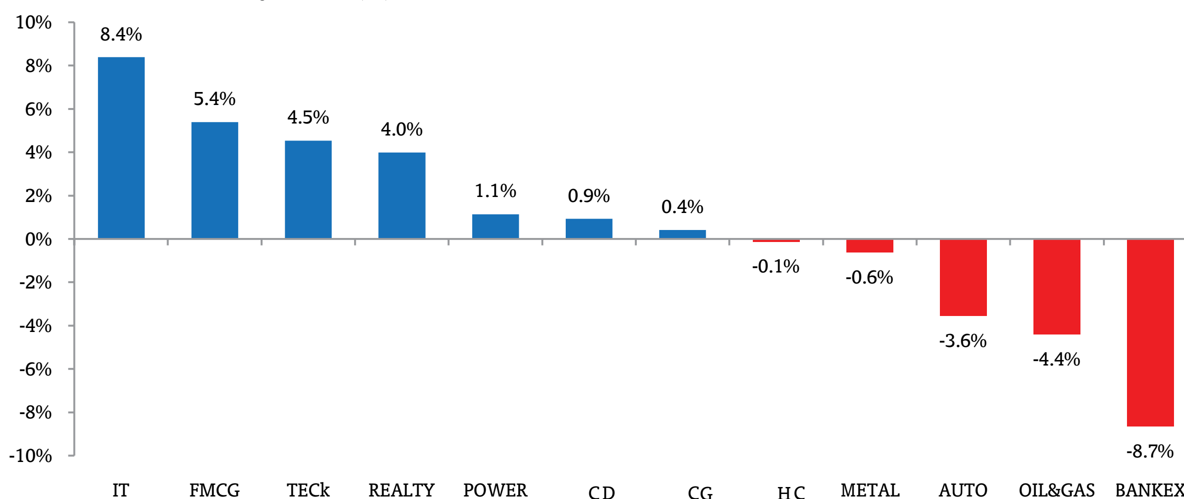
WORST PERFORMERS FOR THE MONTH (CNX 100)

Sl No.	Co. Name	Cl. Price 27.01.2015	Cl. Price 25.02.2015	Cl. Price Var (%)
1	UNIONBANK	238.15	174.60	-26.68%
2	BANKINDIA	291.55	228.50	-21.63%
3	PNB	204.65	160.60	-21.52%
4	BANKBARODA	222.95	176.90	-20.65%
5	RCOM	82.00	68.75	-16.16%
6	ICICIBANK	383.50	323.90	-15.54%
7	CANBK	469.55	400.80	-14.64%
8	OIL	543.65	478.05	-12.07%
9	TATASTEEL	398.40	350.95	-11.91%
10	BHARTIARTL	394.20	349.65	-11.30%
11	ZEEL	389.95	347.95	-10.77%
12	SAIL	78.75	70.30	-10.73%
13	SBIN	330.05	295.45	-10.48%
14	IDEA	170.30	152.70	-10.33%
15	EXIDEIND	198.75	178.60	-10.14%
16	YESBANK	882.85	793.90	-10.08%
17	BAJAJ-AUTO	2419.85	2181.00	-9.87%
18	CROMPGREAV	192.55	174.10	-9.58%
19	GLAXO	3445.50	3121.65	-9.40%
20	ONGC	350.25	317.90	-9.24%

Source: BSE

Indices Performance 27.01.2015 –25.02.2015

Sector Indices - Monthly Return (%)



Source: BSE

Commodities - Monthly Round up

"Live as you were to die tomorrow, learn as if you were to live forever"

Mahatma Gandhi

GOLD

Gold gained 8.4 percent last month, its biggest rise since 2012, though has since pared gains. Demand in the world's fourth-largest consumer of gold Turkey, is expected to fall further this year with consumers seen delaying purchases ahead of a key election while a war in Iraq and a weak Russian economy could limit jewellery exports. Central bank buying and selling can have a significant influence on gold prices. Central banks became net buyers in 2010 after two decades as net sellers, driven by an increased interest in gold in the wake of the 2008 global economic crisis.

Technical Analysis

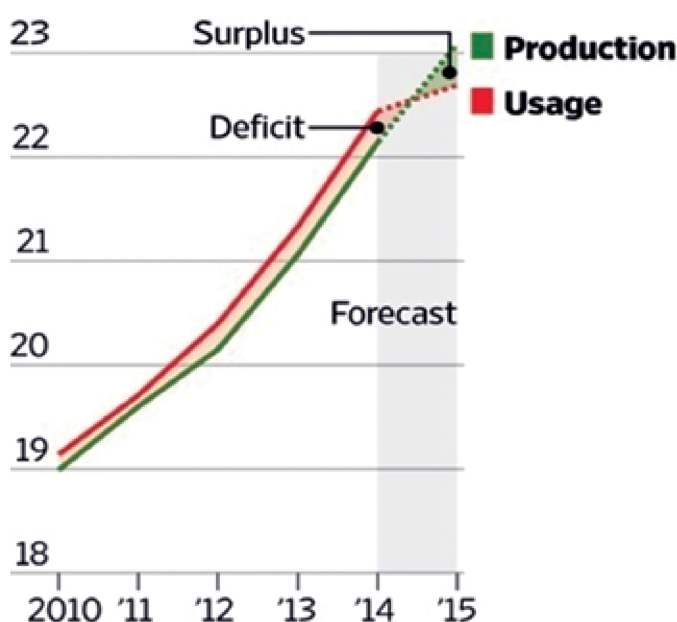
As per the monthly chart of Gold spot (in US Dollar), the market is now at the bottom range which is closely guarded by $1150. A decisive move below $1150 will again mark a new bearish move and the target will be around $1020. But some sort of bottom fishing can be seen at this lower range with stop at $1148. This bearish tone of the market will be fade away if the market can break its previous candle high of $1308. Another thing which is worth watching is a Triangle formation on the monthly chart whose upside resistance is at $1294. So if market can able to survive above $1295 and then take away the high of $1308 then it will be a strong signal to go long in gold with target objective of $1450. Higher lows in monthly RSI value is another indication that market may be in bottom formation process though not guaranteed one.

Monthly Gold Spot

In MCX, other than fundamental and technical factors, another factor which may induce huge volatility is probable Duty cut by Indian government in the upcoming budget. The rumour is 4-6% duty cut on gold import and with this announcement we may see a sudden drop of gold price in a range of INR1000-1500 per 10 grams. So traders are advised to take this note seriously while taking any trading decision. In MCX the support of active contract is around 25200 levels. A dip below 25200 will open the gate for further depreciation towards 24700. The down pressure may abate if we can have a closing above 27900 which is really far away from the current price.

Copper

From an economist's point of view copper is a reliable barometer to gauge world growth story. But nowadays its performance has really trailed as world stock indices are soaring, but copper is moving in the opposite direction. Last month the price of copper dips near 10% on LME from its January value. Even so, the metal has staged a partial recovery from a five-year low reached on Jan. 29. Copper's gyrations have left analysts unusually polarized over where its price will go next. Some blame speculators—a class of investor often pointed to when commodity prices start swinging sharply—for the price slump this year. They suggest copper will recover further now that the Lunar New Year holiday in Asia has ended. Demand tends to pick up when Asian buyers return to work. Others think growing copper production world-wide and weaker consumption will keep prices under pressure this year. Goldman isn't alone in forecasting an excess of copper in 2015. The International Copper Study Group, comprising copper-producing and consuming countries, forecasts that demand for copper will grow this year, but only by 1.1%. Production will rise 4.3%, the group expects.



Another group is citing that the slump in copper price was overdone and the main reason of the fall is cascading effect from the sharp fall in crude oil price. Copper's sharpest one-day drop this year, on Jan. 14, occurred mostly during Asian trading hours—a sign, some say, that investors in the region are making large bets when markets are less liquid in the hope of big trading profits. Data from the U.S. Commodity Futures Trading Commission show that bets that copper prices will fall have exceeded those anticipating gains for 21 weeks. China's State Reserve Bureau is expected to start buying copper soon. The bureau, which maintains stocks of metals as strategic materials, tends to look for buying opportunities when prices dip, traders and analysts say. The agency doesn't disclose its purchases, but it is believed to have stockpiled the metal when prices reached a four-year low last March.

Another fundamental factor that may help copper price to regain footing is Chinese manufacturing PMI mark first figure which is above 50 and that's also after 4 months of continuous slump. FED's Yellen is also signalling that FED is not in a hurry to hike the interest rate soon which may excite speculators to take riskier bate and the beneficiary should be copper of course.

Technical Analysis

Though there are plenty positive developments going on in copper complex but broader picture still remain bearish. After breaking below $2.98 level in COMEX, Bears have an upper hand and still there is rooms left for the copper market. Just one positive indication from the weekly chart is higher lows in short term Stochastic Oscillator which is creating positive divergence with the price. At the time of drafting this report market at COMEX gave a first breakout from the congestion area which is spanning from first week of February'2015. If this up move continues then first major resistance will be near $2.76. So short term traders may take this opportunity by going long and placing stop just below $2.56. But still the major hurdle will be $2.95 at COMEX and if only it can suppress that mark, the bearish pressure will be abated. Traders are advised to be cautious at $2.95 and if there is any bearish candle formation then traders may opt to go short at that point with proper money management stop.

Weekly Chart: COMEX Copper

World Economic Event Calender – March 2015

Monday	Tuesday	Wednesday	Thursday	Friday
2	3	4	5	6
US: ISM Manufacturing UK: Nationwide House PX MoM JN: Markit/JMMA Japan Manufacturing PMI CH: HSBC China Manufacturing PMI IN: HSBC India Manufacturing PMI	JN: Monetary Base YoY UK: Markit/CIPS UK Construction PMI EC: PPI MoM	US: MBA Mortgage Applications US: ADP Employment Change EC: Markit Eurozone Composite PMI US: ISM Non-Manf. Composite EC: Retail Sales MoM	UK: Bank of England Bank Rate US: Initial Jobless Claims US: Factory Orders UK: Halifax House Prices MoM US: Continuing Claims	US: Change in Nonfarm Payrolls EC: GDP SA QoQ US: Unemployment Rate US: Trade Balance US: Change in Manufact. Payrolls
9	10	11	12	13
CH: Trade Balance JN: GDP SA QoQ JN: Eco Watchers Survey Current EC: Sentix Investor Confidence	CH: CPI YoY CH: PPI YoY US: Wholesale Inventories MoM IN: Exports YoY US: NFIB Small Business Optimism	JN: Machine Orders MoM US: MBA Mortgage Applications JN: PPI YoY UK: Industrial Production MoM CH: Industrial Production YTD YoY	US: Initial Jobless Claims IN: Industrial Production YoY US: Retail Sales Advance MoM US: Import Price Index MoM US: Continuing Claims	JN: Industrial Production MoM US: U. of Mich. Sentiment US: PPI Final Demand MoM
16	17	18	19	20
US: Industrial Production MoM US: Empire Manufacturing IN: Wholesale Prices YoY UK: Rightmove House Prices MoM	EC: CPI YoY US: Housing Starts US: Net Long-term TIC Flows EC: ZEW Survey Expectations US: Building Permits	US: FOMC Rate Decision (Upper Bound) UK: Jobless Claims Change US: MBA Mortgage Applications UK: ILO Unemployment Rate 3Mths JN: Trade Balance	US: Initial Jobless Claims JN: All Industry Activity Index MoM US: Leading Index US: Philadelphia Fed Business Outlook US: Current Account Balance	UK: PSNB ex Banking Groups EC: ECB Current Account SA
23	24	25	26	27
US: Existing Home Sales EC: Consumer Confidence US: Chicago Fed Nat Activity Index US: Existing Home Sales MoM	US: CPI MoM UK: CPI YoY US: New Home Sales JN: Markit/JMMA Japan Manufacturing PMI CH: HSBC China Manufacturing PMI	US: MBA Mortgage Applications US: Durable Goods Orders US: Cap Goods Orders Nondef Ex Air JN: Small Business Confidence	US: Initial Jobless Claims UK: Retail Sales Ex Auto MoM US: Markit US Composite PMI US: Bloomberg Consumer Comfort	JN: Jobless Rate US: GDP Annualized QoQ US: U. of Mich. Sentiment JN: Tokyo CPI Ex-Fresh Food YoY US: Core PCE QoQ
30	31			
JN: Industrial Production MoM EC: Consumer Confidence US: Personal Income UK: Mortgage Approvals US: Pending Home Sales MoM	UK: GDP QoQ US: Consumer Confidence Index EC: CPI Estimate YoY US: Chicago Purchasing Manager EC: Unemployment Rate			

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.
(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 / NSDL)
CIN No. U65921MH1994PLC171897

Ashika Commodities & Derivatives Pvt. Ltd.
(Member : NCDEX, MCX, NMCE, ICEX, NSEL, NSPOT & ACE)
CIN No. U51909WB2003PTC096985

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