MARKET **OVERVIEW**
MONTHLY INSIGHT **PERFORMANCE**
STOCK **PICKS**
VALUATION **AT A GLANCE**

PRIMARY MARKET **HEATS UP**
SECTOR OUTLOOK: **INDIAN RAILWAY**
ECONOMY **REVIEW**
MUTUAL FUND **OVERVIEW**

TECHNICAL **VIEW**
MARKET **DIARY**
COMMODITY MONTHLY **ROUND UP**
WORLD ECONOMIC **CALENDAR**

INSIGHT

ASHIKA
GROWING & SHARING WITH YOU

JANUARY **2016**

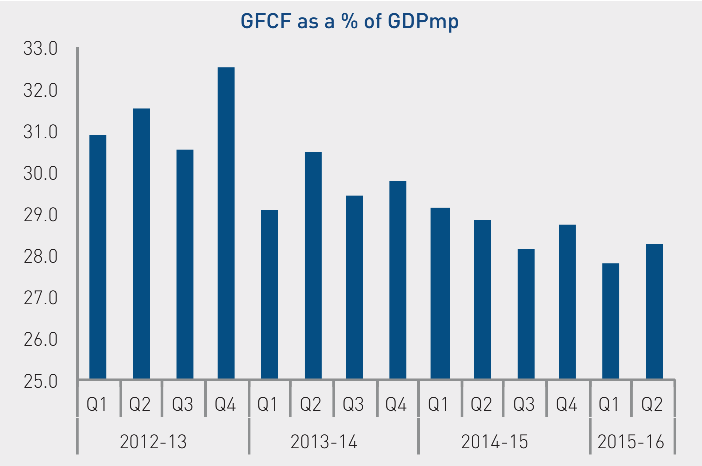
overwhelming primary market

PIDILITE INDUSTRIES LTD. | INDRAPRASTHA GAS LTD.
SH KELKAR & CO LTD. | TEXMACO RAIL & ENGINEERING LTD.

Inside this issue

MARKET **OVERVIEW**

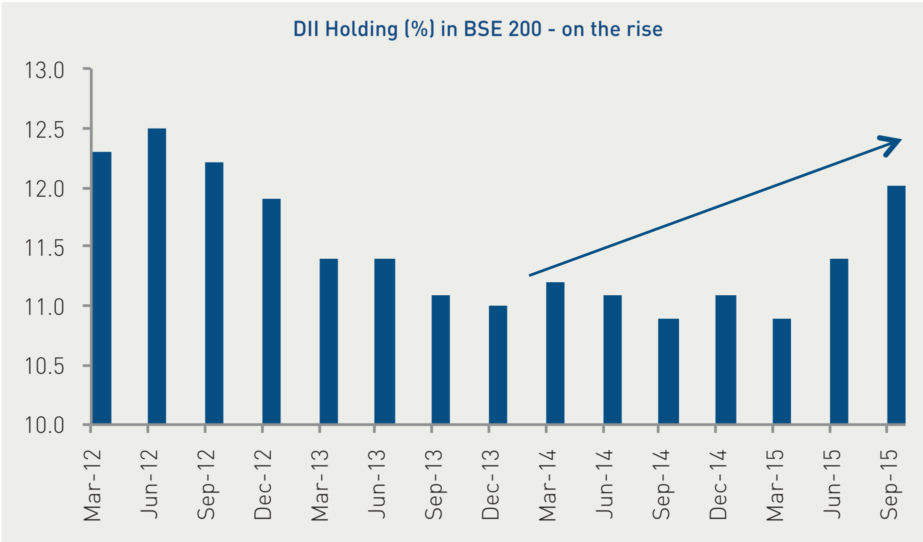
It's that time of the year when one needs to look back at how the Indian equity markets performed in 2015. After the sharp rally of more than 30% returns in calendar year 2014, domestic equity market performance was a letdown in 2015. In 2014 equity markets rallied strongly in anticipation of a strong reforms brought about by the newly elected government which was expected to propel higher corporate earnings. However, higher stock prices also need to be justified by improved corporate earnings, unfortunately that doesn't happen overnight and takes time. Decent FY15-16 budget raised hopes among investors for better days coming ahead. Further, global commodity rout acted as blessing for Indian economy, which took off pressure from India's budget deficit and reduced wholesale inflation by several percentage points. Lower inflation propped up incremental demand growth which in turn gave boost to the Indian economy and its growth soared to 7% plus level, making it the fastest growing emerging market in 2015, surpassing China's growth numbers for the first time in recent years. Even, RBI succeeded in keeping domestic currency stable against US dollar amidst global currency rout when most emerging market currencies witnessed steep value erosion against dollar. Base metal and yellow metals declined massively YTD- coal (-23%), Aluminum (-17%), Steel (-35%), gold (-10%), silver (-11%), copper (-25%), iron ore (-40%) and nickel (-43%). Since August 2015, foreign institutional investors however tuned net sellers in Indian equity market on the backdrop of possible interest rate hike in US, first since 2006. There were growth concerns with China and the potential impact on commodity prices and global demand while Japan and Euro region contemplating of loose monetary policy and higher monetary easing. Indian economy however has been one of the major beneficiaries of the declining commodity prices. Although, the muted global demand environment have had an adverse effect on India's export numbers, nevertheless it also helped India to reduce the import bill, thus improving the trade deficit figures and thus current account deficit. India however hasn't lost its share in exports as per the latest government estimates suggest. India improved its external side and also built on higher forex reserves however the GDP growth remained a laggard. The recently



Source: RBI

released Midyear Analysis of the economy also lowered the growth projections for the economy for FY16 and there is pressure in growing nominal GDP since the prices based on WPI have been negative. Private consumption and government capex have picked up and supported growth in H1FY16. However, private investment and exports are yet to revive and is a major concern. While exports will revive as and when the global demand sentiment improves particularly of India's trading partners, private investment still needs time to pick up. Aggressive NPA clean up by banks sooner will help the banks to kick start with a clean slate and again gear up towards credit led capex cycle from the private sector.

Although, NDA government have been able to implement key reforms like diesel regulation and also increasing FDI limit in insurance, defence and Railways. Major big bang reforms like GST still gets stuck owing to number juggernaut in Rajyasabha while land reform bill have been pushed under the carpet due to resistance from opposition parties. Although steps taken by the government like less paper work for starting business, lifting mining ban and quick environment clearance for various projects are welcome steps and India have also improved ranking in World Bank's "Ease of Doing Business" report. Focus have been given on greater financial inclusion and online fund transfer for PDS schemes, thus eliminating bogus The ruling government is still a minority in upper house of Parliament and looking at the spate of elections in Bihar, the optimism and popularity of BJP government is soon fading out. The upcoming UP elections in 2017 could be "make or break" for the ruling government and its aspirations for a larger seat share in Rajyasabha. Thus, unless the investment climate revives backed by higher reforms, private investment is not expected to revive meaningfully. Probably, foreign investors have been waiting in the sidelines and just waiting for the green shoot and first early signal before increasing their weight to India. Domestic investors on the other hand have relentlessly continued to invest



Source: Capitaline

incrementally in equities. The same has been captured in the outperformance of the midcaps and small caps relative to large caps. BSE smallcap and midcap indices have delivered YTD return of 5.8% and 6.2% as against decline of 6% for BSE Sensex. The reason for the underperformance has been the offloading of stakes by foreign institutional investors as they are heavily invested in bluechips while domestic institutions typically invest in midcap and smallcaps. Besides, midcap and small caps are largely domestic play unlike largecaps which have huge external exposure through exports and commodity prices. Since exports have been doing poorly and metals and commodities have been bleeding, performance of these companies suffered. As earnings recovery got delayed, valuations looked expensive and thus the correction in the largecaps and benchmark indices.

The same is captured by an article by Wall Street Journal titled "When India Analysts Make 2016 Stock Predictions, Don't Bank on Accuracy". The article has criticized the analyst fraternity for making lofty projections of 15% to 20% returns for BSE Sensex for 2015 while in reality the benchmark index has generated a negative return. According to Aswath Damodaran, renowned finance professor at New York University, "These market timing forecasts make for great news stories but they are completely and totally useless in investing," As earnings failed to keep up with the valuations, Sensex targets have been revised downwards during the year. Apart from the earnings downgrades, the inability of the Modi government to implement key reforms as promised was the major dampener. Despite the odds, there has been no stopping for the domestic institutions as mutual funds were bombarded with money from retail investors. Indeed for FY15, retail participation improved in Indian stock markets although through mutual funds. According to media articles, 54% of fresh investment from household savings went into financial assets in FY15, indicating a slow move away from traditional investments such as real estate and gold to equity and bonds. The said analysis has been taken from the sixth edition of India Wealth Report from Karvy. According to the analysis, this allocation towards financial assets loitered in 35-40% range in the previous years. The analysis further opined that individual wealth in financial assets is expected to double from the present Rs.160 trillion to Rs.326 trillion in the next five years. Direct equity share in financial assets improved to 21.4% in FY15 from 19.79% in FY14 while allocation to FDs and bonds declined to 20.7% from 21.8% last year owing to decline in interest rates. Higher allocation towards financial assets is a welcome step but it had also to do with the slump in commodity markets and stagnation in real estate markets. The allocation is expected to have further improved considering the sustained inflows by DIIs.

Assets	Amt (Rs Cr.)	YoY (%)	Proportion (%)
Direct Equity	3,439,861	29.0	21.4
FD and Bonds	3,326,429	13.1	20.7
Insurance	2,359,790	16.9	14.7
Savings Deposits	1,990,249	22.2	12.4
Cash	1,448,320	11.3	9.0
Provident Fund	924,026	25.5	5.8
NRI deposits	720,997	15.9	4.5
Small Savings	578,990	0.0	3.6
Mutual Funds	552,325	40.5	3.4
Current deposits	342,785	11.3	2.1
Total	16,055,686	19.2	

Top 10 of 13 financial products mentioned here
Source: Live Mint

Despite the gloom in the secondary markets, the year 2015 has been one of the remarkable year as far as the primary market is considered. For the year 2015, 21 companies have entered Dalal Street with initial public offers and have garnered Rs.13,600 crore, the highest in five years. Moreover, the issues have also created wealth for the investors as 60% of the newly-listed stocks are trading at a high premium over their issue prices as against most of the stocks trending below issue price in the previous years. What's more, an ETIG analysis has revealed that the foreign funds have been active in the primary market despite pulling funds from secondary market. DIIs led by mutual funds and insurers, have also stepped up their participation in primary market. Of the 21 IPOs that have hit the capital markets this year, DIIs bought more than half the anchor book in at least 12. DIIs bought 49% of the shares sold in IPOs as against 44% of the anchor book in 2010, the biggest year for IPOs. This also suggests higher retail participation. Going by the general mood, the expectation from the primary market is even vivid for next year. Domestic Institutional investors have been acting as a savior for Indian equity market in 2015, by investing around Rs 70,000 crore in equity, thus insulating the Indian market from the vagaries of global equity market. What is keeping fund managers positive is that despite of economy slowdown, Indian markets have outperformed most emerging markets. It is expected that 2016 should be much better, as economy is heading into scenario where the full benefits of low crude oil prices and excellent macros would play out. However, experts believe that early part of 2016 will continue to be painful and expects muted market returns because of the lower crude prices and US rate increase. In current global scenario where growth has stalled, Indian economy is seeing gradually recovery with revival slowly witnessed in capital expenditures through rising spending on cement, capital goods and infrastructure development. Several initiatives taken by the government and those that are under way are likely to deliver good results in 2016. The implementation of GST bill as soon as possible in 2016 would be the key driver for domestic economic growth as it would add incremental 1-2% to GDP growth. The GST roll out would also decide the foreign investors move on next year as they are eyeing on this key reform. The passage of the bill would also prove NDA government's ability to move on other reform process. The outlook for Indian equities is good given the reasonable valuations and the improvement likely in profit growth after several quarters of weak growth.

Paras Bothra

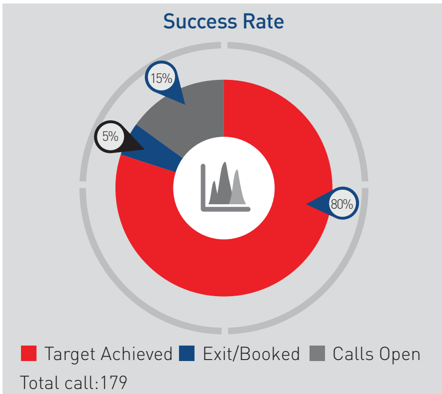
Vice President - Equity Research
Email - paras@ashikagroup.com
Phone: 022 6611 1704

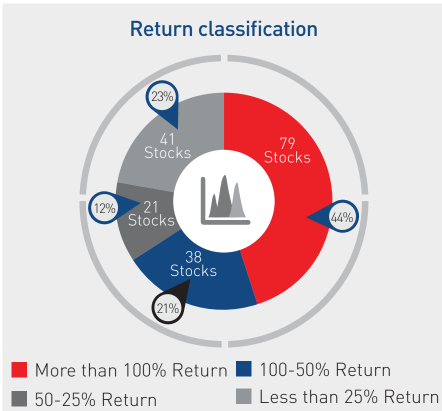
MONTHLY INSIGHT **PERFORMANCE**

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 179 stocks out of which 144 has achieved target. Hit Ratio stands at 80%. Out of these 79 stocks have given a return of more than 100%. During this period the Nifty has given a return of 51% and a return of 75% from its peak.

The stocks recommended by us such as Cera Sanitaryware, Symphony, Srikalahasti Pipes, Aurobindo Pharma, Shree cement, MRF, Britannia, Torrent Pharma, Wim Plast, Axiscades Engg, Lupin, Pidilite Ind, Can Fin Homes, Maruti Suzuki, Glenmark Pharma, Kaveri Seeds, HPCL, Gujarat Gas, Relaxo Footwears, Zensar Tech, Himatsingka Seide, Hexaware Ltd., Havels India, PI Industries, Dabur, UPL, Sharda Motor, VA Tech Wabag, Emami, Bajaj Finserv, Zydus Wellness, Bharti InfraTel, Indusind Bank, Cummins India, Adani Ports, L&T, Deccan Cements, Prism Cement, MRF Ltd., Dr Reddy, Berger Paints, Godrej Consumer, Divis Lab, Tatamotor - DVR, BPCL, Gulshan Polyols, Pidilite, Pidilite Ind., IFB Industries, Motherson Sumi, Escorts, Castrol India, Rallis India, Info Edge (India), LIC Housing Fin, AIA Engineering, Finolex Ind., Ashok Leyland, Zee Entertainment, Indian Bank, Berger Paints India, Dr. Reddy Lab, Tech M, Axis Bank, FDC Ltd., Dabur India, Multibase India, Tata Motors, V-Guard Ind., IPCA Lab, Magma Fincorp and City Union Bank 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.





Recommended Stocks

Time Period	Script	Sector	Reco Price	Target Price	Target Return	High after Reco	Return from High	CMP (as on 24/12/2015)	Status
Dec-15	Wabco India	Auto	6280	7200	14.6%	6450.0	2.7%	6338.6	
	Sanofi India	Pharma	4300	5060	17.7%	4525.0	5.2%	4360.0	
	Garware Wall Ropes	Textiles	388	488	25.8%	434.0	11.9%	431.6	
Nov-15	Inox Wind	Power	397	500	25.9%	411.4	3.6%	365.8	
	Sterlite Tech	Electrical Equip.	94	130	38.3%	108.6	15.5%	95.4	
	GP Petroleums	Oil & Gas	67	156	132.8%	77.8	16.1%	72.8	
	HCC	Construction	26	43	65.4%	28.3	8.8%	26.2	
Oct-15	Castrol India	Oil & Gas	433	510	17.8%	474.4	9.5%	442.9	
	Zee Ent.	Media	390	464	19.0%	438.4	12.4%	410.8	
	Syngene Int	Pharma	321	385	19.9%	402.0	25.2%	394.9	Target Achieved
Sep-15	Berger India	Paints & Chemical	208	247	18.8%	258.0	24.0%	251.9	Target Achieved
	Ceat	Tyre	1080	1245	15.3%	1319.9	22.2%	1047.3	Target Achieved
Aug-15	Cummins India	Electrical Equip.	962	1130	17.5%	1247.7	29.7%	1029.9	Target Achieved
	Greenply Ind.	Plywood	935	1123	20.1%	1050.0	12.3%	944.0	
	TIME Technoplast	Plastic Prod.	66	81	22.7%	69.9	5.9%	56.6	
	SQS India BFSI	IT	680	863	26.9%	1140.0	67.6%	1071.2	Target Achieved
Jul-15	Asian Paints	Paints & Chemical	760	883	16.2%	926.8	21.9%	881.8	Target Achieved
	Idea Cellular	Telecom	179	209	16.8%	186.5	4.2%	141.2	
	Gruh Finance	Banking & Finance	261	322	23.4%	278.0	6.5%	274.6	
Jun-15	Maruti Suzuki	Auto	3774	4367	15.7%	4790.0	26.9%	4598.4	Target Achieved
	Whirlpool India	Home Appl.	760	879	15.7%	847.0	11.4%	650.7	
May-15	Sun pharma	Pharma	925	1220	31.9%	1010.0	9.2%	790.9	
	Tata Motors	Auto	515	615	19.4%	531.0	3.1%	382.4	
	Ultratech	Cement	2680	3300	23.1%	3369.0	25.7%	2813.3	Target Achieved
	Tata Global	FMCG	141	174	23.4%	150.5	6.7%	144.8	
Apr-15	Abbott India	Pharma	4020	4680	16.4%	6177.7	53.7%	5622.4	Target Achieved
	Strides Arcolab	Pharma	1153	1340	16.2%	1414.0	22.6%	1290.4	Target Achieved
	Elantas Beck India	Chemical	1130	1320	16.8%	1525.0	35.0%	1485.0	Target Achieved
Mar-15	MCX	Finance	1177	1552	31.9%	1289.9	9.6%	861.7	
	BEML	Electrical Equip.	978	1200	22.7%	1612.0	64.8%	1285.9	Target Achieved
	Rolta	IT	191	250	30.9%	196.8	3.0%	103.1	Exit
Feb-15	SML Isuzu	Auto	979	1222	24.8%	1671.0	70.7%	1221.7	Target Achieved
	HBL Power	Battery	34.9	55	57.6%	64.5	84.8%	43.6	Target Achieved
	Mangalam Cement	Cement	321	432	34.6%	324.5	1.1%	193.1	Exit
	Amrutanjan Health	Pharma	449	650	44.8%	564.9	25.8%	492.6	
Jan-15	Torrent Pharm	Pharma	1096	1338	22.1%	1718.4	56.8%	1455.5	Target Achieved
	Emami	FMCG	783	924	18.0%	1365.0	74.3%	986.9	Target Achieved
	Dewan Housing	Finance	397	480	20.9%	569.2	43.4%	227.2	Target Achieved
	KPIT Tech	IT	200	263	31.5%	232.4	16.2%	167.9	Exit
Dec-14	Bajaj Corp	Personal Prod.	327	385	17.7%	522.0	59.6%	430.7	Target Achieved
	Alstom India	Electrical Equip.	586	725	23.7%	877.0	49.7%	648.3	Target Achieved
	Transport Corp	Transportation	284	354	24.6%	348.5	22.7%	299.1	Target Achieved
	Multibase India	Rubber Prod.	164	300	82.9%	342.5	108.8%	256.2	Target Achieved
	Albert David	Pharma	256	363	41.8%	404.3	57.9%	412.4	Target Achieved
Nov-14	ONGC	Oil & Gas	395	516	30.6%	412.5	4.4%	233.9	
	Cadila Helthcare	Pharma	1384	1600	15.6%	2160.0	56.1%	390.1	Target Achieved
	Karur Vysys	Banks	541	700	29.4%	619.0	14.4%	481.0	
	JK Lakshmi Cement	Cement	348	396	13.8%	429.9	23.5%	328.7	Target Achieved
Diwali Pick	Ashok Leyland	Auto	44	65	46.2%	99.7	124.2%	87.9	Target Achieved
	Karur Vysys	Banks	540	700	29.6%	619.0	14.6%	481.0	
	SKS Microfinance	Finance	317	412	30.0%	589.6	86.0%	489.2	Target Achieved
	NOCIL	Chemical	43	60	38.4%	64.5	48.8%	60.2	Target Achieved
Oct-14	Kesoram Industries	Diversified	117	176	50.4%	148.6	27.0%	108.8	Exit
	Akzo Nobel	Paints & Chemical	1240	1460	17.7%	1551.0	25.1%	1388.0	Target Achieved
	IFB Industries	Household Appl.	295	380	28.8%	700.0	137.3%	458.9	Target Achieved
	Munjal Auto	Auto Parts	102	155	52.0%	134.0	31.4%	93.0	

Time Period	Script	Sector	Reco Price	Target Price	Target Return	High after Reco	Return from High	CMP (as on 24/12/2015)	Status
Sep-14	Tata Motors	Auto	527	598	13.5%	612.4	16.2%	382.4	Target Achieved
	Timken India	Industrial Prod.	447	545	21.9%	669.0	49.7%	557.8	Target Achieved
	KEC International	Electrical Equip.	102	130	27.5%	164.4	61.2%	155.7	Target Achieved
	Indoco Remedies	Pharma	256	327	27.7%	412.2	61.0%	335.9	Target Achieved
	Ingersoll-Rand	Industrial Prod.	649	785	21.0%	1124.4	73.3%	770.4	Target Achieved
Aug-14	Bodal Chemicals	Chemical	60	94	56.7%	76.3	27.2%	57.2	Exit
	Som Distilleries	Breweries & Dist.	211	269	27.5%	246.0	16.6%	200.7	
	Sharda Motor	Auto Parts	391	536	37.1%	1190.0	204.3%	985.0	Target Achieved
	Axiscades Engg	IT	106	138	30.2%	396.2	273.8%	340.8	Target Achieved
	Visaka Industries	Cement Prod.	119	173	45.4%	188.8	58.7%	127.4	Target Achieved
	Deccan Cements	Cement	270	408	51.1%	747.0	176.7%	694.3	Target Achieved
	Gulshan Polyols	Chemical	177	274	54.8%	430.0	142.9%	456.2	Target Achieved
Jul-14	Mahindra Lifespace	Real Estate	560	710	26.8%	664.4	18.6%	485.9	
	V-Guard Ind.	Industrial Prod.	593	746	25.8%	1198.0	102.0%	944.3	Target Achieved
	Astra Microwaves	Defence	142	186	31.0%	166.4	17.2%	148.6	
	Himatsingka Seide	Textile	74	95	28.4%	236.9	220.1%	222.6	Target Achieved
	Mangalam Cement	Cement	221	285	29.0%	351.0	58.8%	193.1	Target Achieved
Jun-14	Coal India	Coal	392	500	27.6%	447.1	14.1%	322.3	Target Achieved
	Container Corporation	Logistics	1180	1500	27.1%	1947.7	65.1%	1306.9	Target Achieved
	Balmer Lawrie	Logistics	473	700	48.0%	682.0	44.2%	620.1	
	Can Fin Homes	Housing Finance	305	450	47.5%	1120.0	267.2%	1100.1	Target Achieved
	Srikalahasti Pipes	Iron & Steel Prod.	46	70	52.2%	349.0	658.7%	253.5	Target Achieved
May-14	Bank of Baroda	Banking	164.4	201.6	22.6%	228.9	39.2%	158.3	Target Achieved
	AIA Engineering	Industrial Prod.	606	726	19.8%	1364.2	125.1%	889.5	Target Achieved
	MOIL Ltd.	Metals & Mining	255	341	33.7%	341.7	34.0%	210.7	Target Achieved
	Wim Plast	Plastic Prod.	620	800	29.0%	2499.0	303.1%	2011.5	Target Achieved
Apr-14	Engineers India	Engg. & Const.	224	270	20.5%	331.7	48.1%	227.7	Target Achieved
	Gujarat Gas	Gas	263	305	16.0%	862.4	227.9%	600.3	Target Achieved
	City Union Bank	Banking	52.8	69	30.7%	105.6	99.9%	91.5	Target Achieved
	Relaxo Footwears	Footwear	297	390	31.3%	960.1	223.3%	486.2	Target Achieved
Mar-14	Motherson Sumi	Auto Ancillary	232	285	22.8%	540.8	133.1%	292.6	Target Achieved
	PI Industries	Agrichem	252	315	25.0%	787.2	212.4%	629.4	Target Achieved
	VA Tech Wabag	Water Treatment	645	765	18.6%	1945.0	201.6%	693.7	Target Achieved
Feb-14	Bharti InfraTel	Telecom - Infra	171	213	24.6%	499.7	192.2%	414.4	Target Achieved
	UPL	Fertilizer	187	251	34.2%	576.4	208.2%	433.1	Target Achieved
	Finolex Ind.	Pipes	155	185	19.4%	347.7	124.3%	298.4	Target Achieved
Jan-14	NIIT Tech	IT	355	500	40.8%	631.0	77.7%	586.9	Target Achieved
	Zensar Tech	IT	349	500	43.3%	1117.5	220.2%	1037.4	Target Achieved
	Bajaj Finserv	Banking	726	850	17.1%	2160.0	197.5%	1926.8	Target Achieved
	FDC Ltd.	Pharma	130	170	30.8%	274.4	111.0%	226.9	Target Achieved
Dec-13	MRF Ltd.	Tyre	17350	19430	12.0%	46399.0	167.4%	39539.6	Target Achieved
	Info Edge (India)	Web Services	446	550	23.3%	1015.0	127.6%	836.8	Target Achieved
	Indian Bank	Banking	101	120	18.8%	224.3	122.0%	114.4	Target Achieved
	Symphony	Cons. Durable	405	500	23.5%	3275.0	708.6%	2321.1	Target Achieved
Nov-13	Pidilite Ind.	Paints & Chemical	266	350	31.6%	638.0	139.8%	553.4	Target Achieved
	Aurobindo Pharma	Pharma	216	297	37.5%	1535.0	610.6%	871.5	Target Achieved
	Kaveri Seeds	Agri Prod.	305	580	90.4%	1075.5	253.1%	346.9	Target Achieved
	Speciality Restaurant	Restaurants	124	198	59.7%	218.6	76.3%	139.4	Target Achieved
Oct-13	Britannia	FMCG	759	845	11.3%	3434.2	352.5%	2910.7	Target Achieved
	Glenmark Pharma	Pharma	520	610	17.3%	1262.9	142.9%	927.3	Target Achieved
	Ultratech Cement	Cement	1808	2045	13.1%	3398.0	87.9%	2813.3	Target Achieved
Sep-13	L&T	Engg. & Const.	705	810	14.9%	1893.8	168.6%	1294.5	Target Achieved
	Tech M	IT	1375	1495	8.7%	2995.1	117.8%	517.0	Target Achieved
	Indusind Bank	Banking & Finance	344	470	36.6%	989.3	187.6%	945.4	Target Achieved
	Escorts	Auto	82	108	32.5%	188.2	130.9%	169.9	Target Achieved
Aug-13	Hexaware Ltd.	IT	107	130	21.5%	335.8	213.8%	242.1	Target Achieved
	Godrej Consumer	FMCG	815	950	16.6%	1459.0	79.0%	1278.8	Target Achieved
	Torrent Pharma	Pharma	421	475	12.8%	1718.4	308.2%	1455.5	Target Achieved
Jul-13	TCS Ltd	IT	1460	1640	12.3%	2839.7	94.5%	2434.3	Target Achieved
	Dabur India	FMCG	150	170	13.3%	316.4	110.9%	276.7	Target Achieved
	Rallis India	Chemical	130	148	13.8%	298.7	129.7%	177.8	Target Achieved

Time Period	Script	Sector	Reco Price	Target Price	Target Return	High after Reco	Return from High	CMP (as on 24/12/2015)	Status
Jun-13	Hero MotoCorp	Auto	1736	2020	16.4%	3270.0	88.4%	2696.4	Target Achieved
	Divis Lab	Pharma	977	1120	14.6%	2484.7	154.3%	1166.7	Target Achieved
	Corporation Bank	Banking & Finance	77	92	19.8%	86.0	12.0%	41.9	Booked
May-13	Maruti Suzuki	Auto	1673	1920	14.8%	4790.0	186.3%	4598.4	Target Achieved
	Dr. Reddy Lab	Pharma	1991	2280	14.5%	4386.6	120.3%	3010.0	Target Achieved
	BPCL	Oil & Gas	405	460	13.6%	987.0	143.7%	904.1	Target Achieved
	Kotak Mahindra Bank	Banking & Finance	830	1021	22.9%	1475.3	77.7%	701.4	Target Achieved
Apr-13	L&T	Engg. & Const.	683	915	34.0%	1893.8	177.3%	1294.5	Target Achieved
	Pidilite	Chemical	264	300	13.6%	638.0	141.7%	553.4	Target Achieved
	Godrej Consumer	FMCG	778	910	17.0%	1459.0	87.5%	1278.8	Target Achieved
Mar-13	ITC	FMCG	291	352	21.0%	410.0	40.9%	323.7	Target Achieved
	Berger Paints	Chemical	95	116	21.6%	252.7	166.0%	251.9	Target Achieved
	LIC Housing Fin	Banking & Finance	232	284	22.4%	524.0	125.8%	485.5	Target Achieved
	Zee Entertainment	Media & Ent.	215	265	23.3%	440.7	105.0%	410.8	Target Achieved
Feb-13	Axis Bank	Banking & Finance	301	397.8	32.2%	654.9	117.6%	450.8	Target Achieved
	Tata Motors	Auto	298	379	27.2%	612.4	105.5%	382.4	Target Achieved
	Cairn India	Oil & Gas	324	410	26.5%	386.0	19.1%	138.7	Booked
	Petronet LNG	Oil & Gas	152	200	31.6%	247.3	62.7%	240.5	Target Achieved
Jan-13	Adani Ports	Others	135	180	33.3%	374.8	177.6%	258.1	Target Achieved
	J & K Bank	Banking & Finance	130.3	167	28.2%	195.5	50.0%	74.6	Target Achieved
Dec-12	Zee Entertainment	Media & Ent	198	235	18.7%	440.7	122.6%	410.8	Target Achieved
	Indusind Bank	Banking & Finance	416	500	20.2%	989.3	137.8%	945.4	Target Achieved
Nov-12	IPCA Lab	Pharma	450	545	21.1%	906.9	101.5%	748.8	Target Achieved
	L&T Finance	Banking & Finance	55	85	54.5%	97.1	76.5%	66.6	Target Achieved
	Zydus Wellness	FMCG	445	560	25.8%	1128.9	153.7%	849.5	Target Achieved
Oct-12	Sun TV	Media & Ent.	357	446	24.9%	494.9	38.6%	413.9	Target Achieved
	Allahabad Bank	Banking & Finance	147	180	22.4%	191.1	30.0%	70.7	Target Achieved
	Shoppers stop	Others	393	465	18.3%	624.4	58.9%	405.3	Target Achieved
Sep-12	Dish TV	Media & Ent.	68	92	35.3%	121.7	78.9%	97.6	Target Achieved
	Havels India	Cons. Durables	111	127.6	15.0%	346.9	212.5%	305.0	Target Achieved
Aug-12	Lupin	Pharma	570	672	17.9%	2129.0	273.5%	1803.9	Target Achieved
	Bajaj Finserv	Banking & Finance	730	877	20.1%	2160.0	195.9%	1926.8	Target Achieved
Jul-12	Uflex	Others	112	145	29.5%	201.7	80.1%	186.2	Target Achieved
	Cummins India	Engg. & Const.	438	513	17.1%	1247.7	184.9%	1029.9	Target Achieved
	Exide Inds	Others	135	165	22.2%	205.2	52.0%	145.1	Target Achieved
	Engineers India	Engg. & Const.	200	280	40.0%	305.0	52.5%	227.7	Target Achieved
Jun-12	Glenmark Pharma	Pharma	350	410	17.1%	1262.9	260.8%	927.3	Target Achieved
	Godrej Consumer	FMCG	558	675	21.0%	1459.0	161.5%	1278.8	Target Achieved
	Cera Sanitaryware	Cons. Durables	248	340	37.1%	2960.9	1093.9%	1968.2	Target Achieved
	HPCL	Oil & Gas	300	365	21.7%	991.0	230.3%	845.7	Target Achieved
May-12	Emami	FMCG	457	535	17.1%	1365.0	198.7%	986.9	Target Achieved
	Berger Paints India	Chemical	114	141	23.7%	252.7	121.7%	251.9	Target Achieved
	Graphite India	Others	92	110	19.6%	126.4	37.4%	79.3	Target Achieved
	Rainbow papers	Others	66	85	28.8%	94.4	43.0%	40.5	Target Achieved
Apr-12	Tatamotor - DVR	Auto	158	200	26.6%	391.4	147.7%	282.1	Target Achieved
	Pidilite Ind	Chemical	172	210	22.1%	638.0	270.9%	553.4	Target Achieved
Mar-12	Magma Fincorp	Banking & Finance	70	ACCu		141.0	101.4%	97.5	Target Achieved
	Torrent Power	Power	222	290	30.6%	252.9	13.9%	174.5	Booked
Feb-12	Castrol India	Oil & Gas	236	ACCU		544.0	130.5%	442.9	Target Achieved
	Prism Cement	Cement	48.75	ACCU		133.5	173.7%	81.8	Target Achieved
	MRF	Auto	9767	ACCU		46399.0	375.1%	39539.6	Target Achieved
	Shoppers Stop	Others	340	ACCU		624.4	83.6%	405.3	Target Achieved
	Allahabad Bank	Banking & Finance	200	ACCU		211.3	5.7%	70.7	Target Achieved
	Zydus Wellness	FMCG	382	ACCU		1128.9	195.5%	849.5	Target Achieved
	MRPL	Oil & Gas	71	ACCU		83.2	17.2%	65.6	Target Achieved
	Akzo Nobal	Cons. Durables	857	ACCU		1551.0	81.0%	1388.0	Target Achieved
	Maruti Suzuki	Auto	1320	ACCU		4790.0	262.9%	4598.4	Target Achieved
	M & M	Auto	749	ACCU		1442.1	92.5%	1257.8	Target Achieved
Feb-12	Tata Power	Power	115	120	4.3%	117.6	2.2%	66.4	Target Achieved
	Dr Reddy	Pharma	1642	1795	9.3%	4386.6	167.1%	3010.0	Target Achieved
Jan-12	Shree cement	Cement	2100	ACCU		13360.0	536.2%	10926.2	Target Achieved
	Dabur	FMCG	102	125	22.5%	316.4	210.2%	276.7	Target Achieved

STOCK **PICKS**

PIDILITE INDUSTRIES LTD.	CMP: Rs 551	Rating: BUY	Target: Rs 656

Investment Rationale

Strong brand portfolio ensures economic moat

Pidilite Industries Ltd. (PIL), is a market leader in domestic adhesive and Industrial chemical segment. The company holds 50-70% market share in most of its products. PIL's most successful brand "Fevicol" captures ~70% of market share in India and other players like Araldite, Bondtite, etc are holding the rest of the share. Fevicol is the single largest contributor to PIL's total revenue and owing to its strong brand recall commands pricing power. PIL's other brands including M-seal, Fevistik, Dr. Fixit are holding leading position in their respective segments. In the domestic glue stick market 'Fevi Kwik' enjoys 82% market share while Fevicol MR has 86% market share in Craft glue segment. Company's sustainable brand success has been coming from continuous innovation and introduction of new and effective products across the segments. Presence of few players in adhesive segment led PIL to become largest adhesive manufacturer in India. As a result PIL enjoys pricing power and has strong economic moat and also benefiting from lower input prices.

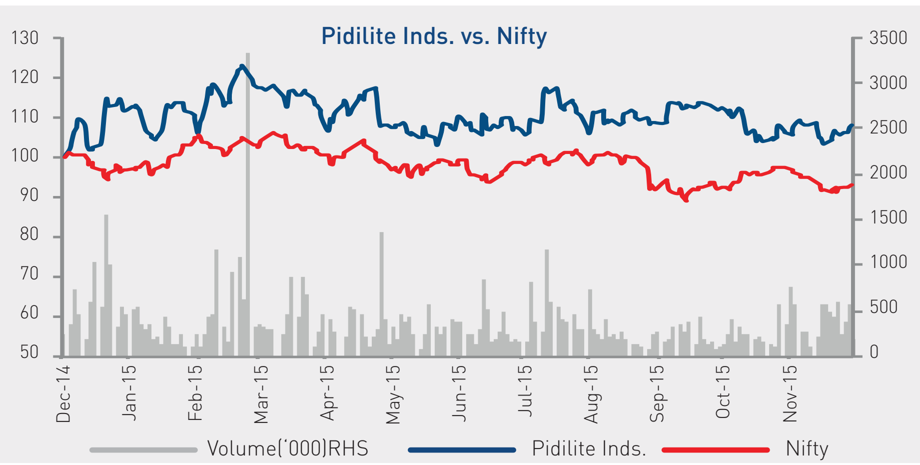
Diversified product portfolio

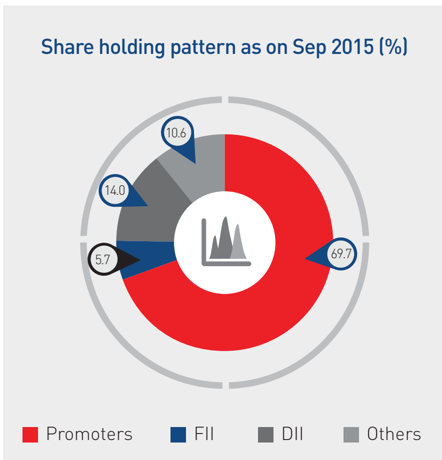
PIL's products have been used widely across the sectors and that enables the company to diversify its products. Company's products are used in Furniture & furnishings, plumbing, stationary schools and Housings, etc. Company's other products such as Dr. Fixit, Roff and M-seal contributes significantly to Paint and plumbing industry and enjoy market leader position in the segments. Motomax and Cyclo also provide wide services to the automobile industry through their brand expansions. The growing awareness of using e-commerce platforms have given thumbs up to various industries starting from furniture & fixture to second hand cars. The revolution of on-line shopping through e-commerce have given impetus

Company Information	
BSE Code	500331
NSE Code	PIDILITIND
Bloomberg Code	PIDI IN
ISIN	INE318A01026
Market Cap (Rs. Cr)	28248
Outstanding shares(Cr)	51.3
52-wk Hi/Lo (Rs.)	638 / 493.7
Avg. daily volume (1yr. on NSE)	348,043
Face Value(Rs.)	1
Book Value (Rs)	44.3

Particulars (in Rs Cr)	FY14	FY15	FY16E	FY17E
Net Sales	4,260.6	4,820.4	5,281.1	6,118.8
Growth (%)	16	13	10	16
EBITDA	686.1	777.3	1,094.7	1,237.6
EBITDA Margin (%)	16	16	21	20
Net profit	449.8	512.6	716.5	820.6
Net Profit Margin (%)	11	11	14	13
EPS (Rs)	8.78	10.00	13.97	16.00

Source: Bloomberg Consensus





to the furniture industry to showcase their piece of work directly to customers resulting in strong demand for PIL's product especially Fevicol. Automobile industry has been striving hard to turnaround and positive developments have started to come providing traction to Motomax and Cyclo. Development and up-gradation of Educational sector is always been a priority for all government, thus the sector has seen stable growth over the years. Fevicol, Fevistik, Poster colors, Decorative glue, Markers etc. are the PIL's products that caters to educational sector. Diversification helps PIL to sustain its revenue and earnings growth over the years.

Margins expansion due to lower crude prices

Global crude oil prices have been declining since June 2014 amid global supply glut and weak global economy recovery. Currently global crude price is hovering around USD 37/barrel, 11 years low and expected to decline further unless OPEC decides to cut down production which is very unlikely. Further US has lifted 40 years ban on Crude oil export creating more supply glut and pushing oil prices to record low. However, rout in crude oil prices has been positive development for commodity import countries like India and more to the companies for which raw materials are based on crude oil. PIL use Vinyl Acetate Monomer (VAM) as key raw material for its products and it is crude derivatives. Thus the company has been benefiting from ongoing lower crude oil prices. VAM accounting 15% of total raw material costs, has corrected significantly from USD 1600/ per tonne last year to US 800/tonne, thus amplifying its margins. Apart from benefiting lower crude oil prices, PIL has taken cost optimization measures by utilising renewable source of energy and rationalizing costs in its North America and South East Asia business. All the positive developments have supported its margin expansion and we believe that there would be margin traction from ongoing rout in global crude oil prices.

Economy revival to boost Industrial product segment

Industrial product segment contributes ~16% to PIL's total revenue and witnessed a decent 6% CAGR during FY12-15. The growth could have been much higher during that period however tepid industrial growth impede on its growth momentum. Nonetheless, it seems the macros have been turning around with robust IIP growth of 9.8% yoy reported on October 2015, though the higher growth came on the back of low base previous year. Inflation has been cooling down, Banks have been reducing lending rate and moderate growth has been picking up in industrial space, which indicating a positive development on macro front. Further government intends to build 100 smart cities and 20 million affordable housing by 2022, thus provide traction to PIL's industrial & chemical segment. As per the industry experts, the sector is expected to double to Rs 70 billion by 2018-19 on the back of demand from smart cities. We believe, that the uptick in Industrial activities in coming years will provide much needed fillip to PIL's earnings growth.

Key Risks

- The volatility in raw material prices mainly VAM prices could inversely impact the margins of PIL.
- Any slowdown in industrial and construction activities could have negative bearing on its earnings growth.

Valuation

PIL is a strong market leader in domestic adhesive and industrial chemical segment thus have strong pricing power and competitive advantage over its peers. Such strong market share and efficient operations drove its financial performance with revenue growth of 17% CAGR during FY10-15. While EBITDA and PAT has delivered compounded annual growth of 14% and 13% respectively during the same period. Healthy operating cash flows funded its capex program thus putting lid on debt and leaving a strong balance sheet. Benign crude oil price has been an additional advantage for PIL as VAM is a crude derivative and accounts 16% of total raw material costs. Hence, company is going to witness a margin expansion on the backdrop of lower VAM prices resulting in improvement in return ratios. Diversified product portfolio and uptick in Industrial activities also provide traction to company's earnings growth. We are optimistic on company's future growth story and thus recommend our investors to BUY the scrip with target price of Rs 656 from 12 months investment horizon. Currently, the scrip is trading at P/E multiple of 34x of FY17E EPS (Bloomberg consensus estimates).

INDRAPRASTHA GAS LTD.	CMP: Rs 525	Rating: BUY	Target: Rs 624

Investment Rationale

Ban on diesel vehicle registration to boost volume growth

In recent development, National Gas Tribunal (NGT) has ruled that new diesel passenger vehicles will not be registered in Delhi and also the registration of diesel vehicles more than 10 years old will not be renewed. NGT has also been consulting with other state governments to effectively implement the ban on diesel vehicles across India. Such developments would speed up the acceptance of CNG as fuel resulting in healthy growth in volume. Delhi government also raised the entry tax on diesel commercial vehicles to protect the environment from pollution and at the same time gave future indication that there could be complete ban on entry of diesel vehicles once the necessary infrastructure has been created. As per the government, Delhi and Pune pollution levels are at alarming level and thus may push NGT to adopt CNG aggressively. Enormous increase of entry tax on diesel commercial vehicles would reduce attractiveness of diesel for vehicles passing through Delhi and any conversion of CV into CNG will provide huge volume growth. In NCR, IGL (Indraprastha gas) has been doing monopoly business in CNG and PNG and thus switching from diesel to CNG vehicle could be a game changer for IGL.

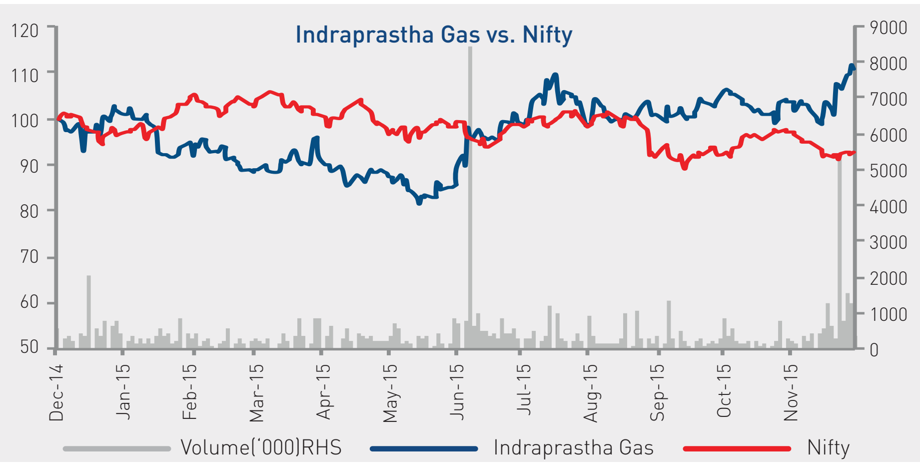
Developments in gas sector to further benefit IGL

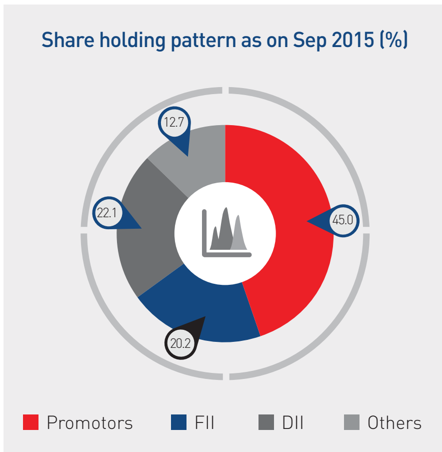
As per environmental concern, Supreme court order may lead other state governments to switch public transport to CNG and also to extend the scope of CNG conversion to private taxi operators. Such developments would require robust and wide-spread infrastructure and thus any positive development on that front would bode well for CNG player like IGL as it would amplify the CNG volume. On the backdrop of this development, Oil minister has stated that IGL's has been instructed to open 200 additional CNG outlets (vs. 326 currently) in Delhi. IGL management also sounded optimistic as they are aligning their organization's growth with the overall sector's growth and indicates a roll out of ~100 outlets in Delhi over the next two years which will boost CNG footprint by ~ 30%. Besides, Delhi government has been instructed further to check land availability

Company Information	
BSE Code	532514
NSE Code	IGL
Bloomberg Code	IGL IN
ISIN	INE203G01019
Market Cap (Rs. Cr)	7350
Outstanding shares(Cr)	14.0
52-wk Hi/Lo (Rs.)	524.1 / 375.35
Avg. daily volume (1yr. on NSE)	420,643
Face Value(Rs.)	10
Book Value (Rs)	149.9

Particulars (in Rs Cr)	FY13	FY14	FY15E	FY16E
Net Sales	3,917.4	3,669.9	3,787.1	4,135.3
Growth (%)	16	-6	3	9
EBITDA	783.0	793.4	834.7	894.7
EBITDA Margin (%)	20	22	22	22
Net profit	360.3	437.7	459.2	509.1
Net Profit Margin (%)	9	12	12	12
EPS (Rs)	25.73	31.27	32.79	36.71

Source: Bloomberg Consensus





in order to expand CNG outlets for IGL. The authorization of CNG uses in Gurgaon and Faridabad could be a huge trigger for IGL as there are significant demand potential. IGL would be the ultimate beneficiary from higher demand of CNG as the CNG share in overall volume mix is at 75% with higher margins as compared with PNG.

Regulation overhang disappeared

In a major setback in April 2012, the gas regulator in India, Petroleum and Natural Gas Regulatory Board (PNGRB) had asked IGL to lower its network tariff and compression charge by 60% and that was to be done on retrospective effect from 1 April 2008. The one time retrospective impact had been estimated around Rs 1600 crore and that could have wiped out the networth of the company. To combat with the issue IGL approached to the High Court and successfully got the verdict in its favour, in which turned PNGRB took the dispute to Supreme Court in order to overrule the High Court's judgment. In July 2015, India's Supreme Court in its judgement granted IGL freedom to set its tariff, thus ending the overhang for IGL. The ruling in favour of IGL has definitely re rated the scrip and would also support its sustainable margin growth.

Exploration in newer cities to drive incremental revenue growth

IGL has been expanding its distribution network in newer cities in order to ramp up its revenue growth. It has acquired 50% stake in Central UP Gas Limited (CUGL) in FY2013 that supplies CNG and PNG in and around Kanpur and Bareilly in Uttar Pradesh. Company also acquired a 50% stake in the Maharashtra Natural Gas Limited (MGNL) in FY15 for Rs 1.9 billion that distributes CNG and PNG in Pune. It is expected that demand for CNG and PNG in Pune would escalate as Pune is the fastest growing city and everybody is expecting it would be next big IT hub in India after Bangalore. The step towards geographical diversification would benefit the company in long run as its core NCR region is increasingly becoming saturated after 16 years of operation.

Key Risk

- IGL has been operating in highly regulated sector, thus any adverse regulation against its operation could pose higher risk for its business sustainability.
- Escalation in its operating costs and volatility in gas prices could have a negative bearing on its margins.

Valuation

IGL, promoted by BPCL and GAIL, a government entity has monopoly gas distribution business in NCR region. The company has been operating in these regions for last 16 years and thus the business is more or less saturated. Hence to diversify its operations, IGL has been inorganically expanding its distribution networks to smaller cities such as Pune, Kanpur, Bariely, etc. Further, Supreme Court ruling in favour of IGL on deciding the marketing margin has eased its regulatory overhang, which had started in 2012. The most positive development that has happened in gas sector is that banning of new diesel vehicles registration in Delhi and also not allowing the registration renewal of more than 10 years old diesel vehicles. Simultaneously, Delhi government has raised the entry tax on diesel commercial vehicles passing through the city. All these developments would create huge demand for CNG in NCR region resulting in incremental volume growth for IGL. We believe, that IGL has all necessary amenities to cash in the opportunity which could certainly re rate the scrip. Thus, we recommend our investors to BUY the scrip with target price of Rs 624 from 12 months investment horizon. Currently, the scrip is valued at P/E multiple of 14x of FY17E EPS (Bloomberg consensus estimates).

SH KELKAR & CO LTD.	CMP: Rs 250	Rating: BUY	Target: Rs 310

Company Overview

SH Kelkar & Co Ltd. is India's oldest and most renowned manufacturer and supplier of Fragrance & Flavours (F&F). The company commands a market share of ~20.5% in the fragrance industry (~size Rs23bn growing @10%) catering to more than 4100 customers across India which include leading national and MNC FMCG companies, blenders and producers of fragrances and flavors. The company also exports its fragrance products to 52 countries around the world. Total manufacturing capacity is ~ 19,819 tons p.a. with 3 plants in India and 1 in The Netherlands. Its fragrance manufacturing plants in Mumbai and Raigad in Maharashtra comply with the regulations of the International Fragrance Association ("IFRA") and its flavour manufacturing plant in Raigad in Maharashtra is registered with the United States Food and Drug Administration ("US FDA"). The Company has a long standing reputation in the fragrance industry developed in their 90 years of experience. They have a diverse range of products backed by their strong research and development capabilities.

Investment Rationale

Market Leader

Being the largest manufacturer and supplier of fragrance products in India, SH Kelkar commands a market share of over 20%. The Company has strong focus on a wide-range of product portfolio assist in realizing its long term growth prospect. SHK's Cobra and Keva brand enjoys leadership position in their respective categories and have established substantial brand in India. Export of fragrance products in varied Geographical diversity to over 52 countries is achieved through experienced management, superior and consistent product quality, economics of scale, thorough focus on R&D and constant innovation attributes to its market leadership position. The steady growth in the Indian FMCG industry on account of increasing discretionary spending like soaps, detergents, shampoos, hair oils, perfumes, etc places SH Kelkar in a bright spot and is likely to garner further potentiality.

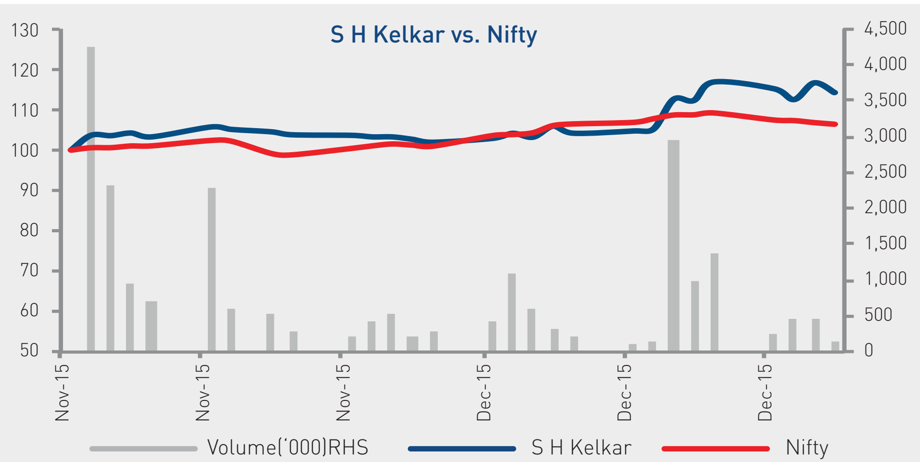
Company Information	
BSE Code	539450
NSE Code	SHK
Bloomberg Code	SHKL IN
ISIN	INE500L01026
Market Cap (Rs. Cr)	3734
Outstanding shares(Cr)	14.5
52-wk Hi/Lo (Rs.)	248.2 / 200
Avg. daily volume (1yr. on NSE)	1,652,806
Face Value(Rs.)	10
Book Value	50.0

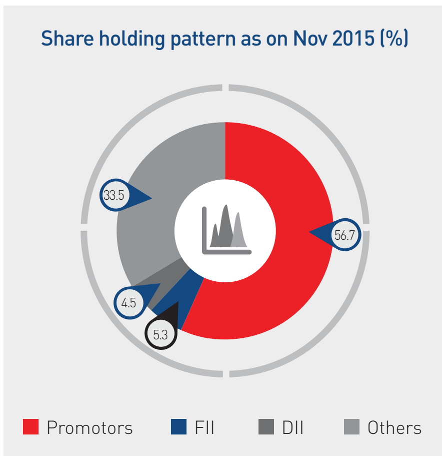
Wide-ranging Product portfolio and diverse customer base

The company has a large library of product formulations providing full service product portfolio of over 9,700 fragrance which command a competitive advantage over its peers. Profound understanding of the customer taste and preference has led to add over 4,100 customer base which includes leading national and multinational FMCG companies. Fragnance products are sourced by several reputed firms like Godrej Consumer Products, Marico,

Particulars (in Rs Cr)	FY14	FY15	FY16E	FY17E
Net Sales	759.4	834.0	946.6	1083.8
Growth (%)	14.2	9.8	13.5	14.5
EBITDA	144.8	142.6	163.8	189.7
EBITDA Margin (%)	19.1	17.1	17.3	17.5
Net profit	79.1	64.4	84.2	110.5
Net Profit Margin (%)	10.4	7.7	8.9	10.2
EPS (Rs)	6.0	4.8	5.8	7.6

Consensus Estimate: Bloomberg, Ashika Research





Wipro Consumer Care and Lighting, Hindustan Unilever, Vini Cosmetics and JK Helen Curtis while flavor products are supplied to companies like Britannia, Vicco Laboratories, Vadilal Industries & Ravi Foods. Varied customer base reduces the company's dependence on a particular client for business mitigating the risk of single client concentration. It enjoys long term relationship with its huge customer base spanning over 15 years.

High Entry Barriers

Flavour and Fragrance industry operates in highly regulated environment with strict legal and quality standards by the government and from the large players as well considering the recent debacle of the Nestle issue. The industry involves high customer acquisition time since a long standing relationship rest between the suppliers and the FMCG giants and which are hard to penetrate. Hence the top 5 established market player accounts for 70% of the business and SH Kelkar being one of them is well placed with a market share of 20% in the Indian fragrance industry and 2% of the Indian flavor industry.

Efficient Sourcing of Raw Materials and accommodative Manufacturing Facilities

The company with its long standing relationship with supplier of raw material provides a competitive advantage of effective and timely sourcing of raw materials. The efficient sourcing help to maintain a cost advantage coupled with enhanced value deliverability to its customer. The manufacturing facility is so designed to handle small and large batches with no compromise in cost effectiveness and quality. The facility is fully integrated to enable commercial production of newly developed products approved by the R&D wing. The company sources approximately 250 ingredients from its manufacturing plants in Vapi and Barneveld. For Q1FY16, 62% of raw materials were sourced from India while the balance 38% was sourced from suppliers overseas further adds to maintain cost competitiveness. The fragrance manufacturing facilities in Mumbai and Raigad comply with the IFRA requirements and also the rigrous audit requirement of its several global clients.

Proficient Research and Development Unit

The company's main focus is on the research and development activities which forms the basis for succumbing to the changing customer taste and preference by introducing new products and solutions Over the years the company developed new and innovative products which has improved the company's performance The research team of 18 scientists has developed 12 molecules over the last three years for which the company has filed patent applications for three molecules. Team of 12 perfumers and two flavourists in 5 creation and development centres developed over 502 new fragrance and flavours compounds which were sold commercially in FY15. The Government of India's Department of Science and Industrial Research has recognized the company's R&D programme as an in-house R&D unit.

Key Risks

- Fluctuation in Raw material prices as its prices constitute major portion of the production cost.
- Exchange Rate Risk as significant portion of the sales comes from export.
- Regulatory Risk as the company works in stringent regulatory environment.

Valuation

SH Kelkar's oldest and most renowned manufacturer status in Fragrance & Flavours market and commendable market share of ~20.5% in the fragrance industry with more than 4100 customers across India and additional comparative advantage makes the company to stand out of the league. SH Kelkar basically caters to FMCG companies and will be the major beneficiary of increasing demand from FMCG companies specifically present in personal care, packaged foods & dairy products. With sustainable demand from FMCG companies on the back of increasing penetration levels, urbanisation & growing demand for premium products. The growth visibility of revenue & earnings for SH Kelkar remains high in the long run. Simultaneously, with the debt repayment from the proceeds of IPO, the company would be able to save Rs. 18 crore of interest cost immediately and the company will become almost debt free. In addition, favourable industry dynamics and low capacity utilization of less than 40% bodes well for healthy growth rates for SH Kelkar over the next few years. With a strong growth and improving capacity utilizations over the next few years, it is expected that the margins and earnings to grow steadily. At current price, the scrip is trading at P/E multiple of 33x on FY17E earnings. We believe SH Kelkar is a niche player and a substitute to FMCG play and should trade at premium valuations similar to FMCG companies. So, we recommend our investors to BUY the scrip with target price of Rs 310, from 12-18 months investment perspective.

TEXMACO RAIL & ENGINEERING LTD.	CMP: Rs 151	Rating: BUY	Target: Rs 183

Company Overview

Texmaco Rail & Engineering (TEXRAIL) was incorporated and demerged from the Texmaco effective April 2010 which has been manufacturing wagons for the past 60 years. It is the largest wagons manufacturer in India with a capacity of 10,000 wagons pa. The heavy engineering and steel foundry divisions of Texmaco are engaged in the business of designing & manufacturing wagons, hydro-mechanical equipment structurals & steel castings at its 5 manufacturing units at Belgharia, Agarpara, Panihati and Sodepur in West Bengal extending over 170 acres. During FY14, it acquired 49% in Kalindee Rail Nirman, which is engaged in the business of providing EPC services to railways & metros, especially in the field of signaling tracks, telecommunication and auto fare collection machines. Thus it is a total rail solutions provider now. The Steel Foundry of the Company is the largest in the Country with a capacity upto 30000 Tonnes of quality castings per year. The company also has ventured into locomotive assemblies and metro coaches by forming a JV with leading multinationals.

Investment Rationale

Wagons demand to rise

The Central government's thrust with the highest-ever investment proposed in the Indian Railways (IR) bodes well for the sector. It is the best player to benefit from Indian Railways drive. The government has announced a five year capex plan of INR 8.56tn during FY 16-20. During FY16, IR has released a tender of 8,500 wagons. However, private sector wagon manufacturers have not accepted orders from IR due to low prices quoted by one of the new entrants Jindal Rail. It is expected that IR will open tender for 14000 wagons for FY17 which may provide growth to the industry. The company has total wagon manufacturing capacity of 10,000 wagons pa. It operated at 8% capacity utilization in FY14 and 21% in FY15.

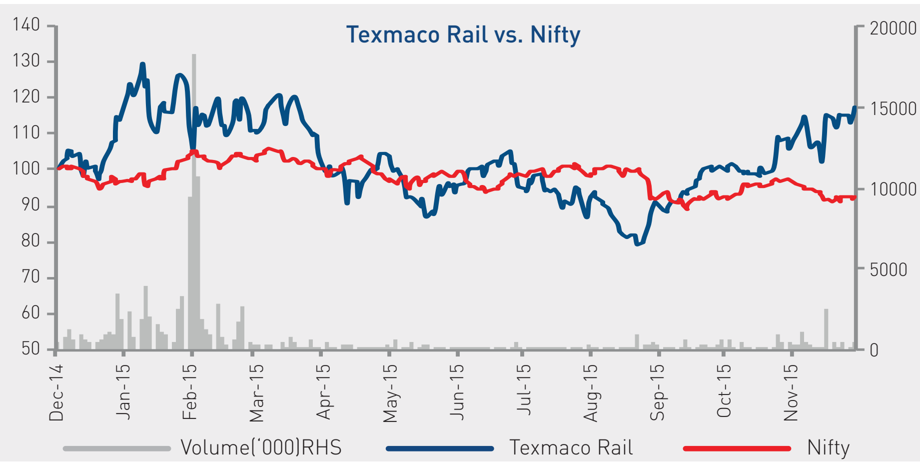
Demand from defense and private sector improves

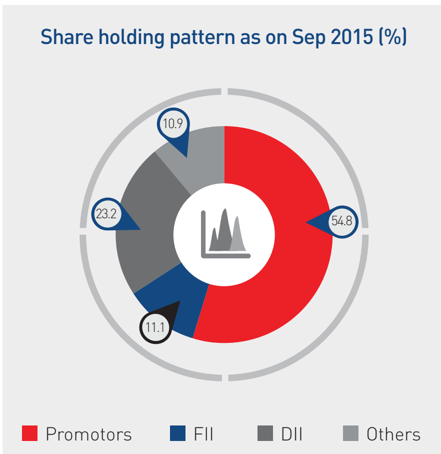
The Government of India's focus on the defense sector has opened new avenues of wagon demand. Enquiries from the private sector too have started after being subdued over the past few years. It is believed that industrial demand would pick up from FY17 and hence demand from this segment will further inflate overall

Company Information	
BSE Code	533326
NSE Code	TEXRAIL
Bloomberg Code	TXMRE IN
ISIN	INE621L01012
Market Cap (Rs. Cr)	3157
Outstanding shares(Cr)	21.0
52-wk Hi/Lo (Rs.)	171 / 100.2
Avg. daily volume (1yr. on NSE)	654,604
Face Value(Rs.)	1
Book Value	42.2

Particulars (in Rs Cr)	FY13	FY14	FY15E	FY16E
Net Sales	446.4	438.6	750.8	1160.8
Growth (%)	(46.2)	(1.7)	71.2	54.6
EBITDA	15.6	17.0	63.1	153.2
EBITDA Margin (%)	3.5	3.9	8.4	13.2
Net profit	17.0	13.7	43.5	104.5
Net Profit Margin (%)	3.8	3.1	5.8	9.0
EPS (Rs)	0.9	0.7	2.5	4.8

Consensus Estimate: Bloomberg, Ashika Research





demand for wagons. TEXRAIL's wagons order book of INR 6bn comprises 90% of non-IR wagons demand.

Benefits of diversification

During order slowdown from IR, TEXRAIL earnings were cushioned by steel foundry, bridges and structurals. As on Q1FY16-end, non-IR order comprised 52% of order book. It also focused on export orders. Its steel foundry business, which reported losses in FY15, reverted back to profit in Q1FY16. The current order book stands at INR 12.5bn, which is 2.9x FY15 revenue, providing revenue visibility for the next two years. Around 48% of it is from wagons while the rest comes from the steel foundry, bridges and structural's.

DFC commissioning for sustained demand of wagons

The eastern and western dedicated freight corridors (DFC), encompassing 3,300km, are expected to be commissioned by December 2019. Hence, even if demand from IR were to decline after the DFCs (IR has to provide 70% of traffic to DFCs) start their operations, additional demand would be able to offset the dip and provide sustainable growth of wagons demand in India. However, DFCs would need wagons of improved quality (higher axle load). TEXRAIL is in the process of developing high axle load wagons upto 25 tonnes for the upcoming DFC. The current maximum axle load on the IR track is 22.9 tonnes and the DFC proposes to progressively move up to 32.5 tonnes. TEXRAIL is all geared to tap this demand. It recently won a contract worth Rs. 1800 crore from the Dedicated Freight Corridor Corporation of India.

Acquisitions & Collaborations

During FY14 TEXRAIL acquired 49% in Kalindee Rail Nirman and now it is in the process of merging the company with itself. It's acquisition of Kalindee Rail has enhanced its portfolio. The combined synergy will provide a wide range of offerings, from track laying, civil construction, structural fabrication, signaling (including route relay), telecommunications & auto fare collection as well as end products, such as wagons, coaches and locomotive shells & assemblies. It can see a major operational improvement after its merger as it will be able to bid for large value projects. During September 2015 It has decided to acquire a 76% stake in Bright Power Projects (India), an EPC company, specializing in over head electrification (OHE) solutions for the Indian Railways. Over the past it has entered into joint ventures with MNCs including Australian based UGL Rail Services, French Group Company Touax Rail and US based Wabtec International. It has also entered into a technical tie-up with Kawasaki of Japan.

Key Risks

- There is uncertainty in timely placement of Indian Railways (IR) wagon orders. Any delay or not releasing new orders will adversely affect its operations just as it has for the past two years and continues into FY16.
- The company operates in a competitive environment with 15 peers and with 25000 wagons capacity and thus pricing is expected to be low. Due to lower demand by IR, capacity utilization for all producers is low. Hence this competitive may lead to lower margin.
- Demand from the private sector for special purpose commodity-specific wagons depends on GDP growth, which, in turn, sustains demand for specific commodities, such as coal, steel, cement and alumina.
- There is a possibility that despite receiving orders and mobilizing main raw materials, execution may be delayed which may lengthen the working capital cycle.

Valuations

Being the largest wagons manufacturer in India, it is best suited to take advantage of any growth opportunity coming from Indian Railways. After its acquisition of Kalindee Rail and Bright Power Projects (India) it has became a total rail solutions provider. The demand for wagons in future is set to improve on the backdrop of eastern and western dedicated freight corridors construction, which is encompassing around 3300km. Demand from defense and private segment will further inflate the demand for wagons. It will hugely benefit from it diversification into steel foundry, bridges and structurals. It has a net cash of Rs 4 billion at FY15 end, implying Rs 19 cash per share which makes its balance sheet strong and also gives strength to go for further expansion or acquisition without leveraging its balance sheet. Hence, we believe Texmaco is well placed to benefit from government's massive impetus in developing Indian railways infrastructure and thus recommend our investors to BUY the scrip with target price of Rs 183 from 12-18 months investment horizon. At current price, the scrip is valued at P/E multiple of 31x on FY17E EPS.

VALUATION AT A GLANCE

Sl.	CNX100 Company	CMP (Rs.)	Mkt Cap (Rs. Cr.)	Est. P/E FY16	Est. P/E FY17	Est. P/B FY16	Est. ROE FY16	Est. ROE FY17	DPS FY15	Dividend P/O FY15	Dvd Yield FY15
1	ACC	1343.0	25214.2	31.4	22.4	3.1	14.5	12.2	34.0	54.9	2.5
2	Adani Ports	258.1	53451.3	20.6	16.8	5.0	23.7	21.3	1.1	9.8	0.4
3	Ambuja Cements	203.3	31550.1	24.7	18.7	N/A	N/A	13.3	5.0	52.1	N/A
4	Apollo Hospitals	1436.9	19990.2	50.6	40.4	6.3	11.1	14.1	5.8	25.7	0.4
5	Ashok Leyland	87.9	25015.3	26.0	16.6	5.5	3.2	27.5	0.5	95.6	0.5
6	Asian Paints	881.8	84582.1	47.3	39.3	17.8	31.8	34.0	6.1	41.9	0.7
7	Aurobindo Pharma	871.5	50892.5	24.8	20.0	9.9	35.4	30.2	2.3	8.3	0.3
8	Axis Bank	450.8	107223.2	12.3	10.4	2.4	17.9	19.0	4.6	17.7	1.0
9	Bajaj Auto	2482.9	71846.9	18.4	16.5	6.5	28.5	30.5	50.0	57.3	2.0
10	Bajaj Finserv	1926.8	30660.2	15.1	12.7	2.8	16.4	18.1	1.8	1.6	0.1
11	Bajaj Holdings	1619.0	18018.4	N/A	N/A	1.3	16.0	N/A	32.5	17.8	2.0
12	Bank of Baroda	158.3	36474.8	N/A	N/A	0.8	9.8	N/A	3.2	21.8	2.0
13	Bank of India	117.5	9305.0	N/A	N/A	0.2	6.4	N/A	5.0	16.5	4.3
14	Bharat Forge	860.3	20026.1	24.5	19.7	5.8	24.9	22.8	7.5	22.8	0.9
15	Bharti Airtel	338.5	135292.0	23.2	20.8	2.2	9.3	9.3	2.2	17.1	N/A
16	Bharti Infratel	414.4	78588.4	32.8	27.6	4.6	11.4	16.4	11.0	104.5	2.7
17	BHEL	172.7	42270.1	29.0	15.2	1.2	4.3	7.3	1.2	19.5	0.7
18	Bosch	18190.0	57114.6	N/A	N/A	7.8	N/A	N/A	N/A	N/A	N/A
19	BPCL	904.1	65374.0	10.7	10.3	2.9	22.9	22.2	22.5	33.8	2.5
20	Britannia Industries	2910.7	34921.4	42.2	34.4	28.0	67.4	50.5	16.0	27.9	0.5
21	Cairn India	138.7	25995.0	8.1	8.0	0.4	7.7	5.6	9.0	37.7	6.5
22	Canara Bank	240.5	13056.2	N/A	N/A	0.4	9.1	N/A	10.5	18.9	4.4

Sl.	CNX100 Company	CMP (Rs.)	Mkt Cap (Rs. Cr.)	Est. P/E FY16	Est. P/E FY17	Est. P/B FY16	Est. ROE FY16	Est. ROE FY17	DPS FY15	Dividend P/O FY15	Dvd Yield FY15
23	Cipla	648.0	52045.8	27.8	22.5	4.8	11.3	17.5	2.0	13.6	0.3
24	Coal India	322.3	203576.4	13.4	11.8	5.0	33.2	38.1	20.7	95.3	6.4
25	Colgate-Palmolive	983.7	26755.2	N/A	N/A	34.7	N/A	N/A	12.0	58.4	1.2
26	Container Corp.	1306.9	25482.2	25.6	21.4	3.4	14.7	13.5	13.4	24.8	1.0
27	Cummins India	1029.9	28547.4	31.0	23.2	9.9	N/A	N/A	14.0	49.4	1.4
28	Dabur India	276.7	48675.4	37.7	32.1	14.5	35.5	33.3	2.0	33.0	0.7
29	Divis Lab.	1163.3	30882.0	28.5	23.8	8.8	26.4	28.4	10.0	31.2	0.9
30	Dr Reddy's Lab.	3010.0	51331.2	19.3	18.3	5.2	24.7	19.3	20.0	14.6	0.7
31	Eicher Motors	16172.2	43914.0	48.1	34.7	17.4	26.9	37.9	50.0	22.0	0.3
32	Exide Industries	145.1	12333.5	18.1	16.7	3.2	16.8	16.0	2.2	30.4	1.5
33	Federal Bank	56.2	9651.3	N/A	N/A	1.3	14.5	N/A	1.1	17.8	2.0
34	GAIL	362.2	45944.3	17.7	13.8	1.4	9.5	8.9	6.0	24.1	1.7
35	GlaxoSmith Consumer	6665.0	28030.0	N/A	N/A	11.3	29.1	N/A	55.0	39.6	N/A
36	Glaxosmithk Pharma.	3280.1	27783.4	53.7	43.1	15.2	N/A	34.7	N/A	N/A	N/A
37	Glenmark Pharma.	927.3	26163.1	26.5	16.9	8.4	15.9	28.5	2.0	11.4	0.2
38	Godrej Consumer	1278.8	43547.4	38.0	31.7	10.1	22.4	24.0	5.5	20.6	0.4
39	Grasim Industries	3718.6	34162.0	15.4	11.7	1.5	7.8	11.5	18.0	9.5	0.5
40	HCL Technologies	860.3	121226.5	15.9	13.9	4.7	30.8	26.9	18.0	32.6	N/A
41	HDFC	1229.6	194080.1	21.3	17.7	3.9	20.1	22.7	15.0	27.0	N/A
42	HDFC Bank	1074.0	270969.5	23.7	19.2	4.3	19.9	17.0	8.0	18.8	0.7
43	Hero MotoCorp	2696.4	53843.7	17.5	14.7	8.2	38.9	35.7	60.0	50.7	2.2
44	Hindalco Industries	85.3	17604.0	25.1	9.7	0.5	2.2	4.8	1.0	24.2	1.2
45	Hindustan Unilever	864.3	187012.5	43.0	37.4	46.5	115.4	105.0	15.0	74.4	1.7
46	HPCL	845.7	28636.0	9.3	8.9	2.1	10.7	18.5	24.5	55.4	2.9
47	ICICI Bank	258.0	149921.0	10.4	8.9	1.8	15.2	16.8	5.0	23.7	1.9
48	Idea Cellular	141.2	50832.3	15.2	20.0	2.1	14.9	9.1	0.6	6.8	N/A
49	Indiabulls Housing Fin.	707.2	29743.1	11.9	10.0	3.8	30.8	26.7	26.0	47.9	3.7
50	Indian Oil Corporation	433.6	105276.0	9.4	8.7	1.5	7.2	14.6	6.6	34.2	1.5
51	IndusInd Bank	945.4	56121.7	N/A	N/A	3.3	15.2	N/A	4.0	11.8	N/A
52	Infosys	1096.4	251825.5	18.9	16.6	4.4	23.7	23.7	29.8	55.2	N/A
53	ITC	323.7	260010.4	25.4	22.4	8.2	32.8	30.9	6.3	51.8	1.9
54	JSW Steel	1065.3	25750.6	40.1	13.4	1.2	8.1	8.1	11.0	15.1	1.0
55	Kotak Mahindra Bank	701.4	128505.5	34.6	25.1	4.9	14.8	15.0	0.5	2.7	0.1
56	Larsen & Toubro	1294.5	120545.7	25.5	19.9	2.9	12.1	12.8	16.3	31.7	1.3
57	LIC Housing Finance	485.5	24501.4	14.2	10.2	3.1	18.0	N/A	5.0	18.1	1.0
58	Lupin	1803.9	81265.1	35.3	24.2	9.1	30.4	26.9	7.5	14.0	0.4
59	M & M Financial	241.3	13721.5	16.8	11.4	2.3	16.2	16.7	4.0	24.9	1.7
60	Mahindra & Mahindra	1257.8	78117.9	21.2	16.2	2.9	12.8	14.1	12.0	23.8	1.0
61	Marico	226.1	29170.8	42.2	35.6	16.0	36.0	32.8	1.3	28.1	0.6
62	Maruti Suzuki	4598.4	138908.5	26.6	21.2	5.7	16.6	22.8	25.0	19.8	0.5

Sl.	CNX100 Company	CMP (Rs.)	Mkt Cap (Rs. Cr.)	Est. P/E FY16	Est. P/E FY17	Est. P/B FY16	Est. ROE FY16	Est. ROE FY17	DPS FY15	Dividend P/O FY15	Dvd Yield FY15
63	Motherson Sumi	292.6	38702.9	29.3	21.3	11.6	27.5	36.8	2.0	30.7	0.7
64	MRF	39539.6	16769.3	8.5	N/A	3.7	22.2	N/A	50.0	2.3	0.1
65	NMDC	91.0	36059.1	9.1	8.8	1.1	20.4	11.1	8.6	53.4	9.4
66	NTPC	139.3	114859.3	12.5	11.5	1.4	11.8	11.3	2.5	20.6	1.8
67	Oil India	387.6	23297.0	7.7	7.0	1.1	12.4	13.9	20.0	46.1	5.2
68	ONGC	233.9	200070.1	8.8	7.9	1.1	10.4	12.6	9.5	44.3	4.1
69	Oracle Financial Serv.	3782.2	32071.6	23.7	19.9	9.3	19.5	36.3	665.0	471.9	17.6
70	Petronet LNG	240.5	18033.8	N/A	N/A	3.2	16.5	N/A	2.0	17.0	0.8
71	Power Finance Corp.	204.8	27034.4	N/A	N/A	0.8	20.0	N/A	9.1	20.0	4.4
72	Power Grid Corp.	140.1	73294.6	12.2	10.4	1.9	13.8	16.0	2.0	22.2	1.4
73	Punjab National Bank	120.1	23582.8	N/A	N/A	N/A	N/A	N/A	3.3	18.0	N/A
74	Reliance Capital	421.1	10638.4	9.6	9.5	0.8	7.8	7.5	9.0	22.7	2.1
75	Reliance Comm.	86.3	21479.9	24.7	22.2	0.6	2.0	2.8	0.0	0.0	N/A
76	Reliance Industries	1000.6	324099.3	12.1	10.8	1.3	11.3	11.5	10.0	12.5	1.0
77	Reliance Infrastructure	493.2	12970.7	7.4	6.3	0.5	6.7	7.0	8.0	11.7	1.6
78	Rural Electrification	223.2	22040.1	N/A	N/A	0.9	23.3	N/A	10.7	19.8	4.8
79	Shriram Transport Fin.	850.0	19283.9	14.2	11.5	2.1	11.6	15.3	10.0	22.1	1.2
80	Siemens	1192.8	42478.0	59.0	46.2	8.3	24.5	15.8	6.0	23.5	0.5
81	State Bank of India	228.3	177224.2	8.9	7.5	1.0	10.8	12.2	3.5	15.6	N/A
82	Steel Authority of India	48.9	20175.5	N/A	178.3	0.5	4.9	0.9	2.0	38.3	4.1
83	Sun Pharma.	790.9	190326.5	35.8	23.6	6.4	20.6	23.6	3.0	15.9	0.4
84	Sundaram Finance	1350.0	14998.5	20.9	18.1	4.0	16.9	17.3	10.5	20.3	0.8
85	Tata Chemicals	408.2	10397.9	12.0	10.1	1.9	10.7	16.3	10.0	53.4	2.5
86	TCS	2434.3	479651.4	19.9	17.7	7.6	36.8	34.9	39.0	77.9	1.6
87	Tata Global	144.8	9138.8	22.1	18.8	1.6	4.4	8.2	2.3	57.3	1.6
88	Tata Motors	382.4	124748.2	11.3	7.8	2.2	23.0	19.6	0.0	0.0	0.0
89	Tata Power	66.4	17958.7	17.2	12.8	1.4	0.4	9.3	1.3	783.1	2.0
90	Tata Steel	263.4	25577.0	47.5	19.9	0.7	-8.4	3.7	8.0	N/A	N/A
91	Tech Mahindra	517.0	49973.9	16.1	13.7	3.6	21.2	21.8	6.0	21.9	N/A
92	Titan Company	350.7	31130.2	37.9	30.2	10.1	29.1	26.1	2.3	25.0	0.7
93	UltraTech Cement	2813.3	77200.7	29.0	19.8	4.1	11.6	16.2	9.0	11.8	0.3
94	United Breweries	935.1	24724.5	78.1	57.9	13.4	14.8	18.1	1.0	10.3	0.1
95	United Spirits	3033.2	44080.8	98.0	55.9	66.8	-91.4	39.5	0.0	N/A	0.0
96	UPL	433.1	18560.7	14.1	11.6	3.2	20.6	20.7	5.0	18.7	1.2
97	Vedanta	92.0	27260.4	9.5	6.5	0.5	-24.7	7.3	4.1	N/A	4.5
98	Wipro	557.2	137649.0	15.0	13.7	3.2	22.0	20.4	12.0	34.0	N/A
99	Yes Bank	724.4	30373.5	N/A	N/A	2.6	21.3	N/A	9.0	18.8	1.2
100	Zee Entertainment	410.8	39450.4	38.5	30.5	11.2	26.6	22.4	2.3	26.0	0.5

N/A: Not Available

Source: Bloomberg Consensus as on December 24, 2015

PRIMARY MARKET **HEATS UP**

An initial public offer (IPO) is the first sale of stock by a company. IPOs are often issued by smaller, younger companies seeking the capital to expand, but can also be done by large privately owned companies looking to become publicly traded. Although further expansion is a benefit to the company, there are both advantages and disadvantages that arise when a company goes public.

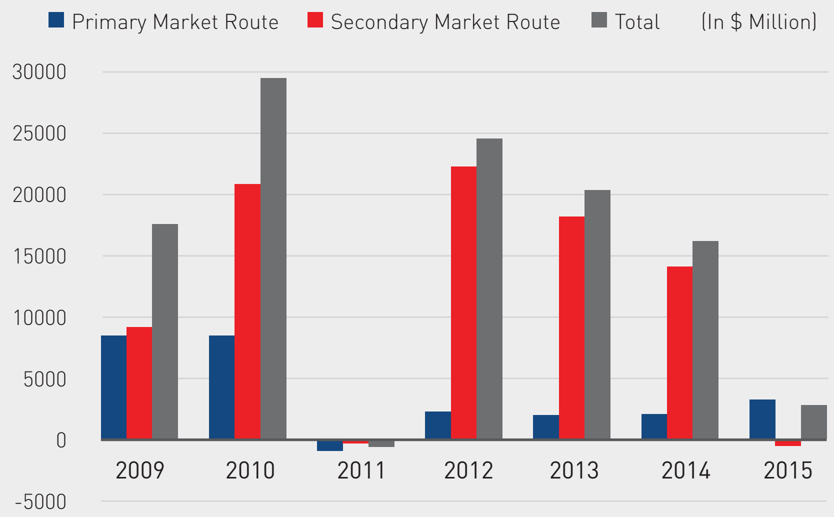
There are many advantages for a company going public. As said earlier, the financial benefit in the form of raising capital is the most distinct advantage. Capital can be used to fund research and development, fund capital expenditure or even used to pay off existing debt. Another advantage is an increased public awareness of the company because IPOs often generate publicity by making their products known to a new group of potential customers. Furthermore taking a company public reduces the overall cost of capital. An added benefit from issuing shares is that they can be used to attract top management candidates through the offer of perks like stock option plans. Subsequently this may lead to an increase in market share for the company. An IPO also may be used by founding individuals as an exit strategy. Many venture capitalists have used IPOs to cash in on successful companies that they helped start-up.

Even with the benefits of an IPO, public companies often face many new challenges as well. One of the most important changes is the need for added disclosure for investors. Public companies are more regulated. They must also meet with other rules and regulations that are closely monitored by the regulatory bodies. More importantly, especially for smaller companies, the cost of complying with regulatory requirements can be very high. Some of the additional costs include the generation of financial reporting documents, audit fees, investor relation departments and accounting oversight committees. Public companies are faced with the added pressure of the market which may cause them to focus more on short-term results rather than long-term growth. The actions of the company's management also become increasingly scrutinized as investors constantly look for rising profits. This may lead management to perform somewhat questionable practices in order to boost earnings. Before deciding whether or not to go public, companies must evaluate all of the potential advantages and disadvantages that will arise.

The Indian primary market will end the year 2015 with the best performance in five years as investors shrugged off volatility and weak foreign fund flows to lap up offerings from a diverse set of companies with completely new business models. The domestic equity market had a lackluster year this calendar, but the primary market appears ready to sign off an eventful year with a bang.

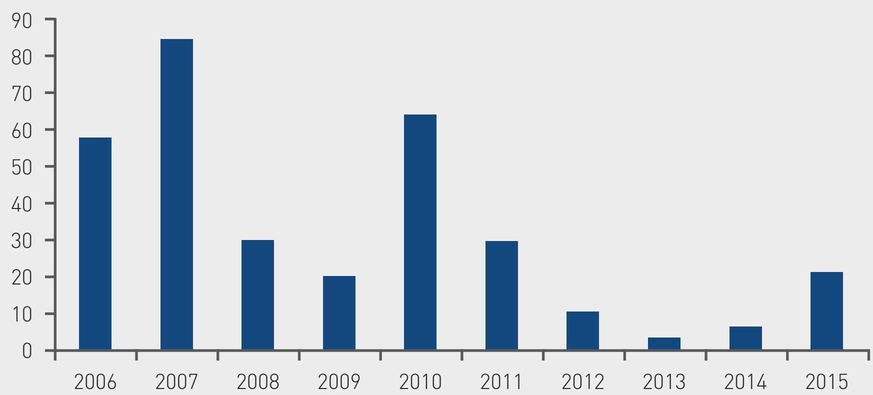
The total IPO amount raised for the calendar year is Rs 13600 crore, the highest since 2010 when 64 companies raised about Rs 37,500 crore. In 2014, six IPOs hit the market and collectively raised Rs 1,261 crore while just three got listed through IPOs in 2013 and mobilized Rs 1,284 crore.

FPI FLOWS INTO INDIAN EQUITIES



Source: CLSA

IPOs ISSUED FOR THE LAST TEN YEARS



Source: nseindia.com

What is remarkable about the strong participation in these IPOs was the fact that they have betted on these issues at a time when there has been so much uncertainty in the market amid fears of a strong FPI outflow due to the impending rate hike by the US Federal Reserve and also concerns over slow growth revival and delay in reforms push in the domestic economy.

Stocks have got overwhelming response from investors this year. VRL logistics was oversubscribed 74 times, Alkem was oversubscribed 44 times, PowerMach projects was oversubscribed 38 times while Dr Lal Pathlabs was oversubscribed 33 times. Of the 20 listings so far, 12 have given returns ranging from 13% to 99% with VRL Logistics surging 99% so far since its April 30 listing. Recently launched Dr. lal pathlabs and Alkem laboratories has given a listing gain of 50% and 32% respectively. Syngene International has gained 58% since its listing on August 11. PNC Infratech and Navkar Corp have gained 41% and 28%, respectively. While if we look at the data prior to 2013, more than two-thirds of the new issues were trading below issue price. According to an IIFL note, over the past 12 years, there have been 575 IPOs, which raised more than $40 billion. Of those 500 IPOs, a majority (54 per cent) have delivered negative returns after one year of trading. This means stocks of these companies were trading below issue price a year post listing.

IPO's for the calendar year 2015

Sl. No.	Security Name	Issue Price	CMP*	Issue Size (Rs. In Crore)	Market Cap (Rs. In Crore)	Listing Gain (%)	% Increase/ Decrease (from issue price)
1	Alkem laboratories ltd.	1,050.00	1,523.75	1,349.60	18,194.80	31.57	45.12
2	Dr. lal pathlabs ltd.	550.00	896.05	638.00	7,385.55	49.85	62.92
3	S H Kelkar and company ltd.	180.00	237.85	200.00	3,439.08	15.17	32.14
4	Interglobe Aviation ltd.	765.00	1,164.45	3,000.00	41,954.51	14.83	52.22
5	Coffee Day Enterprises ltd.	328.00	279.20	1,150.00	5,755.69	(17.64)	(14.88)
6	Prabhat Dairy ltd.	115.00	146.70	300.00	1,427.05	1.17	27.57
7	Sadbhav Infrastructure projects ltd.	103.00	97.50	425.00	3,441.24	3.06	(5.34)
8	Pennar Eng building systems ltd.	178.00	156.05	156.19	538.12	(11.52)	(12.33)
9	Shree pushkar chemicals & fert. ltd.	65.00	106.00	70.00	320.48	(3.08)	63.08
10	Navkar corporation ltd.	155.00	197.80	600.00	2,819.36	7.35	27.61
11	Power mech projects ltd.	640.00	636.80	273.22	929.35	(8.48)	(0.50)
12	Syngene International ltd.	250.00	394.90	550.00	7,872.00	24.16	57.96
13	Manpasand beverages ltd.	320.00	440.45	400.00	2,204.88	2.14	37.64
14	Pnc infratech ltd.	378.00	534.50	488.00	2,744.97	(4.71)	41.40
15	Ufo moviez india ltd.	625.00	510.35	600.00	1,327.55	(4.19)	(18.34)
16	Mep infrastructure developers ltd.	63.00	46.70	324.00	760.01	(3.25)	(25.87)
17	Vrl logistics ltd.	205.00	407.05	473.88	3,737.33	43.07	98.56
18	Inox wind ltd.	325.00	365.75	700.00	8,117.77	34.77	12.54
19	Adlabs entertainment ltd.	180.00	130.90	467.00	1,052.25	6.25	(27.28)
20	Ortel communications ltd.	181.00	178.50	240.00	558.12	(5.00)	(1.38)

Source: nseindia.com

* as on 24th December 2015

Two of the biggest IPOs of this year were InterGlobe Aviation and Coffee Day Enterprises which had failed to attract full retail subscription (in that segment's quota). Though the Rs 3,000-crore IPO of InterGlobe, which operates the country's most-profitable airline, IndiGo, was subscribed six times overall, its retail category remained undersubscribed at 90 per cent. Similarly, Coffee Day Enterprises Rs 1,150-crore IPO was subscribed nearly two times but the retail portion was only 90 per cent covered. The Securities and Exchange Board of India has said it wouldn't be worried at low participation by small investors in the primary market as long as they are routed through mutual fund. Though the retail subscription of VRL logistics, Syngene International, Dr. Lal Pathlabs were oversubscribed to the tune of 8, 4.8, 4.2 times respectively Sebi Chairman U K Sinha said retail investors may not invest again if they lose money in the primary market.

Subscription details

Sl. No.	Security Name	No. of times Subscribed			TOTAL (No. in Lacs)		
		QIB	NII	RII	No. of shares offered	No. of shares bid	No. of times Subscribed
1	Narayana Hrudayalaya ltd.	24.4	3.62	1.9	171.66	1,493.31	8.7
2	Alkem laboratories ltd.	57.2	130	3.2	90.87	4,024.62	44.29
3	Dr. lal pathlabs ltd.	63.6	61.28	4.2	81.2	2,712.87	33.41
4	S H Kelkar and company ltd.	25.6	87.38	2.1	202.34	5,480.02	27.08
5	Interglobe Aviation ltd.	17.8	3.57	0.9	301.22	1,853.10	6.15
6	Coffee Day Enterprises ltd.	4.39	0.54	0.9	258.14	470.76	1.82
7	Prabhat Dairy ltd.	0.88	1.42	0.3	412.08	317.4	0.77
8	Sadbhav Infra. projects ltd.	3.04	1.66	1.7	285.84	641.47	2.24

Sl. No.	Security Name	No. of times Subscribed			TOTAL (No. in Lacs)		
		QIB	NII	RII	No. of shares offered	No. of shares bid	No. of times Subscribed
9	Pennar Eng build. systems ltd.	2.21	1.44	0.4	62.96	72.47	1.15
10	Shree pushkar chemicals & fert. ltd.	0.97	2.09	1.5	114.75	153.77	1.34
11	Navkar corporation ltd.	6.47	0.9	1.6	285.71	814.85	2.85
12	Power mech projects ltd.	27.5	133.2	3.4	29.88	1,139.18	38.12
13	Syngene International ltd.	51.5	90.24	4.8	160	5,127.90	32.05
14	Manpasand beverages ltd.	1.99	0.38	1.2	75.86	105.99	1.4
15	Pnc infratech ltd.	4.51	0.65	0.3	90.6	141.52	1.56
16	Ufo moviez india ltd.	4.49	1.17	1	68.29	139.62	2.04
17	Mep infrastructure developers ltd.	1.02	1.51	1	402.89	445.41	1.11
18	Vrl logistics ltd.	58.2	250.9	7.9	162.69	12,081.66	74.26
19	Inox wind ltd.	35.7	35.38	2.2	232.01	4,315.90	18.6
20	Adlabs entertainment ltd.	1.17	0.49	1.4	176.04	195.55	1.11
21	Ortel communications ltd.	1.01	0.09	0.4	94.43	71.23	0.75

Source: bseindia.com

Earlier, Sebi had thought of 'safety net' for IPOs to ensure retail participation. Under the proposed safety net mechanism in IPOs the promoters were required to buy back the shares if the share price fell below the issue price by more than 20 per cent within three months of going public. The company would have been needed to buy back shares worth up to 10 per cent of the issue size from retail investors. The proposal had faced resistance, forcing the regulator to drop the idea.

The better performance of the new issues were attributed partly to the strict regulations enabled in the IPO market, India's capital market regulator Securities and Exchange Board of India has relaxed norms for initial public offerings (IPOs) and offers for sale (OFS) to encourage more companies to sell shares and attract retail investors. The market regulator has taken an average 70 days to issue its final observations on the Draft Red Herring Prospectus' filed in the first half of 2015. In comparison, it took nearly 120 days to give these on offer documents filed with it a year before.

A brief synopsis of the major relaxed norms

Companies with a post-issue capital of less than Rs. 4,000 crore will have to sell a 25% stake or stocks worth Rs.400 crore, whichever is lower, to the public in an initial share sale. However, if an IPO of Rs.400 crore size is not equivalent to 25% of its post-issue capital, the minimum public shareholding of 25% has to be achieved within three years of listing. This will remove the anomaly that a company just short of Rs 4,000 crore market capitalizations was required to dilute about Rs 1,000 crore while another company at Rs 4,000 crore market capitalizations was required to dilute only Rs 400 crore.

The increase in anchor investor tranche with a 30 day lock-in for their shares is the most important move as it will help in better price discovery and increase the chances of getting deals done.

SEBI has also decided to increase the maximum allocation to anchor investors to 60% from the current 30% of the institutional bucket, a move that will not only attract long-term investors but also improve the prospects for an IPO to sail through in uncertain market conditions. At present, 50% of the issue size is reserved for qualified institutional buyers in public issues.

The market regulator has also approved a proposal to permit bonus shares issued in the last one year, prior to filing of the draft offer document, to be offloaded through OFS, if such bonus shares were issued out of the free reserves or share premium of a company.

Moreover, SEBI has relaxed share-sale norms under OFS and widened its scope and has also scrapped the mandatory grading of IPOs.

Future of Indian IPO

SEBI has proposed a framework for public issuance and trading of convertible securities by both listed and unlisted companies. Such securities are debt instruments that can be converted into equity at a later date. Investors get paid interest from the issuer till these are converted into equity. Indian companies are allowed to raise capital through convertible securities, but the lack of a detailed framework has prevented these from being as popular as IPOs of shares or a rights issue. Following the SEBI board approval, the regulator issued a consultation paper. Based on feedback from investment bankers, SEBI has proposed an issue of convertible securities, with a maximum tenure of five years. Currently, there is no specific provision on this, except for financing of a group company, where the maximum tenure can be 18 months. It has also proposed to allow issue of these by unlisted companies, provided the instruments be listed on the institutional trading platform (ITP). Currently, ITP is used for listing of smaller companies without necessarily doing an IPO.

SEBI board is also discussing topics including exit options for dissenting shareholders where investors will soon get an option to exit companies if the promoters fail to use money raised through IPO for the stated purposes and amending of rules on clearing corporations. SEBI's move to provide an exit for dissenting shareholders is in line with the Companies Act, 2013. SEBI's proposed rule is investor friendly. It is a grim reminder to promoters that they should use funds raised in an IPO for the stated purpose. The regulator should hold to account a promoter who siphons off funds. But it should also make it mandatory for promoters to explain why they have not used the funds for the intended purpose as some of them could have genuine reasons too.

India's capital markets regulator also announced rules that make it easier for start-ups to list in India, and for investors such as venture capital firms in such start-ups to sell their holdings through initial share sales. Sebi's move is aimed at preventing home-grown entrepreneurs from exploring offshore markets for raising capital and to make it easier for new business ideas to flourish within India. The objective is to create new opportunities for equity investors to make money by betting on the prospects of new-age companies.

The regulator has done away with issuing checks for IPO investment which will have faster IPO listing. All investors, including retail ones, will now have to come in through the ASBA route. The Application Supported by Blocked Amount (ASBA) route freezes money in an account and unlocks it if the allocation has not taken place. This obviates the need for refunds and reduces the time required for IPOs. Issue completion will reduce from 12 days after the transaction (T+12) to T+ 6.

The regulator has reduced the market capitalization requirement for companies to use fast-track Follow on Public Offerings (FPOs) and Rights issues to Rs.1000 crore and Rs.250 crore respectively. Steps have also been taken for greater retail participation in the Offer For Sale (OFS) route.

Earlier there was no way proper procedure in place for a promoter to declassify himself as a promoter, even if his stake had dropped significantly. The regulator has now provided a proper framework for addressing the issue.

The lineup for Calendar 2016 looks even busier, with about a dozen companies already having filed their draft red herring prospectus with market regulator SEBI. The complete list is provided in the table. Some of these companies have already received SEBI approval for IPOs. Micromax Informatics, one of India's top mobile phone makers and UK-based telecom giant Vodafone's India subsidiary has also made its intentions for listing.

Upcoming IPOs with no listed peers		
Company	Sector	Proposed Size (Rs. In Cr.)
Teamlease	Staffing	450-500
Quick Heal Tech	Security Software	1000-1200
Infibeam	Online Market Place	450
Matrix Cellular	SIM Card Provider	500
Martimony.com	Online Matrimony	600-700

Upcoming IPOs		
SL. NO.	Name of the Company	DRHP Filed On
1	S.P. Apparels	30-Dec-2015
2	Nihilent Technologies	29-Dec-2015
3	K P R Agrochem	23-Dec-2015
4	New Delhi Centre for Sight Limited	01-Dec-2015
5	Mahanagar Gas	16-Nov-2015
6	SSIPL Retail	23-Oct-2015
7	Equitas Holding	20-Oct-2015
8	GVR Infra Projects	06-Oct-2015
9	Parag Milk Foods	01-Oct-2015
10	Quick Heal Technologies	01-Oct-2015
11	Sandhar Technologies	01-Oct-2015
12	Maini Precision Products	30-Sep-2015
13	G N A Axles	29-Sep-2015
14	Larsen & Toubro Infotech	29-Sep-2015
15	VLCC Health Care	24-Sep-2015
16	Teamlease Services	15-Sep-2015
17	Matrimony.com	20-Aug-2015
18	Healthcare Global Enterprises	29-Jul-2015
19	Bharat Wire Ropes	23-Jul-2015
20	Paranjape Schemes (Construction)	10-Jul-2015
21	Infibeam Incorporation	01-Jul-2015
22	RBL Bank	26-Jun-2015
23	Matrix Cellular (International) Services	23-Jun-2015
24	Numero Uno Clothing	01-May-2015
25	Nuziveedu Seeds	23-Apr-2015
26	Dilip Buildcon	01-Apr-2015
27	MM Auto Industries	01-Apr-2015
28	The Catholic Syrian Bank	01-Apr-2015
29	Amar Ujala Publications	31-Mar-2015
30	AGS Transact Technologies	25-Mar-2015
31	Precision Camshafts	12-Mar-2015
32	Shree Shubham Logistics	23-Feb-2015

SECTOR OUTLOOK: INDIAN RAILWAYS

The Indian Railways (IR) is the largest rail network in Asia and the world's second largest rail network under one management. The railway network spans a route length of 65,808 kilometres, of which 21,614 kilometres is electrified and a running track length of 89,919 kilometres, of which 39,661 kilometres is electrified. The Indian railway network is made up of 17 zones. The Indian Railways operated 10,499 locomotives comprising of diesel, electric and steam locomotives. Further, approximately 13,34,000 personnel were employed by the Indian Railways.

As of FY15, Indian Railways had 12,617 passenger trains carrying over 23 million passengers daily. On the commercial front, 1101 million tonnes of freight was transported via trains in FY15 and is targeted to reach 1,186 million tonnes in FY16. Revenue growth has been strong over the years; during FY07–15, revenues increased at a CAGR of 7.9 percent to USD26.4 billion in FY15. Revenues are expected to grow at a CAGR of 13.4 percent during FY07–20E. With the improvement in the economy and increasing industrial activity, it is expected that Indian Railway will touch the revenue of USD 44.5 billion by 2020. In the last eight years, revenues from the passenger segment expanded at a CAGR of 8.2 percent. In FY15, the total passenger revenue earnings were USD 6.1billion Indian Railways generated USD 17.7 billion in earnings from commodity freight traffic during FY15.

Indian railways flawed condition

Indian railways (IR) have got itself tangled in a vicious circle resulting in low quality of service and financial underperformance. Years of under investments in building physical infrastructure have resulted in an inability to expand capacity. The highly congested system limits the ability to provide quality service and to charge competitive fares. The low fares (particularly in passenger segment) have directly resulted in minimal surplus generation, thereby making investments difficult and leading to the poor financial health of IR, which in turn limits the ability to invest in the physical infrastructure.

Indian railways have been starved of investment for the past 2 decades. On an average India has spent 0.3-0.5% of its GDP as capital investments in railways in the last 10 years, which is significantly lower than the amount invested by China during the same period. Even the Railways share in overall transportation spending by Government has been considerably low, with Roads taking up a higher share of investment. Over the last decade, the government's push for road connectivity has resulted in a surge in investments in the road sector, whereas the railways have largely been out of focus. In the last 10 years, spending on road sector has been almost twice the spending on the railways sector, helped partly by private sector participation in the road space.

Some facts to ruminate on:

- While the passenger and freight traffic has increased by 3.12x and 1.90x respectively since FY90, network length and track length has increased by a meagre 0.06x and 0.08x over the same period.
- 40% of sections are running at 100% or above line capacity showcasing the high congestion in the system. More than 65% of high density network (16% of route length, but carrying over 50% of traffic) is running at over 100% utilization levels.
- The freight trains in India run at an average speed of a meagre 24 km / hr, which is amongst the lowest globally.
- While, passenger segment utilizes 65% of the resources but contributes only 30% to the revenues whereas freight contributes 70% by utilizing only 35% of resources.
- Indian Railways internal generation's contribution to capital investments has languished at around ~10% for most of last two decades (apart from FY06-08) showcasing the weak financial health / dependence of external borrowings and government funding.

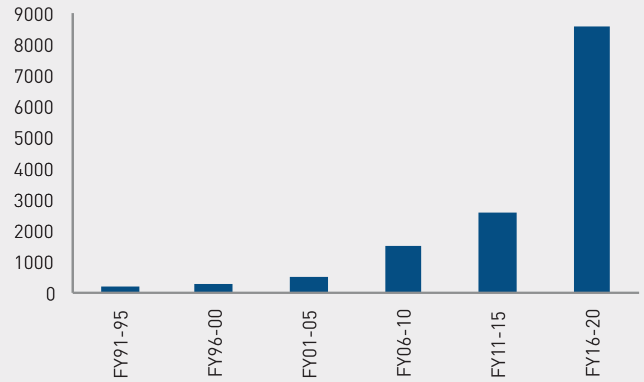
Indian Railways Revival Plan

Indian Railways has suffered from underinvestment for a long time and this is now set to change. In the 2015-16 Indian Railways (IR) budget, Railway Minister Suresh Prabhu outlined a five-year (FY16-FY20) capex plan of Rs. 8.56tn (USD 140bn), which is 1.8x of what IR spent in the past 15 years (~Rs. 4.6tn) and a jump of over 3.3x from the previous five years.

According to a report by an expert group on modernization of IR, headed by former advisor to the PM, Sam Pitroda, IR has the potential to contribute an additional 1.5-2.0% to GDP. Immediate goals include improving safety, increasing capacity and finding new sources of funds. Execution focuses on partnerships, resource utilization and systems & processes.

Minister Prabhu's budget has dedicated a huge ~60% of outlay to raise safety standards coupled with an increase in speed of train movements. According to a high-level safety review committee report headed by Dr Anil Kakodkar in 2012, ~15,000 people die each year on India's tracks. Safety includes track renewals, bridge works, roads over bridges (ROB), roads under bridges (RUB), signaling & telecommunications. It also focuses on decongestion by expanding network in oversaturated areas.

HIGH PROPOSED INVESTMENTS COMPARED TO PREVIOUS YEARS



Source: Ministry of Railways

Investment primary focus on decongesting the network

The major issue facing IR today is congestion on its main routes. It slows traffic movement, and, hence, is leading to a steady drop in IR's share in freight transport, which declined from ~89% at the time of Independence to ~30% currently. The Golden Quadrilateral and the diagonals connecting the four major metros (Delhi, Kolkata, Mumbai & Chennai and along the east-west diagonal extending to Guwahati) constitute ~15% of the total route (~10,000km), but account for more than 50% of passenger & freight traffic combined. These routes have been working beyond 100% capacity utilization (in railway parlance, a line capacity utilization of 80% is considered optimum).

Increasing investments on doubling to decongest the railways network

Railways on a bid to decongest the networks will focus more on investments targeted at doubling/tripling track lines compared to previous years. IR has a target of laying out 8,100km of doubling tracks as against 1,700km of new lines, emphasizing the focus on decongestion as against new network expansion. This will also benefit Railways in terms of return on investment, since investment needed is lesser for doubling but at the same time demand is greater because of existing severe congestion as compared to laying out new lines which runs under-utilized. Most of the targeted lines are projects that have been announced earlier but stuck due to various reasons. The proposed investment will help fast pacing these projects. The new lines to be laid out are also part of past announced projects.

Focus on electrification to improve energy consumption

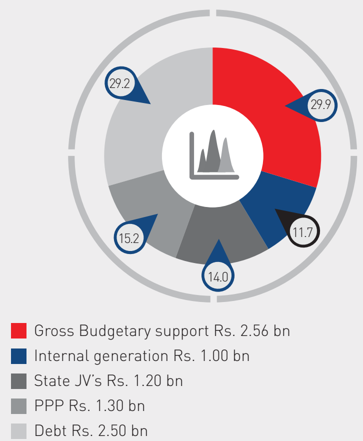
IR has installed electric railway tractions as they are pollution-free and energy efficient. They have helped lower the fuel bill of IR, due to switching from diesel-to coal-generated power as a source of energy. They also allow the use of high-powered electric locomotives, which help in increasing the train's speed. Thus, IR

Proposed 5 year investment Plan of Rs. 8560 Bn

Item	Rs. in Bn
Network decongestion (DFC, doubling, electrification & traffic facilities)	1,993
Network expansion	1,930
National projects (North eastern & Kashmir connectivity)	390
Safety (Track renewal, bridge works, etc)	1,270
Information technology	50
Rolling stock	1,020
Passenger Amenities	125
High speed rail & Elevated corridor	650
Station redevelopment & Logistics park	1,000
Others	132
Total	8,560

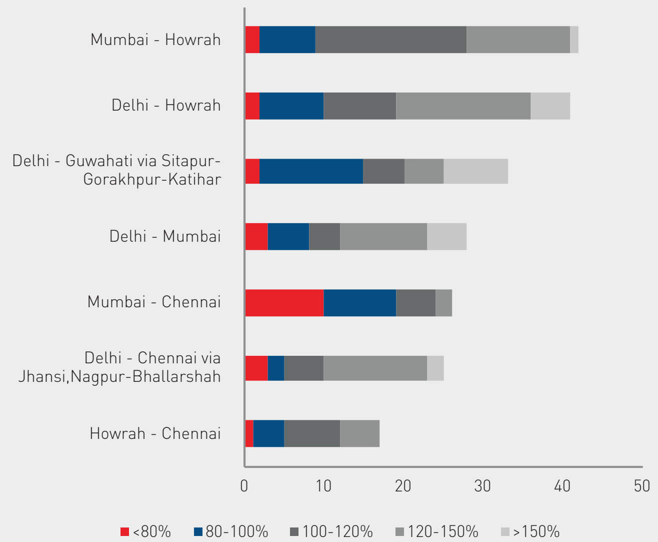
Source: Ministry of Railways

Revenue break-up by segment (FY15)



Source: Ministry of Railways

SECTIONS OPERATING AT >100% CAPACITY



Source: National Transport Development Policy Committee, 2014

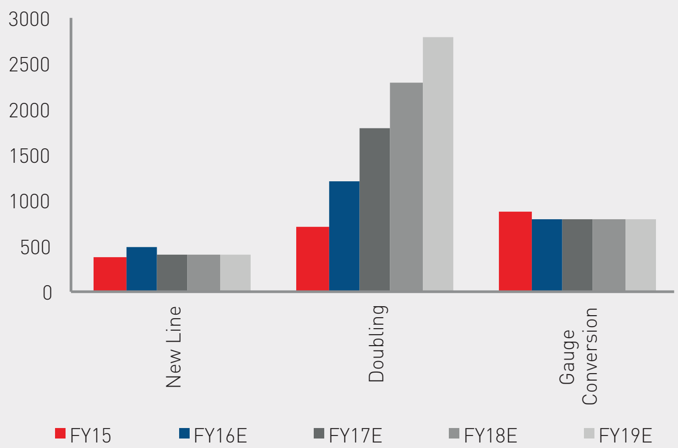
is in the process of electrifying the entire network of railways.

IR has increased the pace of electrification (more usage of electricity as compared to diesel) in the last few years, the total electrified network is still only 40% of total network. The total route km (RKM) of railway track electrified until FY15 was ~26,000km. During the first three years of the Twelfth Five-Year Plan (FY12-17), 4,042 RKM of railway tracks have been electrified against total target of 6,500 RKM. It has plans to electrify 1,600 RKM in FY16 and ~10,000 RKM during FY16-20. Hence, IR plans to further speed up the process in the upcoming years. Electrification of tracks will lead to less consumption of energy and possible decrease in operating ratio as well.

Meter Gauge to Broad Gauge

IR has successfully converted 91% of running track length to broad gauge (BG). Around 88% of total route of ~65,800km consists of BG network, and ~9% is meter gauge (MG). IR also has plans to convert 3,200km in the upcoming 4 years, pushing the percentage of broad gauge higher thus enabling inter-usability. Further IR plans to convert the entire MG network into BG in the next seven years, barring few areas in the mountains and of heritage importance. This conversion would help in doubling freight-carrying capacity, as the MG network usually carries 1,800 tonnes vs ~4,000 tonnes of freight traffic on the BG network.

HIGHER FOCUS ON DOUBLING COMPARED TO PREVIOUS YEARS



Source: Ministry of Railways

Improving safety, the prime concern

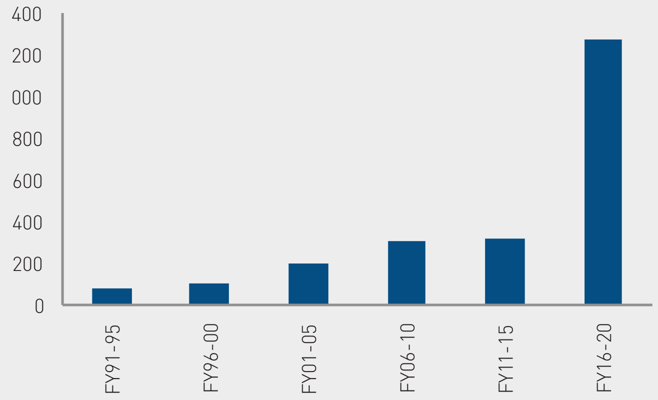
Effective signaling is important for railway safety. It is used to direct railway traffic to prevent trains from colliding. This not only improves passenger and worker safety but also increases speed and enhances capacity utilization of tracks. IR has so far under-invested in safety related works (track laying, signaling and telecommunications etc.) due to lack of funds. Investments into track renewals have been stagnant in the last decade. The investment plan targets higher investment into safety related works to better equip IR against safety related issues. Track upgradation also involves doing away with level crossings and replacing them with roads over bridges (ROB) and roads under bridges (RUB). The plan targets to increase the track renewals and eliminate unmanned level crossings through ROB and RUB in the next five years.

Railway stations renovation plans

As on FY14, IR had ~7,200 stations. The redevelopment of identified stations is done through the Indian Stations Development Corporation (IRSDC). IR with primal focus on improving quality of service is targeting for modernizing the stations and improving the passenger amenities available in the stations. Earlier this year, Cabinet has given its nod to modernize railway stations through PPP, stressing the government's push towards increasing the customer service in these stations. IR has identified 400 stations (75 grade A1 with Rs. 6bn turnover and 325 grade A with Rs. 0.8-6bn turnover) to redevelop with the help of private partnership through PPP. These stations are mostly based in metros, major cities, pilgrimage centers and important tourist destinations across the country.

Planned redevelopment of stations is proposed to be executed through private participation with no fund support from Indian Railways. The contracts will be bid on "as is where is" basis, where the private player will invest to modernize the station and will make use of the land and airspace owned by the particular station to recoup their investment. IR has come up with the guidelines to be followed to redevelop the

HIGH ALLOCATION OF INVESTMENTS FOR SAFETY WORKS



Source: Ministry of Railways

stations and the awarding of contracts is expected to begin soon. The bidding process observed would be a varied form of Swiss challenge bidding.

High speed rail – A new trajectory

In order to advance the Indian railways system into the next trajectory, the government plans to bring in High speed rail system in India. As a first step, feasibility study is being carried out by Japan International Cooperation Agency (JICA) for introducing high-speed rail between the major cities of Mumbai and Ahmedabad with speeds of more than 250kmph. Further studies are being carried out for a quadrilateral network of high speed rail connecting 4 major metros and also for 2 diagonals in the quadrilateral. For this the Government has appointed Chinese, French and Spanish companies to conduct feasibility studies for building three high-speed rail lines linking major cities. High speed rail corp of India, a subsidiary of Rail Vikas Nigam has been formed to carry out these studies. As per recent study initial estimated cost of the project is ~Rs. 650bn, which is to be funded via the PPP route and JICA is willing to provide both technical &financial assistance for this project. However, high speed rail project remains aspirational and would take considerable time to construct the planned quadrilateral network with diagonals.

Rolling stock stipulate

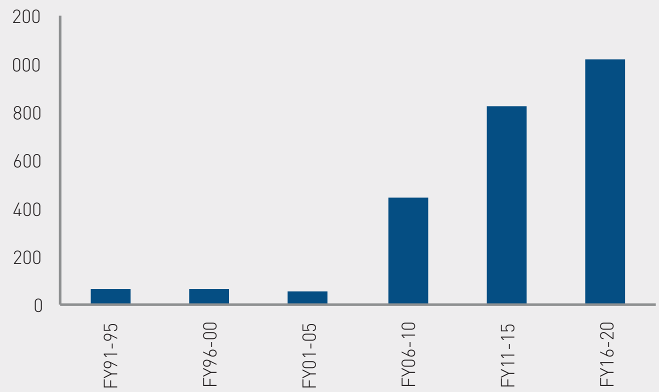
The surges in the passenger and freight traffic in the last two decades were catered to by investments primarily in the rolling stocks by procuring increased numbers of wagons / coaches. An increased number of rolling stocks are needed to expand the railway network in India. Going forward, the primary focus of investments is likely to be on the network de-congestion / expansion. It is even more important to upgrade stocks with increased productivity, higher speed potential for passenger trains and axle load for freight trains. IR plans to increase axle load capacity from the current 22.5 to 25.0 in the upcoming months, which will enable freight trains to carry more cargo. After achieving an axle load of 25.0, IR will then raise that to 32.5 in the next few years. These will be suited for DFCs. Having said that, to cater the increased network and with the operation of DFC, an additional 40,000 wagons are proposed to be procured by IR, a part of which is replacement demand. Accordingly, investment in wagons / coaches is expected to continue at Rs. 1 trillion over the five year period.

Real growth for wagons is likely to come after the full commissioning of dedicated freight corridors, which may shift a part of the traffic from roads to railways.

Construction of DFC would enhance long term outlook

To improve the poor logistic infrastructure of the country and also to promote industrialization, government of India plans to develop Multimodal High Axle Load Dedicated Freight Corridor (DFC) with an estimated investment of Rs. 800 billion. In the initial phase, DFCs are planned along the two highly congested industrial corridors viz. Wester corridor (Delhi-Mumbai) and Eastern corridor (Delhi-Kolkata). The project took off in 2006 with the formation of a separate SPV viz. Dedicated freight corridor corporation of India Ltd (DFCCIL). DFFCIL has been working on DFC project to construct high capacity, high speed, and dedicated freight corridors along the golden quadrilateral linking the four metropolitan cities of Delhi, Mumbai, Chennai & Kolkata and its diagonals (Delhi- Chennai and Mumbai-

CONTINUING INVESTMENTS INTO PROCURING ROLLING STOCK



Source: Ministry of Railways

Howrah). This is ~16% of IR's route km and carries 52% of passengers & 58% of freight. The DFC will not only speed up freight movement but also decongest the existing tracks on IR network.

DFC projected timing for complication

Section		Route (km)	Timelines
EDFC		1,840	
Khurja-Bhaupur	EDFC-1	342	March'18
Bhaupur-Mugalsarai	EDFC-2	391	Dec'18
Khurja-Ludhiana	EDFC-3	400	Dec'19
Khurja-Dadri	EDFC-3	50	Dec'19
Mugalsarai-Sonnagar	Indian Railway funded	123	Dec'17
Sonnagar-Dankuni	PPP	534	
Dankuni-Gomoh	PPP: Phase-1	282	Based on finalisation of PPP Contract
Gomoh-Sonnagar	PPP: Phase-2	261	
WDFC		1,502	
Rewari-Iqbalgarh	Phase-1	625	Dec'18
Iqbalgarh-Vadodara	Phase-1	325	Dec'19
Vadodara-JNPT	Phase-2	425	Dec'19
Rewari-Dadri	Phase-2	127	Dec'19

Source: Source: DFFCIL

DFC improved technologies against IR

Moving dimensions	Indian Railways	Eastern DFC	Western DFC
Height	4.265mt	5.1mt	7.1mt
Width	3,200 mm	3,660 mm	3,660 mm
Container stack	Single	Single	Double
Train length	700mt	700/1,500mt	
Train load	5,000 tonnes	13,000 tonnes	
Axle load	22.9/25t	25t; bridges and formation designed for 32.5t	
Maximum speed	75kmph	100kmph	
Station spacing	7-10km	40km approx	
Signaling	Absolute/automatic with 1km spacing	Automatic with 2km spacing	

Source: Source: DFFCIL

Unhesitating movement: DFC is designed to handle higher dimensions of the wagons with greater axle load. This will help in handling higher volumetric capacity and subsequently increase throughput per train. DFC will have separate stations and control centers. All level crossings across DFC routes are to be replaced by ROBs and RUBs. DFC targets to induce modern technology in maintenance and train operation. Efficient operation would see the average speed for freight trains to improve from 25kmph to 70kmph and further to 100kmph cutting down transportation time significantly.

Technological upgradation: The axle loads of DFC routes will be minimum 25.0 tonnes, which can go up to 32.5 tonnes progressively vs a maximum of 25.0 tonnes in IR's existing system. The length of the train can be upto 1,500m vs 700m currently. Wagons with much better pay load to tare ratio would also get introduced. These changes will increase the train loading capacity from ~5,000 tonnes to ~13,000 tonnes. Newer technology in signaling, train communications and track maintenance & operations would get introduced. All these will change the freight scenario of the rail network.

In the first phase, it is working to construct DFCs on the Western DCF (WDCF) and Eastern DCF (EDCF) routes, involving construction of ~3,300km, to carry primarily coal & steel on the eastern corridor and containers on the western corridor. It targets to complete both DFCs by December 2019.

Project cost and funding: Estimated project cost for completing both corridors of DFC is US$ 16bn (~Rs. 815 bn) with 3/4th of the requirement to be met through debt funding. Debt funding for both corridors have been tied up with World Bank and Japan International Corporation Agency (JICA). Out of the total required debt funding of US$ 10.47bn (~Rs. 523 bn), World Bank is set to provide US$ 2.725bn

(~Rs. 136 bn) towards eastern corridor (Ludhiana- Mughalsarai section). JICA will provide the remaining US$ 7.745bn (~Rs. 387 bn) towards western corridor of DFC.

Project awarded pick up the pace: In two DFCs, DFFCIL has awarded projects worth ~Rs. 170bn since November 2014, a large jump from Rs. 104bn order awarded since inception. The pace of awarding projects has picked up recently, as the government has set a target of complete commissioning of the project by Dec-2019. The status of project implementation as on August 2015, compensation award of 85% of land has been completed, 65% of civil contract and 48% of system contract have been awarded, and the physical progress of civil work is 20%. Contract awarding is scheduled to be finished by Mar'16 for western DFC and Jun'16 for eastern DFC. With 85% of land being acquired, the target for 100% land acquisition is set as Jun'16.

Status of project awards and future targets

Corridor	Total Length (km)	Awarded Contracts (km)	Target for Balance Contracts award
Eastern DFC	1,318	871 (66%)	225 km – Mar 2016 (83%) 222 km – June 2016 (100%)
Western DFC	1,520	975 (64%)	237 km – Dec 2015 (80%) 308 km – March 2016 (100%)
Total	2,838	1,846 (65%)	

Source: Ministry of Railways

Additional DFCs intended in future: Apart from EDFC & WDFC, preliminary engineering cum traffic surveys (PETS) have surveyed quadrilateral connecting four metros along with two diagonals for setting up corridors of DFC. The planned quadrilateral connecting four metros along with two diagonals will sharply reduce the congestion in IR tracks and act as huge economic catalyst. The successful execution of other corridors of DFC is a long term goal and will transform the railway transportation in India.

More DFCs planned in future

Corridor	Sections	Distance (km)	Remarks
East – West Corridor	Kolkata–Mumbai	2,000	Draft PETS submitted in September 2014
North-South Corridor	Delhi-Chennai	2,173	Draft PETS submitted in June 2014. Sent to Railway Board
East Coast Corridor	Kharagpur-Vijayawada	1,100	Traffic study & field data collection completed. Draft PETS in 2014-15
Southern Corridor	Chennai-Goa	890	Traffic study completed. Field data upto Hubli collected. Draft PETS in CY15

Source: DFFCIL

Private finance and PPP to fund investment

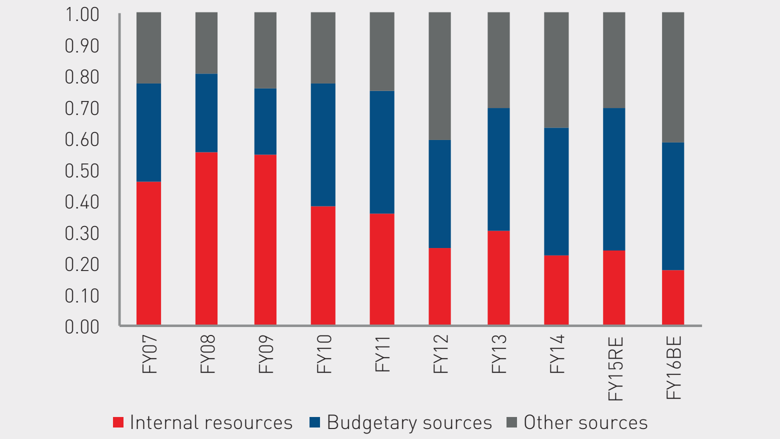
Railway projects in India have usually been in the public sector domain. Private firms are involved in allied activities, such as track laying & maintenance, manufacturing of coaches & wagons, construction of bridges, stations, signaling and telecommunications works. However, IR requires greater participation from the private sector as internal generation will not be adequate to fund capex plans and the government's budgetary support may not continue to increase.

Sources of funds with PPP & institutional investment as a new proposal

(Rs. in bn)	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15RE	FY16BE
Budgetary sources	75	76	79	158	159	200	240	260	301	400
Market borrowing under EBR	52	61	90	92	102	206	150	151	120	177
Internal resources	108	173	206	157	145	142	181	143	157	178
PPP						18	11	60	57	58
Institutional investment through IR/PSU						10	20	20	22	171

Source: Indian Railways, Feb'2015 Railway Budget

INTERNAL RESOURCE AND BUDGETARY SOURCES, BUT NOT ENOUGH



Source: Ministry of Railways

Over the years, a decline in internal resources has led to increased market borrowings and financial stress in IR. Leasing arrangement through Indian Railway Finance Corporation (IRFC) has enabled additions to rolling stocks; hence, the effect of lower internal resources has been primarily felt on track renewals, bridges and other fixed assets, which resulted in an adverse impact on train operations. Hence, IR needs new sources of funds, which can be in the form of PPP and institutional investment. Recently, Life Insurance of Corporation (LIC) agreed to provide Rs. 1.5tn to IR over the next five years, which will be used primarily to decongest the railway network.

Status of projects announced by Indian Railways under PPP model

Numbers in Rs. mn	No. of projects	Length (km)	Railway equity	Non-Railway funds	Total
Commissioned	9	1,023	3,480	28,050	31,530
Sanctioned/under construction (NGR/JV)	8	822	4,150	87,340	91,490
Sanctioned/under construction (customer funded)	6	356	0	19,790	19,790
In-principle approval granted	6	206	0	30,780	30,780
Total	29	2,407	7,630	165,960	173,590

Source: Indian Railways

IR will also leverage PPP route for further investments in station redevelopment and port/mine connectivity projects. With cabinet giving its nod for modernizing 400 railway stations, railways is drafting the regulations for PPP investment in the stations and the bidding is expected to open soon. The private players will commercialize the airspace and respective land to fund the development of these stations.

FDI to increases multifold

In an effort to increase the investment into Railways, the cabinet on August 27, 2014 approved 100% Foreign Direct Investment (FDI) in many areas of construction, operation and maintenance of suburban corridor projects through PPP. Some of the areas include:

a) Suburban corridor projects through PPP

b) High speed train projects- Both infrastructure & operating companies

c) Dedicated freight lines- Port/Mining lines

d) Rolling stocks, including train sets, and locomotives/coaches manufacturing and maintenance facilities

e) Railways electrification & signaling systems

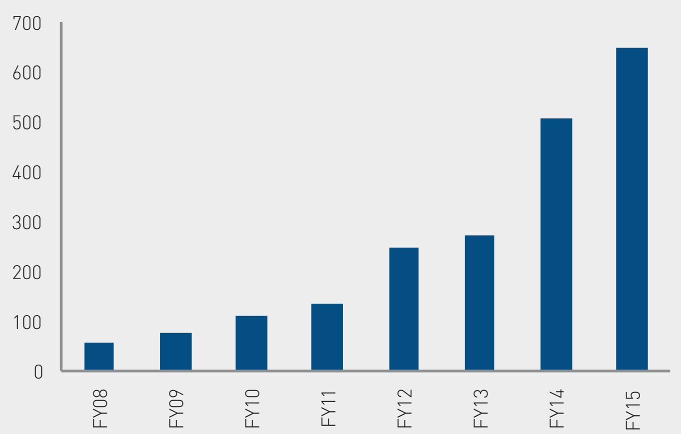
f) Improvement of terminals & managing freight terminals

g) Non-conventional sources of energy

h) Installations of bio-toilets/mechanized laundry

FDI beyond 49% of the equity of the investee company in sensitive areas from security point of view will be brought before the Cabinet Committee on Security (CCS) for consideration on a case to case basis.

INCREASING FDI INFLOWS



Source: Department of Industrial Policy & Promotion

Since FY08, cumulative FDI inflows into the sector have increased five-fold. From April 2000 to May 2015, FDI in Railways related components stood at USD 643.54 million. The Minister is working towards greater FDI participation in the rail sector.

ECONOMY REVIEW

The recently released Mid-year Economic Analysis by the government of India has taken the exuberance off the table to say the least. The real GDP growth estimates for the current fiscal year have been lowered to 7-7.5% from earlier estimates of 8.1-8.5% growth estimated in February. The lowering of estimates has a lot to do with the risks to lower farm output on account of two successive droughts apart from weakness from lower corporate spending and lower global demand having an adverse impact on exports. Although the whole investing community is aware of these developments nevertheless an official release just helps to assess the gravity of the situation. The review mentions that the real GDP has grown at a 7.2% in H1FY16 lower than 7.5% growth achieved in FY 2015. What's more, the document has emphasized that the growth for FY17 will be challenging considering that the additional consumption boost from the lower crude oil prices during the last year is unlikely to continue next year. However, government bets on a better monsoon to provide fillip to consumption and especially rural consumption. The nominal GDP growth is expected to be better in H2FY16 than H1FY16 considering that the wedge between CPI and WPI is expected to narrow next year. Incidentally lower nominal GDP in H1FY16 compared to H1FY15 has been largely on account of negative WPI. Moreover the review also highlighted very explicitly that the discrepancy in the GDP which has been questioned by economists, is due to problems in measurement rather than any biases of the people involved in computing the national accounting statistics. The report emphasized on lower inflation levels in the economy and comfortable forex reserves. Besides, concerns have been raised over lower exports and muted private investment. What's been criticized or debated is the government's attempt to loosen its grip on fiscal consolidation. While the government remains confident of achieving its fiscal deficit target for FY16, the target for FY17 remains a challenge. Implementation of the 7th Pay Commission recommendations will clearly affect the fiscal balance of the country and the effect will be felt in FY17. Considering that the private investment is still to pick up and there is less optimism of that happening in FY17, the government has to step up public investments at the cost of fiscal consolidation. This is certainly not a good ploy and will not be favourably looked at by the credit rating agencies. While everybody will suggest for higher divestments and implementing supply side reforms, the implementation of the same have always remained as the key hurdles under any government. The government might once again raise the service tax in the Union Budget to bring it in sync with the GST rates. Nevertheless, in the context of global economic scenario of declining commodity prices, India still stands out on account of strong domestic consumption. Lets elaborate on key economic parameters.

GDP growth and components

As highlighted before, real GDP growth in the first half of 2015-16 came in at 7.2% as against 7.5% in the corresponding period last year. For Q1FY16 real GDP growth was 7% while for Q2FY16 the growth was 7.4%. The Midyear Economic review report highlighted that "In addition to robust growth, the year thus far has witnessed macro-economic stability aided by favourable factors such as comforting inflation indicators, benign fiscal situation and improving external current account balance". The growth in real GDP is clearly driven by private consumption. Capital formation as suggested by GFCF although has improved from the lows of 2.4% growth registered in Q3FY15, however still lower than 8.7% growth in Q1FY15. Despite the improvement in capital formation for the last three quarters, the investment rate in the economy (GFCF as % of GDP) for H1FY16 is at a 28.1%, almost 3% lower than the average rates recorded during 2011-12 to 2014-15. The review report has highlighted that the improvement in GFCF for the last few quarters has been on account of public capital formation.

The review also raised concerns with regards to the declining nominal GDP which has shown a sharp moderation during H1FY16 and stood at 7.4% as compared to 13.5% in H1FY15. The severe decline in nominal GDP is largely reflected by the muted trends in WPI inflation. The same theory is also corroborated by a 1.3% YoY fall in GDP deflator in Q2FY16 over 1.7% fall in Q1FY16. The government now estimates nominal GDP growth to be in the tune of 8.2% for FY16. Thus, by doing the maths, it suggests that the government anticipates nominal GDP growth to be tune of 9% in H2FY16. The higher estimates are based on the premise that fourth quarter shall not witness severe expenditure cuts unlike in previous years. However, challenges galore when one takes into account poor monsoon for a second year on a trot, unseasonal rainfall and dry climate resulting in lower area sown for rabi crops. These negative developments will certainly weigh on Agriculture sector growth in the next half and also impact rural consumption while floods in Tamil Nadu will also contribute negatively to the economic growth. Further, it has been highlighted that the boost of 1-1.5% to nominal GDP towards consumption last year was brought about by the massive decline in crude oil prices. This trend is unlikely to be repeated unless crude erodes substantially below $50/bbl.

Real GDP Growth (%) and its components

	2014-15				2015-16	
	Q1	Q2	Q3	Q4	Q1	Q2
Total consumption	5.3	7.4	7.1	5.5	6.3	6.5
Govt. Fixed Consumption Exp (GFCE)	1.6	8.9	27.6	-7.9	1.2	5.2
Private Fixed Consumption Exp (PFCE)	6.2	7.1	4.2	7.9	7.4	6.8
Gross Fixed Capital Formation (GFCF)	8.7	3.8	2.4	4.1	4.9	6.8
Exports of goods and services	9.1	-2.0	-0.3	-8.2	-6.5	-4.7
Imports of goods and services	-3.6	1.1	2.8	-8.7	-5.4	-2.8
GDP	6.7	8.4	6.6	7.5	7.0	7.4

Source : Central Statistics Office

Even a look at the sectoral breakup of GDP exhibits that the severity of the impact of lower monsoon last year had been felt on the second half of the year rather than first. Agriculture, forestry & fishing together reported growth of -1.1% and -1.4% in Q3 and Q4 of fiscal year 2015. Since, FY16 witnessed depressed monsoon for a second year on the trot, the agriculture sector is expected to report even shoddier growth in H2FY16 than H2FY15. The Mining activities have picked up under Modi government since mining ban in key states has been lifted and several environmental blockades removed and policies streamlined. However, the full impact will be actually visible in FY17. Manufacturing however has shown a steady growth for both FY15 and for H1FY16. While the construction activities have been lagging behind the potential on account of rise in unaccounted construction, there has been a strong trend in Trade, hotels, transport and communication. According to the review report, private corporate sector in the hotels and restaurants segment of services grew by 24.8% at current prices during Q1 of 2015-16 while among the cargo transport services, rail, air and port cargo are yet to show sustained growth. Among Financial, real estate& professional services, corporate entities in real estate sector achieved growths in the 3% mark at current prices. Financial sector and computer services contributed strongly.

Industry growth scenario

Although, economists argue regarding the reliability of the IIP numbers, nevertheless they provide a trend which corroborates with the surge in the manufacturing activities. For instance, the growth in overall IIP for the first half of 2015-16 came in at 4% compared to a growth of 2.9% in the first half of 2014-15. Manufacturing posted a growth of 4.2% in H1FY16 as against 2.2% in H1FY15. In the manufacturing sector, furniture manufacturing (49.5%), electrical machinery & apparatus (13.3%), wearing apparel, dressing and dyeing of fur (12.3%), motor vehicles (7.9%), coke, refined petroleum products & nuclear fuel (6.2%) basic metals (5.0%) and chemicals & chemical products (4.4%) have experienced higher growth whereas publishing & printing (-7.8%), food products & beverages (-7.3%), and tobacco products (-4.4%) have registered negative growth. Growth for Mining and electricity sectoral groups has actually declined YoY in H1FY16.

Based on use based classification, capital goods and consumer goods have shown notable recovery in growth while basic and intermediate goods demand remained muted as reflected in their respective growth in H1FY16 as compared to H1FY15. Within the consumer goods, the growth or turnaround was driven by durable goods while non durable goods growth faltered in H1FY16. The review report highlighted that the growth in the capital goods sector was primarily driven by commercial vehicles, plastic machinery, transformers (small), earth moving machinery and aluminium conductor. While the slowdown in the intermediate goods was attributed to the lower growth in cotton yarn, steel structures and negative growth in fasteners (High Tensile)/Bolts & Nuts, synthetic yarn, furnace oil and bearings (Ball/Roller).

Growth in use-based industrial groups based on IIP (%)

	Basic goods	Capital goods	Intermediate goods	Consumer goods			General
				Durables	Non-durables	Total	
H1FY15	7.8	6.0	2.3	-12.5	1.9	-4.2	2.9
H1FY16	4.4	7.9	2.0	7.6	-0.9	2.4	4.0

Source : Central Statistics Office

Despite the growth in the overall IIP led by manufacturing sector, the revival in the key infrastructure sectors remains a concern. The eight core sector growth registered a lower growth of 2.3% in H1FY16 as against 5.1% in the corresponding period previous year. Lower growth in electricity, Coal, Steel and cement sectors primarily contributed to the decline in the core sector growth numbers compared to last year. The decline in the key infrastructure sectors clearly highlights the lack of activity on the part of the corporate sector. The sales for the corporate sector contracted by 4.6% YoY in Q2FY16 suggesting that the demand scenario remained muted and is not expected to revive in a short span of time. This has actually affected the private corporate investment which in a way affected the credit growth in the economy. The sectoral deployment of credit growth by scheduled commercial banks to industries has slowed down considerably in the first half of 2015-16 to 5.2% as against 9.6% in the corresponding period previous year. However, one interesting point being that for full year 2014-15, credit growth had been 6.4% considerably lower than 12.3% in 2013-14. We can thus deduce that the credit growth for H2FY15 had been abysmally low at 3.2%. This gives us insight that either the numbers can go pathetic in the next half of 2015-16 or there could be a recovery.

Trends in Growth of Infrastructure and Universal Intermediaries (%)

Sector	H1FY15	H1FY16
Electricity	10.4	4.1
Coal	7.7	4.2
Steel	6.6	-0.4
Crude oil	-1.2	0.4
Refinery products	-2.7	3.6
Cement	9.7	1.3
Natural Gas	-5.8	-2.1
Fertilizers	0	8
Overall index	5.1	2.3

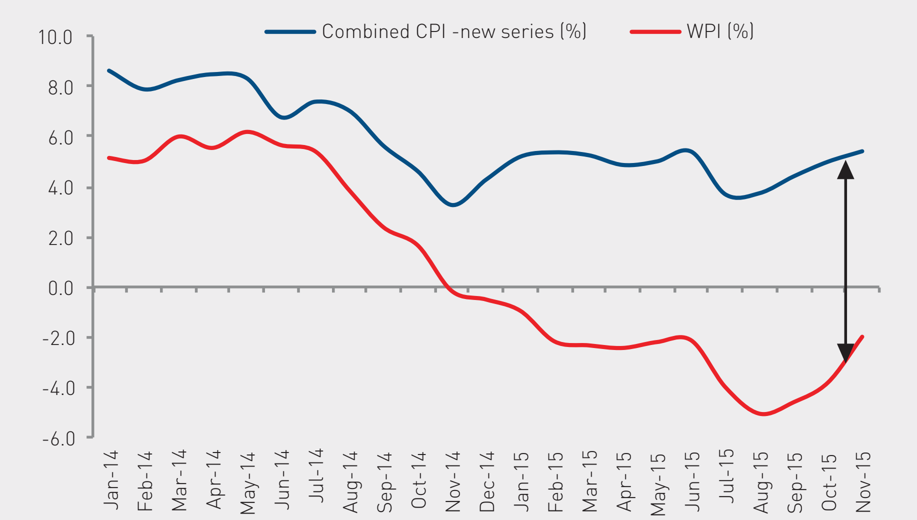
Source: O/o The Economic Adviser, DIPP

Inflation trends

This is one of the comfort zones for the policymakers and where they can actually boast of their performance. The decline in the price levels in India has however majorly been contributed by the decline in the global commodity prices, particularly crude oil. India being a net importer of crude oil has had a tremendous positive impact on the inflation levels in the country and the current account balance. India grappled with high inflation levels during 2010-2013, however after Mr. Raghuram Rajan took over as the RBI governor, inflationary situation has been curtailed and the new monetary policy framework of inflation targeting (based on CPI) have been adopted as the nominal anchor for monetary policy. Inflation based on WPI turned negative in November 2014 and has been in the negative territory since then. Food inflation (in WPI) turned -0.9% in Q2FY16 as compared to 5% in Q2FY15. While the food prices as suggested by CPI (Consumer Food Price Index) also declined to 2.7% in Q2FY16 from 7.9% in Q2FY15, the same is unlikely to fall into negative territory. What's concerning for the policy makers now is the widening of the divergence between WPI and CPI and it is nearly close to 9% in October 2015 compared to ~3% difference in October 2014. The difference between the WPI and CPI has actually got to do with the different weights for food and non-food manufactured products. CPI has nearly 46% of weight allocated to food and beverages compared to 24% in WPI. While the food prices have been stickier, manufactured product prices having a weight of 55% in WPI have fallen faster on account of weakness in global commodity prices. Besides, retail price movements are sticky upwards because of trade and transport margins. Moreover, the base years are also different for both the methods for calculating inflation. In fact, even within CPI, cereals, pulses all have different weights and that's the reason the rising prices at the retail level for essential commodities are sometimes not represented by the retail price inflation. As an example, the recent hike in the prices of pulses can be clearly deciphered from the CPI numbers however due to a low weightage of pulses of less than 3% in CPI, the same is not represented.

Fiscal Health of government

Fiscal health of the government remains a lot stable as of H1FY16 on account of higher tax revenues, improved budgetary governance and improvement in quality of spending. Tax revenues (net) have been higher by 23% yoy in H1FY16 largely driven by 34% yoy increase in indirect taxes while direct taxes have been higher by 12% yoy. Strong surge in indirect taxes is again on the back of 70% yoy increase in union excise taxes thanks to falling crude prices. Besides, the service taxes have also increased 21% yoy and customs by 19% yoy. It needs to be remembered that in the budget 2015-16, the government announced additional revenue measures in form of excise duty hikes on diesel and petrol, withdrawal of exemptions from motor vehicles, capital goods, and consumer durables, levy of 0.5% Swachh Bharat Cess and and an increase in service tax rate to 14% from 12.36%. Thus, the indirect taxes have increased by virtue of rate hikes while direct taxes reflect sluggishness in the economy on the back



Source: RBI

drop of stagnating corporate profitability. According to media sources, a shortfall of Rs 30,000-40,000 crore in the direct taxes has already been acknowledged by the revenue secretary Hasmukh Adhia. The government might also fall short of disinvestment target of Rs 69,500 crore set for the fiscal, including Rs 28,500 crore from strategic sale. So far, the government has been able to raise an abysmal Rs 12,701 crore from sale of its shares in Rural Electrification Corporation, Power Finance Corporation, Dredging Corporation of India Ltd and Indian Oil Corporation. However, on the expenditure side, a lot of governance was seen for sure. Non-Plan expenditure on revenue account has been curtailed while traction was seen on capital expenditure both on Plan as well as Non-Plan Expenditure side. Capital expenditure as % of budgeted estimates (B.E.) has been significantly higher above 50%, thus clearly there has been improvement in quality of spending.

	(in Rs Cr)	B.E. 2015-16	ACTUALS			Percentage to BE	
			H1FY16	H1FY15	% YoY	H1FY16	H1FY15
1	Revenue Receipts	1,141,575	513,369	417,896	23%	45.0	35.1
2	Tax Revenue (Net)	919,842	369,736	323,191	14%	40.2	33.1
3	Non-Tax Revenue	221,733	143,633	94,705	52%	64.8	44.6
4	Capital Receipts (5+6+7)	635,902	397,176	444,157	-11%	62.5	73.4
	Non Debt Capital Receipts	80,253	18,613	5,331	249%	23.2	7.2
5	Recovery of Loans	10,753	5,810	5,210	12%	54.0	49.5
6	Other Receipts	69,500	12,803	121	10481%	18.4	0.2
7	Borrowings and other liabilities	555,649	378,563	438,826	-14%	68.1	82.6
8	Total Receipts (1+4)	1,777,477	910,545	862,053	6%	51.2	48.0
9	Non-Plan Expenditure	1,312,200	656,729	615,764	7%	50.0	50.5
10	On Revenue Account	1,206,027	611,379	568,202	8%	50.7	51.0
11	of which Interest Payments	456,145	197,653	185,670	6%	43.3	43.5
12	On Capital Account	106,173	45,350	47,562	-5%	42.7	45.2
13	Plan Expenditure	465,277	253,816	246,289	3%	54.6	42.8
14	On Revenue Account	330,020	170,998	194,747	-12%	51.8	42.9
15	On Capital Account	135,257	82,818	51,542	61%	61.2	42.4
16	Total Expenditure (9+13)	1,777,477	910,545	862,053	6%	51.2	48.0
17	Revenue Expenditure (10+14)	1,536,047	782,377	762,949	3%	50.9	48.7
18	Of which Grants for creation of Capital Assets	110,551	64,874	66,269	-2%	58.7	39.4
19	Capital Expenditure (12+15)	241,430	128,168	99,104	29%	53.1	43.7
20	Revenue Deficit (17-1)	394,472	269,008	345,053	-22%	68.2	91.2
21	Effective Revenue Deficit (20-18)#	283,921	204,134	278,784	-27%	71.9	132.6
22	Fiscal Deficit {16 – (1+5+6)}	555,649	378,563	438,826	-14%	68.1	82.6
23	Primary Deficit (22-11)	99,504	180,910	253,156	-29%	181.8	243.0

Source: Controller General of Accounts (CGA)

So far, the fiscal deficit has been curtailed at 68% of B.E and government looks to achieve this year's target considering there will further traction in tax revenues with introduction of Swachh Bharat cess and recent increases in excise. However, the decline in nominal GDP as against budgeted estimates still remains a major challenge for the government. The review has rightfully noted that "Slower-than-anticipated nominal GDP growth (8.2 percent versus budget estimate of 11.5) will itself raise the deficit target by 0.2 percent of GDP. The anticipated shortfall in disinvestment receipts, owing to adverse market conditions for a portfolio that largely comprises commodity stocks, will add to the challenge." While this year's fiscal deficit target of 3.9% of GDP looks achievable, there are challenges for next year as accepted by the review. The government might as well postpone or relax the 3.5% of GDP target for next year as is highlighted by the review. The same is done after considering the implications from the implementation of 7th pay commission, pension obligations from OROP, higher public investment and lower nominal GDP growth and lower divestment receipts.

Balance Of Payments Situation

India's balance of payments situation is largely stable on account of improvement on the current account balance front. Improvement in trade balance is one of the reasons which in a way is again dominated by the decline in crude oil imports. On the capital account side, India has finally been able to achieve higher FDI, thanks to efforts from BJP government while portfolio investment has turned negative for 2015-16. Although, the review talks about the improvement in current account deficit for Q1FY16 period, the latest reported numbers for Q2FY16 have also revealed that the good show has been continued. The current account deficit (CAD) narrowed to 1.6% of GDP at USD 8.2 billion in the second quarter ended September. The figures are significantly lower than 2.2% of GDP in Q2FY15 but higher than 1.2% of GDP in Q1FY16. Thus for whole H1FY16, CAD narrowed to 1.4% of GDP from 1.8% in the same period a year ago on contraction in the trade deficit and a marginal improvement in net invisibles. Merchandise trade deficit improved to 71.6 billion as against 74.7 billion on account of improvement in petroleum, oil and lubricants (POL) products. POL deficit declined to USD 31.5 billion in H1FY16 from deficit of USD 48.7 billion in H1FY15. In net invisibles, inflow by services led by software has been slightly lower at USD 35.3 billion compared to USD 36.5 billion in H1FY15. Transfer payments led by private transfers have been stable YoY. On the capital account front, foreign investment declined to USD 7.9 billion in H1FY16 from 37.3 billion. Portfolio investment has turned negative for H1FY16 largely on account of foreign institutional investors exiting the equity (-$6.1 billion) and debt as well (-$3.3 billion). This is primarily the reason for decline in foreign investment while FDI have been slightly higher in H1FY16 to the tune of USD 16.7 billion, higher by 11% YoY. Although, much of the good work has been done in Q1FY16 and FDI inflows have slowed to some extent in Q2FY16. The shortfall in foreign investment has been met up by increase in banking capital largely on account of higher NRI deposits. On virtue of which Foreign exchange reserves have thus increased by $10.6 billion during H1FY16 although lower than $18.1 billion during the corresponding period previous year. During Q2FY16, forex reserves however have declined by $0.9 billion. The forex reserves for the week ended December 18, 2015 stands at $351.10 billion, depleted by $1.40 billion in the week. Experts have opined that the depletion in the forex reserves is an attempt to stabilize the rupee by selling dollars. The move had been taken on account of strengthening in US dollar in anticipation of increase in Fed rates by US Federal Reserves, which they eventually obliged with. Nevertheless, the import cover is hovering around 12 weeks and is at a comfortable position.

Balance of Payments Position – Net (USD bn)

	Apr-Sept 2015-16 P	Apr-Sept 2014-15 PR
A. CURRENT ACCOUNT		
I. MERCHANDISE	-71.6	-74.7
II. INVISIBLES (a+b+c)	57.2	56.3
a) Services	35.3	36.5
b) Transfers	32.4	32.8
c) Income	-10.5	-13.0
Total Current Account (I+II)	-14.4	-18.4
B. CAPITAL ACCOUNT	0.0	0.0
1. Foreign Investment (a+b)	7.9	37.3
a) Foreign Direct Investment	16.7	15.1
b) Portfolio Investment	-8.7	22.2

Balance of Payments Position – Net (USD bn)

	Apr-Sept 2015-16 P	Apr-Sept 2014-15 PR
2.Loans (a+b+c)	-1.9	0.1
a) External Assistance	0.2	0.7
b) Commercial Borrowings(MT&LT)	-0.9	0.8
c) Short Term To India	-1.2	-1.4
3. Banking Capital (a+b)	18.3	-0.5
a) Commercial Banks	18.6	-0.8
b) Others	-0.3	0.2
4. Rupee Debt Service	-0.1	-0.1
5. Other Capital	1.0	-0.4
Total Capital Account (1 to 5)	25.4	36.4
C. Errors & Omissions	-0.4	0.1
D. Overall Balance (A+B+C)	10.6	18.1

Source: RBI, P: Preliminary, PR: Partially Revised

The review clearly highlights the achievements of the present government while raising the challenges in meeting the budgeted estimates as well as to prop up nominal GDP growth. The review throws up questions as to the correct fiscal consolidation stance and also raises obvious doubts whether monetary policy targets should be more flexible given the adverse debt dynamics and ambiguity of the output gap. The review assumes that in the present context of public sector indebtedness and fiscal stability concerns, there is indeed scope of further monetary policy easing. The report also talks about the issue with GDP measurement. According to the report, inappropriate service sector deflator for measuring GVA, using volume indicators as proxy for real GVA and incorrect treatment of indirect taxes are primarily the reasons for distorted GDP numbers. The review also raised concerns on the two pillars of growth - private investment and exports. While the corporate profitability stress is expected to keep private investments weak longer than earlier thought, export growth have been weak on account of muted global demand and is expected to pick up as the demand and growth outlook from India's trading partners improve going ahead. Overall, if one goes through the overall review, one thing's for certain, Indian economy's attractiveness among global economies has been majorly on account of massive decline in crude oil prices and global commodity prices. Apart from declining exports, India have been a major beneficiary on multiple counts – in terms of improvement in current account deficit and also on account of higher indirect taxes (by increasing excise duty on petrol and diesel five times). In order to prop up indirect tax revenues even further, government might be contemplating to raise the service tax by another two percentage points to 16% in the next Union Budget to cover up higher expenditure from implementation of 7th pay commission. The government has a scope to hike service tax to 16%, given a standard rate of 16.9% to 18.9% proposed by the committee on the Goods and Services Tax (GST). Although these measures will be appreciated by the credit rating agencies, a postponement of fiscal consolidation plan will not be welcomed. The review commented that "On aggregate demand, both fiscal and monetary policy stances will need to be carefully re-assessed, to ensure they strike the appropriate balance between the short-term need to spur demand, especially private investment and exports, and the longer-term needs of preserving fundamental macroeconomic stability". The tone was more of a loose monetary and fiscal policy. This is a bit puzzling at a time when it is accepted that India is the fastest growing economy in the world. In fact, an article in Mint titled "Why does world's fastest growing economy need stimulus?" has highlighted the same. The article questioned why is India's fiscal deficit still one of the highest in the world despite oil prices so low and inflation pressures absent and with indirect taxes growing so strongly. Thus, this might be prudent to make efforts to clear corporate balance sheets and wait for private investment to turn rather than to advocate loose fiscal policy. It is better to implement the crucial reforms like GST, bankruptcy and find ways for higher divestment. RBI is doing its part as far as the monetary policy and inflation goes and again it is probably taking charge to clean up the corporate balance sheet. The government is also believed to be working shoulder to shoulder with RBI rather than boast of achievements driven by lower commodity prices.

MUTUAL FUND OVERVIEW

Mirae Asset Emerging Bluechip Fund (G): Small & Mid Cap

Fund Objective: To generate income and capital appreciation from a diversified portfolio predominantly investing in Indian equities and equity related securities of companies which are not part of the top 100 stocks by market capitalization and have market capitalization of at least Rs. 100 Crores at the time of investment. From time to time, the fund manager may also seek participation in other Indian equity and equity related securities to achieve optimal portfolio construction. The Scheme does not guarantee or assure any returns.

Fund Commentary: The fund is a consistent performer ever since its launch in 2010. The fund had to wither the underperformance of the equity markets in 2011-12 phase but has done well. For instance, in the 2011 downtrend while the index sank 36%, the fund lost only 19%. Despite its short history, the fund has outperformed the benchmark on almost all years. The fund manager typically allocates more than 36% in large caps and more than 40% in midcaps, while the rest are put in high conviction small caps. This fund picking style provides solace and has been the key reason for the stability of the fund in down market since it under-owns small caps as compared to its peers. The mandate allows up to a 35% investment in the top 100 companies by market cap, with 65% exposure to firms that fall outside the top 100. The high risk adjusted returns have been justified by the strong return ratios and generated strong Alpha and Sharpe Ratio. Investors can consider the fund for a long term horizon.

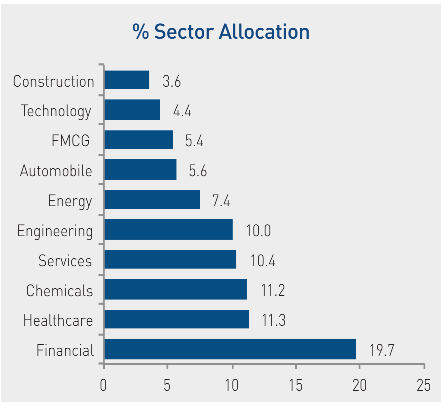
ASSET ALLOCATION		
Equity	Debt	Cash & Equiv.
96.04%	0.00%	3.96%

IMPORTANT INFORMATION	
NAV (Rs.)	31.51
Inception Date	June 22, 2010
Fund size(in Rs cr)	1,084.3
Fund Manager	Neelesh Surana
Entry load	N.A
Exit Load	1.00%
Benchmark	NIFTY MIDCAP 100
Min Investment	Rs.5000
Min SIP Investment	Rs. 1000

as on Nov 30, 2015

KEY RATIOS	
Beta	0.78
Standard deviation (%)	14.9
Sharpe Ratio	1.73
Alpha	19.36
R Squared	0.89
Expense ratio (%)	2.55
Portfolio Turnover ratio (%)	70.00
Avg Market cap (Rs in cr)	12,841

$ as on Nov 30, 2015



TOP TEN HOLDINGS	
Stocks	% of Net assets
Kotak Mahindra Bank	3.9
HPCL	3.4
Natco Pharma	3.1
Federal Bank	3.0
Torrent Pharmaceuticals	2.9
Gateway Distriparks	2.7
Voltas	2.7
Amara Raja Batteries	2.5
Sundaram Finance	2.4
Zee Entertainment Ent.	2.4

Month of Recom.	Recommended in the Past	Returns till date (%)
Jan-15	Canara Robeco Emerging Equities Fund (G)	16%
Feb-15	Reliance Tax Saver (ELSS) Fund (G)	-9%
Mar-15	Franklin India High Growth Companies Fund (G)	-3%
Apr-15	Birla Sun Life Top 100 Fund (G)	-3%
May-15	SBI Blue Chip Fund (G)	2%
Jun-15	Kotak Opportunities Fund - Regular Plan (G)	-2%
Jul-15	Franklin India Bluechip Fund (G)	-4%
Aug-15	UTI Mid Cap Fund (G)	-3%
Sep-15	Birla Sun Life Frontline Equity Fund (G)	2%
Oct-15	HDFC Equity Fund (G)	0%
Nov-15	ICICI Prudential Focused Bluechip Equity (G)	-3%
Dec-15	HDFC Top 200 Fund (G)	-1%

PERFORMANCE OF THE FUND							
	1 month	3 months	6 months	1 year	3 Years	5 Years	Since Inception
Fund (%)	1.1	4.9	5.1	15.6	31.8	23.4	23.4
NIFTY MIDCAP 100 (%)	1.6	4.5	2.9	9.0	16.9	8.9	--

TECHNICAL **VIEW**

Key takeaways from December 2015:

- CPI rose to 5.41% in November compared with 5% reading in October.
- WPI came in at -1.99% in November compared with 3.81% in preceding month.
- IIP grew at 5-year high rate of 9.8% in October from 3.84% in September.
- Indian Manufacturing PMI falls to 25-month low of 50.3 in November against 50.7 in October.
- US Federal Reserve Bank raised interest rate by 0.25 per cent.
- Reserve Bank of India (RBI) kept status quo on the interest rates

Classical theory of Technical Analysis

Indian equity market witnessed consolidation in price action and ended the month with a marginal decline of 0.42% with widen negative cues both from the global and domestic front. Presence of event risk in the form of uncertainty over rise in interest rate by US Fed and the clearance of GST bill in the Parliament led the market to witness profit booking activity and ended almost flat. The impending rate hike by Federal Reserve triggered strong outflow from Emerging countries and hence FII remained net seller to the tune of almost Rs.5000 crore in the month of December. Volume in the month increased compared to the previous month. Advance decline ratio too remained in favor of the bears. In the forthcoming month, the calendar year 2015 would end and hope to resolve higher from next month onward as the event risk gets dissipated from the market.

On the technical parlance Nifty had been in a continuous downtrend with successive lower low formation in both daily and weekly time frame indicating that the short term trend in the market continues to remain

negative and intermediate pullback might be temporary in nature. Nifty's inability to breach the previous swing low of 7539 indicates that here onward the downside in the market might have been curbed but due to its severe downtrend for the last 1 year upside too remains doubtful until and unless Nifty scales above the psychological level of 8000. Hence another month of consolidation is on cards amidst the broader range of 7400-8100.

The recent pullback in the market has lead to form a double bottom formation in weekly chart which has a bullish significance and if the pattern materializes then higher target of 8600 and beyond can be seen in days to come. However it would be premature to denote the present situation as a bottom for the market as Nifty needs to further scale above 8000 to denote as an end of corrective decline for the market.

To sum up according to classical theory of Technical Analysis the short term trend in the market presently remains negative with its successive lower low formation and downward sloping channel line, however Nifty able to take support from the previous swing low indicates a positive development. Hence it can be concluded that Nifty might witness a consolidation phase within the broader range of 7400-8100 .

Modern approach in Technical Analysis

On the oscillator front the recent pullback in the market was due to oversold reading followed by positive divergence in daily chart. Now Nifty is trading in neutral price region above the 50 level mark. On the weekly time frame too it has turned in with a positive crossover with a positive divergence. The said structural buildup is likely to change the medium term outlook for the market from negative to positive. Buy crossover in both the time frame would have a positive repercussion in the short term as well. MACD in weekly time frame though continues to remain negative with sell crossover in weekly chart and still trading below the 0 level mark while ADX too continues to remain negative with –DI trading above the +DI in both the time frame. Hence it can be concluded that the short term indicators are turning positive for the market which might lead to a minor pullback in the market however medium term outlook remains uncertain.

Lower band of the Bollinger band provided the initial support for Nifty at the start of the month and lead to the much awaited pullback. Now Nifty is able to scale above the mid band in daily time frame and is just distance away from its weekly equivalent at around 7970 which would act as the immediate resistance level for Nifty in immediate terms. The upper band in daily time frame coincides with the previous swing high of 8000, scaling of which would confirm as an end of corrective decline for the Index.

Continuous decline since March 2015 onward has lead the Index to drip lower below all the crucial short and long term averages in both the time frames. Immediate resistance from moving averages is seen around 7950 where the 50dma in daily and 20dma in weekly chart coincides. Nifty is now at a very crucial juncture cause inability to breach past the 7950 trend deciding level would maintain

a negative outlook in the market while surpassing the said level would indicate that a bottom might be in place for Nifty.

Indian VIX

The presence of event risk in the form of outcome from the Federal Reserve on interest rate was unable to guide any bizarre movement in the Index and continued to remain subdued at its historical low level of 16 though with the dissipation of the news of hike in interest rate after seven years lead Indian VIX to drop drastically and witnessed low level of 13. On technical front since December 2014 onward Indian VIX had been on rising trend and considering the present decline, the Index now has taken support from the rising trendline for the fourth consecutive time in a row. Now if the Index traders below the said level wouldn't act favorable for Indian equity market rather a long consolidation phase can be noticed in Nifty.

Gann Theory of Time cycle

On the medium time perspective frame it has been observed that since 2008 onward Nifty witnessed two major correction i.e. during 2008 and in 2011 and in both the situation the corrective decline lasted for a period of 14 months and hence the present correction i.e. since March 2015 if considered as a significant corrective phase of the secular bull run then only 10 month are behind us and thus time wise correction can stretch till April 2016.

Retracement principle:

In order to identify the crucial trend deciding level for the market three different time frames are being identified

which are as follows. The first being the entire correction since January 2008 onward till November 2008, the second being the gradual upscale for the Index since December 2011 till the high registered in March 2015 and the last being the corrective decline since March 2015 till date. Retracement level from all the time frame conjoins around singular points against which the trading range for the market can be identified. The projected retracement from the historical correction of 2008 indicates that the immediate base for Nifty is stranded till 7270 while the retracement level of the second and third set of the period coincides around 8150. Hence it can be concluded that Nifty presently is trapped amidst the broader range of 7270-8150 and breach on either side would dictate the direction of the market. It seems that Nifty might consolidate in the forthcoming month amidst the said trading range.

Future Projection – January 2016

A newer impulse wave were in the making since August 2013, according to the assumption the rally since 5118 constituted the beginning while the high earmarked on March 2015 ended a 5-wave sequence. Since March 2015 corrective wave takes on its sequence and hence possible outcomes may be as such. First being the correction since March 2015 might be the beginning of the larger corrective wave A-B-C where the low of 7940 ended its first major corrective wave 'A' with i-ii-iii-iv-v as sub division and the recent pullback in prices can be identified as wave 'B' in process which might not breach the 61.8% retracement level at 8670. The second set of assumption which can be drawn is that Nifty is in the route towards a fresh set of impulse wave and

the correction since March 2015 can be earmarked as a double Zig-Zag formation. Hence it can be concluded that inability to breach past 8670 would negate the first set of assumption and downtrend to resurface. Now wave 'C' is in the process and according to the theory of equality wave 'A' equals wave 'C' and hence maximum downside in the market is limited till 7475. Now it is undergoing that phase where upside will be limited till 7950 thereafter rally will resume till 8150, the rally can extend till 8400 and thereafter 3rd phase of downtrend is likely to resume.

Inter-market analysis

U.S Market: Overall trend during the month of December remained negative with gradual decline with no signs of 'Santa Claus' rally. On the technical front the retracement level for the entire rally since August 2015 onward exist at 17100 (38.2% retracement level). On the oscillator front too the Index is fast approaching oversold price region with sell crossover. Further the upward sloping trendline since August 2015 has taken support for a multiple number of times and now the elevated trendline stands around 16915. Hence to sum up it can be concluded that the US Index is on the verge of bottoming out as a series of technical indicators indicating limited downside. Indian equity market was first to witnessed the pullback and with US market too bottoming out would bode well for Nifty as well.

Nymex Crude: Crude oil price has plunged over the course of one and a half year. The outlook still remains weak with OPEC and Russia continuing to maintain record level of production flowed by slowdown in European and Chinese Economy. US now renewing innovative ways to weaken crude oil prices by lifting 40 year old ban of Oil exports also lead the commodity to decline further. On the technical front the commodity is in a clear downtrend with successive lower low formation. The 16 year old trendline since 1999 too in breached, trading in extended oversold region with IMF suggesting oil prices to fall further to as low as $20 a barrel. Lower crude oil prices is likely to act positively as an inverse relation exist between the Indian equity market with that of crude oil prices, as lower oil prices helps our domestic economy to put a check in trade balance and narrow down the current account deficit.

10 Year Bond Yield India: With uncertainty over the Fed rate hike out of the way, Indian bond markets can breathe easy and look forward to gains. The yield on the 10-year government bonds has been stubbornly high at 7.7 per cent levels since the beginning of the year, despite the sharp 125-basis-point rate cut by the RBI. Since November 2015- till the first week of December 2015, foreign institutional investors pulled out funds from equities. Incrementally, outflows from the Indian markets are likely to moderate and future

inflows are likely to be more long-term than 'hot' money. Rise in Indian bond yield has a positive implication as it may result in to draw fund inflow in Indian equity market.

Indian Rupee: Excepting Indian Rupee, 2015 was not good for any of the emerging market currencies. With respect to the US interest rate hike Indian currency might not able to show the resilience witnessed till date. Domestic factors though are witnessing signs of revival but external factors such as weakness in Asian markets, and turmoil in Chinese markets will govern the trend of the rupee, which is expected to weaken in 2016. On the technical front since the outcome from the Fed, Indian rupee had appreciated marginally and now the rising trendline since March 2015 onwards provides the initial support at around 65.50. The long term trend remains positive and is likely to head higher taking support from the said level. The rising channel line since 2011 onward indicates that Indian Rupee might pitch till 70 in the course of time. In the forthcoming month Indian rupee coming down till 65.50 would act positively for Indian equity market as well.

Positives:

- Bullish Double bottom formation In Nifty.
- Two Point Positive Divergence in daily RSI
- According to Elliot Wave theory minor pullback is limited till 7950 and then rally might resume till 8150
- US market on the verge of bottoming out with elevated trendline support at 16900
- Outlook remains negative for Crude oil after breaching the 16 year old trendline.
- Indian rupee is on a corrective mode and edge lower till 65.50.

Negatives:

- Upper band of Bollinger initiates resistance around 8000.
- Short term average of 20 and 50dma instigates resistance around 7950-8000.
- Indian VIX taking support from year old upward rising trendline.
- Time wise correction might extend till April 2016

To sum up Indian Equity market remained under pressure for the first two consecutive week and falling over 5% however it made a strong come back at the latter half as the world market seems to rejoiced after the much awaited Fed meeting moved on expected line. The two major event that was highly anticipated during the month were the Winter session of the Parliament and the outcome of the Fed meeting on interest rate decision. US Fed on expected lines hiked benchmark rate by 25bps to 0.25% to 0.50% however Janet Yellen said the pace of rate hikes in future wouldn't be 'equally spaced' was a soother for the market. More than 25bps rate hike by Fed was doubtful as constant weakness in crude oil prices though might be good for Indian market but the weakness in the commodity prices depicts that global growth could slow down further. Fed rate hike raises concern that not only fund outflows from emerging market can be seen but would put pressure on the domestic currencies as well. The said concern had been inflecting the market since December onward as FII data reveals a sell figure to the tune of Rs.5000 while Indian Rupee depreciated to 2-year low. On the domestic front the deadlock over the GST between Congress and BJP turned the sentiment negative as winter session of the parliament concluded without passing any major reform. The issue of the National Herald Case summoning Congress leaders Sonia Gandhi and Rahul Gandhi took the center stage. The Christmas week brought some cheer, call that Santa Rally or whatever but going forward Macroeconomic data, trend in global markets, investment by foreign portfolio investors (FPIs), the movement of rupee against the dollar and crude oil price movement will dictate trend on the bourses in the upcoming month. On the technical front the post mortem analysis of the year gone by reveals that 2015 was a pause in the overall bull rally which began since the middle of 2013. The overall correction since March 2015 onward was due to the flight of capital from Emerging markets. On the technical parlance the Index has fast approached major support level of the rising trendline since 2008 onward at around 7500-7600 followed by 200EMA at around 7200 and hence the present correction provides a lucrative opportunity for long term investors to initiate position. On the time perspective too it seems that major pain might be behind us as the 14-month corrective time span might end around April 2016. On the retracement principle too an area of confluence exist around 7290 further validating that Nifty is in a bottoming out process. In the short term perspective recent pullback in the market has led Nifty to form a bullish double bottom formation in daily chart which would act positively in days to come. On the oscillator front the 'Two point Positive Divergence' in the daily RSI played its part for the Nifty to witness a surge of nearly 300 points from the low in a very short span of time going forward the said aspect is likely to act positively for bourses as well. Other correlated market like that of Indian rupee had been continuously depreciating however witnessed some amount of cool-off after uncertainty over hike in interest rate in US got wiped off while Nymex Crude plunged. US Index too is on the verge of bottoming out as a series of technical indicators indicating limited downside. Hence features might be favorable for the Nifty to rally from here onward. To sum up based on the above said observation in the forthcoming month Nifty is likely to move in the range of 7500-8000 and intermediate correction need to utilized to enter long. Decisive breach of 8100 would confirm as a begining of higher high and overall trend in the market might change from neutral to positive.

MARKET **DIARY**

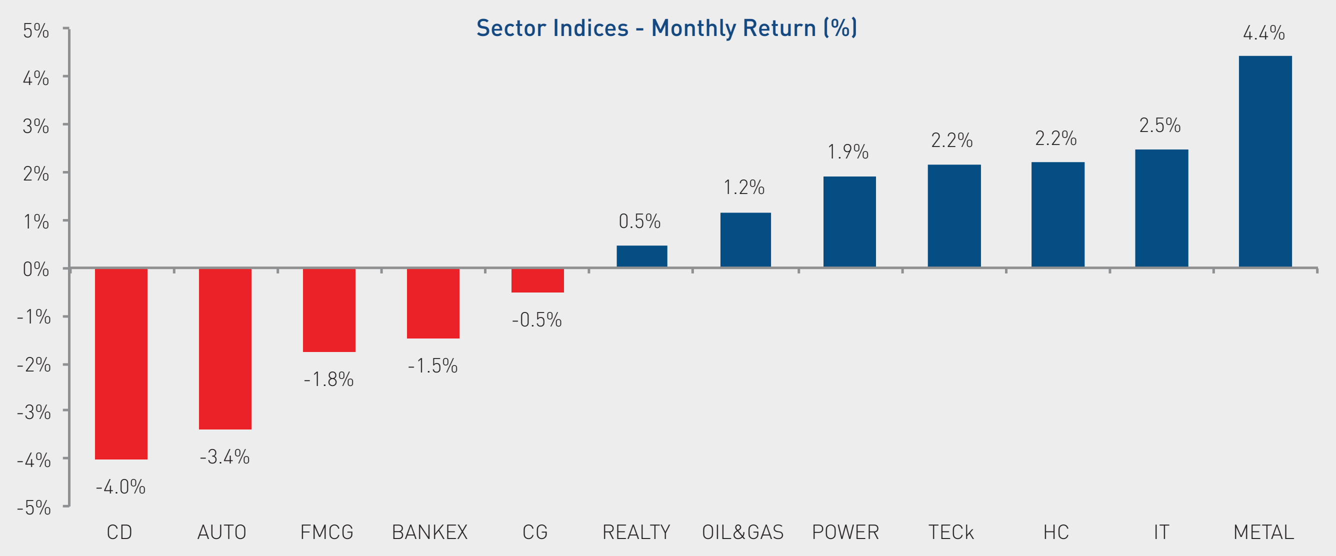
BEST PERFORMERS FOR THE MONTH (CNX 100)				
Sl No.	Co. Name	Cl. Price 26.11.2015	Cl. Price 24.12.2015	Cl. Price Var (%)
1	JSWSTEEL	892.8	1065.3	19.32%
2	RCOM	74.55	86.3	15.76%
3	TATASTEEL	227.9	263.35	15.56%
4	RELINFRA	432.85	493.2	13.94%
5	HINDALCO	75.1	85.25	13.52%
6	GSKCONS	5896.9	6691.45	13.47%
7	SAIL	43.95	48.85	11.15%
8	SUNPHARMA	735.9	790.85	7.47%
9	APOLLOHOSP	1338.5	1436.85	7.35%
10	TATAGLOBAL	134.95	144.8	7.30%
11	HINDUNILVR	812.45	864.25	6.38%
12	AUROPHARMA	824.1	871.5	5.75%
13	HINDPETRO	803.7	845.65	5.22%
14	NTPC	132.9	139.3	4.82%
15	POWERGRID	133.8	140.1	4.71%
16	RPOWER	52.25	54.7	4.69%
17	INFY	1052.4	1096.35	4.18%
18	IBULHSGFIN	680.75	707.2	3.89%
19	TCS	2345.55	2434.25	3.78%
20	PETRONET	232.2	240.45	3.55%

Source: BSE

WORST PERFORMERS FOR THE MONTH (CNX 100)				
Sl No.	Co. Name	Cl. Price 26.11.2015	Cl. Price 24.12.2015	Cl. Price Var (%)
1	PNB	139.95	120.1	-14.18%
2	TATAMOTORS	424.4	382.4	-9.90%
3	TITAN	388.55	350.65	-9.75%
4	CANBK	262.35	240.45	-8.35%
5	CONCOR	1420.9	1306.9	-8.02%
6	BANKINDIA	126.4	117.5	-7.04%
7	BANKBARODA	170.05	158.3	-6.91%
8	M&M	1346.25	1257.75	-6.57%
9	SBIN	242.5	228.3	-5.86%
10	MCDOWELL-N	3214.3	3033.2	-5.63%
11	ITC	342.8	323.7	-5.57%
12	UNIONBANK	160	151.35	-5.41%
13	TATACHEM	431	408.15	-5.30%
14	BAJAJHLDNG	1693.8	1617.85	-4.48%
15	COALINDIA	335.8	322.3	-4.02%
16	IDEA	146.85	141.2	-3.85%
17	ADANIPORTS	268	258.1	-3.69%
18	YESBANK	749.8	724.35	-3.39%
19	AXISBANK	465.3	450.75	-3.13%
20	RELCAPITAL	434.05	421.1	-2.98%

Source: BSE

Indices Performance 26.11.2015 –24.12.2015



Source: BSE

COMMODITY - MONTHLY ROUND UP

"Many artists and scholars have pointed out that ultimately art depends on human nature" - Steven Pinker

Base Metal Performance Post FED

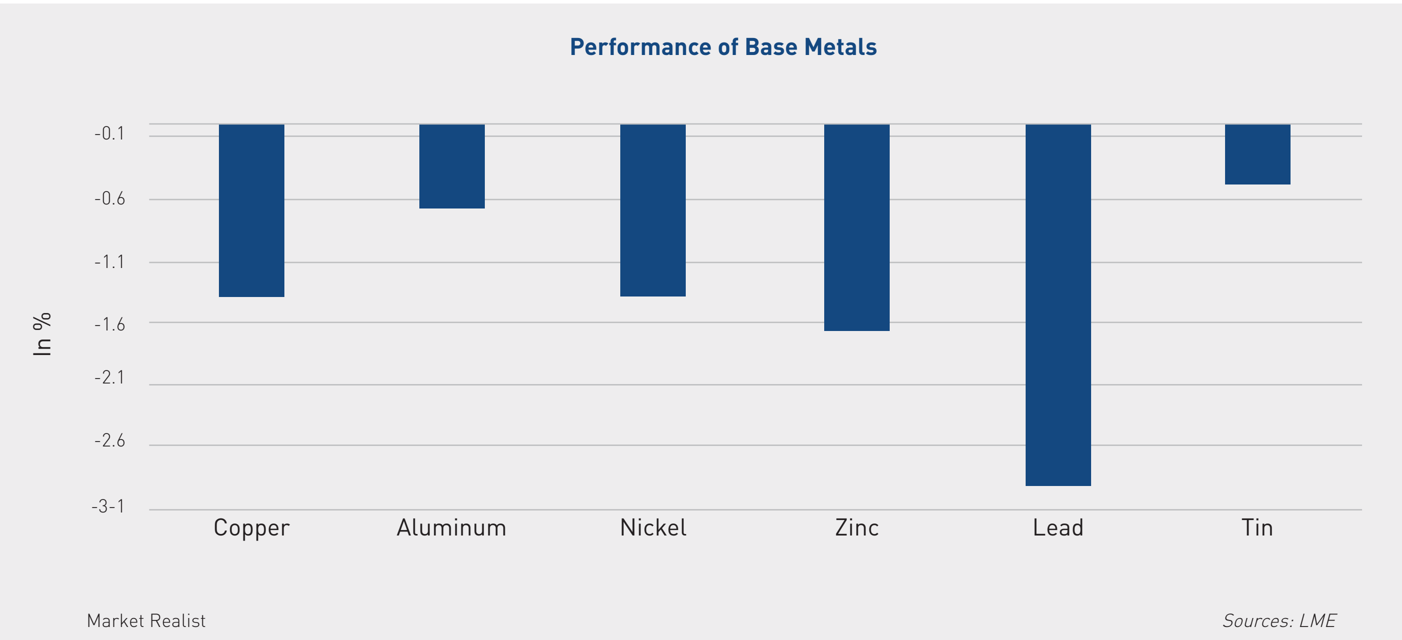
As we all know, the main cause of the commodities meltdown has been China's slowdown. Since China makes up half of the world's demand for commodities, the economic slowdown means lower demand which has led to a situation where a glut of materials can't find a home. The role that China plays in commodity prices is so big that the future of metal prices is totally dependent on China. The longer it takes China to clean up its mess, the later metal prices will hit bottom. Currently, some key Chinese indicators we are tracking gave us no reason to expect higher metal prices in 2016.

Imports to China dropped 8.7% to $143.14 billion in November from a year earlier, extending a slump in imports to a record 13 months, suggesting that government stimulus measures are failing to boost growth. Meanwhile, Chinese exports declined 6.8% to $197.24 billion in November from a year earlier, marking the fifth straight falling month. The fact that China is struggling to increase its exports demonstrates that global demand is weak and that China will have to find a more painful solution to balance its surplus. The trade surplus and the inability to find a home for the excess of material flow will continue to keep a lid on China's growth, depressing commodity prices.

Recently, China's central bank cut its reference rate to the lowest level since 2011. The Yuan fell against the dollar to the lowest level since 2011. Although China has said that it has not allowed the Yuan to slide to boost the economy or increase exports, it seems that the market is taking these developments as desperate actions from China's government to help the economy, raising concerns among investors that the country's slowdown might worsen.

LEAD

All base metals fell in response to the Federal Reserve's interest rate hike—it's first since 2006. The interest rate hike gave support to the dollar and led to the fall in base metal prices. Lead was the biggest loser of the base metals, falling 2.9%.



Technical Analysis

MCX Lead bounced after it made a low near 102 and currently trading at 116. As per the weekly chart 119-120 range seems to be strong resistance as we have two previous significant swing highs near that range and also 100 weekly Simple Moving Average is guarding the way. Moreover, the pattern seems to be a perfect Head & Shoulder pattern where the neckline is resting upon 104. It's our advice to traders to wait for a breakdown again from 104 neckline and put a short order at 102. The target for the short trade is 90.50.

Weekly Chart: Lead MCX

In weekly chart, stochastic indicator is also above overbought region after the sharp sell-off and now market is getting ready to take its older path and thus supporting our assumption of further decline in lead price. Even the chart is showing that the market has a Bearish Engulfing pattern which indicates weakness.

LME weekly chart is a bit different than MCX Lead. We don't have a Bearish Engulfing pattern in LME chart but one thing which is common between the two charts is they all had a break down from probable neckline of a Head & Shoulder pattern. So if we want to synchronize these two charts then better wait for LME lead to trade below 1550 and then only short at MCX.

Weekly Chart: LME Lead

USD/INR

FED's policy and economic resilience of US gave US Dollar a historic boost which is resulting world wide currency depreciation against the US counterpart. INR also took the hit but if we go with comparative study, it looks INR gained more than 6 percent since April'15 against a basket of Asian currencies and thus making it difficult for exporters, who are already feeling hardship because of Chinese slowdown. India's overseas trade has fallen for 12 straight months dragged down by weak demand in developed countries.

While the rupee depreciated 4.2 percent in the year through March 2015 against the U.S. dollar, its inflation-adjusted real effective exchange rate appreciated 5.4 percent against its Asian counterparts. This fiscal year, the sharp depreciation in currencies of other exporting nations was exacerbated when China devalued its Yuan in August. While the rupee has held steady against the greenback, the Yuan dropped 2 percent and the Euro lost 3 percent.

The central bank capped gains by intervening in currency markets and adding foreign-exchange reserves. Holdings touched a record $332 billion in August but have slipped slightly as policy makers in the net oil importing nation can't afford to let the rupee weaken too far.

Technical Analysis

In the weekly chart, we already have one Bearish Engulfing formation which is indicating the market may top out for the moment. The pattern is again validated when we have another weekly candle which closed below the low of the candle pair which is at 66.25. Aggressive trader may open new short position with a stop at the high of Engulfing candle at 67.14. Immediate target for the pair is around 65.45. In the chart we also have one long term trend line which may act as strong support and currently that support area is at 65.40 level. Conservative player may wait for a breakdown from that support point and then enter into the market with short position and now target will be around 64.70. 64.70 is the previous swing low which may act as a new support for the market now. Stop loss for the last trade should be at 65.70. Weekly stochastic was at overbought territory and already had a bearish crossover on that area which is supporting short sides of the market. In Weekly RSI we have Negative divergence with price which is again a bearish development for the market but still it is above 50 zone so need more confirmation before entering into short trade based only upon this Negative Divergence criteria.

Weekly Chart: USD/INR Spot

WORLD ECONOMIC EVENT CALENDAR - JANUARY 2016

Monday	Tuesday	Wednesday	Thursday	Friday
				1
				CH: Manufacturing PMI CH: Non-manufacturing PMI
4	**5**	**6**	**7**	**8**
US: ISM Manufacturing JN: Nikkei Japan PMI Mfg CH: Caixin China PMI Mfg IN: Nikkei India PMI Mfg EC: Markit Eurozone Manufacturing PMI	EC: CPI Estimate YoY JN: Monetary Base YoY UK: Halifax House Prices MoM EC: CPI Core YoY	US: Durable Goods Orders US: MBA Mortgage Applications US: Factory Orders US: Trade Balance US: ISM Non-Manf. Composite	US: Initial Jobless Claims EC: Consumer Confidence EC: Unemployment Rate US: Bloomberg Consumer Comfort EC: Retail Sales MoM	US: Change in Nonfarm Payrolls US: Unemployment Rate IN: Exports YoY US: Wholesale Inventories MoM UK: Trade Balance
11	**12**	**13**	**14**	**15**
	JN: BoP Current Account Balance IN: Industrial Production YoY UK: Industrial Production MoM JN: Trade Balance BoP Basis IN: CPI YoY	US: MBA Mortgage Applications JN: Money Stock M2 YoY EC: Industrial Production SA MoM	UK: Bank of England Bank Rate US: Initial Jobless Claims JN: Machine Orders MoM IN: Wholesale Prices YoY US: Import Price Index MoM	US: U. of Mich. Sentiment US: Retail Sales Advance MoM US: Industrial Production MoM US: PPI Final Demand MoM US: Empire Manufacturing
18	**19**	**20**	**21**	**22**
JN: Industrial Production MoM JN: Tertiary Industry Index MoM UK: Rightmove House Prices MoM	UK: CPI YoY UK: PPI Output NSA MoM UK: RPI MoM JN: Machine Tool Orders YoY	UK: Jobless Claims Change US: CPI MoM US: MBA Mortgage Applications US: Housing Starts US: Net Long-term TIC Flows	US: Initial Jobless Claims EC: ECB Main Refinancing Rate EC: CPI YoY JN: All Industry Activity Index MoM EC: Consumer Confidence	EC: Markit Eurozone Manufacturing PMI US: Markit US Manufacturing PMI US: Existing Home Sales US: Leading Index UK: Retail Sales Ex Auto Fuel MoM
25	**26**	**27**	**28**	**29**
JN: Trade Balance US: Dallas Fed Manf. Activity JN: Leading Index CI	US: Consumer Confidence Index US: Richmond Fed Manufact. Index US: FHFA House Price Index MoM US: Markit US Services PMI	US: MBA Mortgage Applications US: New Home Sales JN: Small Business Confidence	US: Initial Jobless Claims UK: GDP QoQ US: FOMC Rate Decision (Upper Bound) US: Durable Goods Orders UK: Nationwide House PX MoM	JN: Industrial Production MoM JN: Jobless Rate US: GDP Annualized QoQ US: U. of Mich. Sentiment EC: CPI Estimate YoY

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

Services at Ashika Capital Limited (ACL)

Capital Markets	Fund Raising	Advisory
• **Issue Management** • IPO / FPO • Right Issue • Qualified Institutional Placement • **Open Offer** • Takeover • Buyback • Delisting • **Overseas Listing** • **Underwriting**	• **Private Equity** • Venture / Growth Capital • Pipe • **Debt Syndication** • Project Finance • Team Loan • Working Capital Loan • Acquisition Funding • Construction Finance	• **M & A** • Merger / Acquisition / Disposal • Management Buy-outs / Buy-ins • Leveraged Buy-outs • Joint Ventures • Strategic Partnership • Spin-Offs • Divestment • **Corporate Restructuring** • Capital Restructuring • Finance Restructuring • **Business Valuation** • ESPO Valuation • Fairness Opinion

Deals Executed

Sector	Deal Executed
Real Estate	In-principle approval for last mile funding of commercial property located at prime suburbs of Mumbai

For Debt Fund Raising:
Mr. Anirudh Sarvaiya - Sr. Manager
ACL - anirudh.s@ashikagroup.com

Mr. Aagam Vakharia - Sr. Manager
ACL - aagam.v@ashikagroup.com

For Mergers & Acquisition:
Mr. Mihir Mehta – Sr. Manager
ACL - mihir.m@ashikagroup.com

For Equity Capital Markets:
Mr. Niraj Kothari – AVP
ACL - nirajkothari@ashikagroup.com

For any valuable input or other discussion & business opportunity please send a mail to:
Mr. Vaibhav Jain – President
ACL - vaibhav@ashikagroup.com

Ashika Stock Broking Ltd.

Research Team

Name	Designation	Email
Paras Bothra	Research Head	paras@ashikagroup.com
Arijit Malakar	Research Analyst	arijit.m@ashikagroup.com
Krishna Agarwal	Research Analyst	krishna.a@ashikagroup.com
Partha Mazumder	Research Analyst	partha.m@ashikagroup.com
Tirthankar Das	Technical Analyst	tirthankar.d@ashikagroup.com

Group Companies

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

Ashika Global Securities Pvt. Ltd.
(RBI Registered NBFC)
CIN No. U65929WB1995PTC069046

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, NSPOT & ACE)
CIN No. U51909WB2003PTC096985

Head Office
Trinity
226/1, A.J.C. Bose Road
7th Floor, Kolkata-700020
Phone:033-4010 2500
Fax No:033-22891555
Email: ashika@ashikagroup.com

Corporate Office
1008, Raheja Centre,
214, Nariman Point, 10th Floor
Mumbai-400021
Phone:022-66111700
Fax No: 022-66111710
Email: mumbai@ashikagroup.com

www.ashikagroup.com

A TRISYS PRODUCT | info@trisyscom.com