ARIHANT's
VALUE Plus

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The Numbers

25.69 %

is the return generated by Sensex for the year ended 2012. Sensex ended the quarter at 19426.70

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is the rank of the Bankex sector for its performance during year 2012 among the 12 sectoral indices on the BSE. It shot up 56.72%.

Rs 1,28,359.80 cr

Investment by FII during year 2012

Market Roundup, 2012

Despite a gloomy start, 2012 ended on a positive note with Indian key benchmark indices embarking on an upward streak clocking their biggest gains since 2009 and fading the bitter memories of 2011. The BSE Sensex registered an impressive return of 25.69% during the calendar year 2012 while the S&P CNX Nifty jumped 27.69% during the period.

On the sectoral front, interest sensitive sectors, Bankex and Realty led the rally registering handsome gains of 56.72% and 53.44% respectively. Next in line were defensive FMCG and CD that gained and 46.08% respectively. The best performing sector in the year 2011, information technology, however, stood at the bottom of the table with a loss of 1.18% in the year 2012.

Surging inflows from FIIs was the key reason for the outperforming markets in 2012 as FIIs bought equities worth Rs 128,359.80 crores during the period, while the domestic institutions on the other hand, turned net sellers of equities to the tune of Rs 20,603.90 cr.

Aviation stocks surged during the beginning of the year as civil aviation minister proposed to bring FDI. The primary market saw revival after a long time with initial public offer (IPO) of Multi Commodity Exchange of India (MCX) worth Rs 663 cr receiving tremendous response from various categories of investors. On the international front, global indices were in upward trend since the start of the year, as optimism was boosted by positive news from US and the Eurozone. Europe ministers agreed measures linked to a Greek debt restructuring and the beleaguered country was given the second bailout.

Rising tensions between Iran and the West over its nuclear programme fired up global crude oil prices and spoiled investor sentiments.

In March, post the budget the markets suffered sharp sell-off owing to policy inaction and indecisiveness on the part of the government badly hurting market sentiments and leaving foreign investors scurrying to the bushes. Meanwhile, Credit ratings agency, Standard & Poor (S&P) revised India's economic outlook to negative from stable and affirmed its lowest investment grade rating of BBB(-) for the Indian economy.

During the month of May, a sharp fall in rupee sent ripples of worries in the economy posing a threat to the country's growth. However, government's decision of deferment of GAAR by one year added a ray of hope.

In the later part of the year, at a time when the country's economic growth slipped to a nine-year low of 6.5% and when there was an urgent need to restore confidence, all eyes were fixed on Mr. P. Chidambaram who returned to the role of Finance Minister by replacing Mr. Pranab Mukherjee. Gridlock in Parliament over coal block allocations and inability of the government to muster the political will to initiate reforms dampened sentiments.

The month of September brought cheers to the markets on the back of announcement of bold economic reform initiatives by the Indian government like the long-awaited opening of FDI in aviation and retail sector and cap on cooking gas subsidy and hike in diesel prices, proposal to defer General Anti-Avoidance Rules (GAAR) until 2016. On the global front, US Federal Reserve announced the QE3 program that was widely expected to trigger capital flows back to emerging markets.

India's current account deficit widened to a record high of 5.4% of GDP in the September quarter as export growth slowed more sharply than imports, with a similar gap expected in the Contd....2

Things to look forward to in 2013

1. Economy likely to be on path of recovery:

India's GDP growth slipped from a peak of 9% in FY11 to 5.3% in the second quarter of FY13. Overall, analysts are expecting GDP growth below 6% in FY13. Improving macroeconomic indicators, monetary easing and further reform push by the Government should result in a gradual recovery in FY14.

2. Global growth outlook remains bleak in 2013:

The world economic outlook published by the IMF in October,2012 estimates growth for world economy at 3.6% in 2013 against 3.3% in 2012. However, fiscal cliff and debt ceiling issue in the US, escalation of the Eurozone crisis and a hard landing in China may remain impediments to global growth going forward.

3. Central Bank's dovish stand, monetary easing likely on the radar:

Some of the pre-conditions for a rate cut, ie cooling off of inflation over the last one year and steps initiated by the government towards fiscal consolidation, have laid down a strong case for the RBI to initiate the easing cycle. However, the magnitude of decline in interest rates will depend on the prices of crude oil and other commodity prices.

4. Equity supply likely to be increased:

Several companies are expected to issue IPOs in the forthcoming year with improving market sentiments. Asia's oldest bourse, the Bombay Stock Exchange is also likely to come up with its much-awaited IPO. Further, with government planning to raise significant amount through disinvestment route, debt-ridden companies issuing shares to qualified institutional investors and potential equity raising by private sector to comply with SEBI guideline of promoter ownership in listed firms to 75%, we can see considerable activity in this space.

5. Diesel price hike:

Treading on the path of fiscal consolidation, the government is likely to increase diesel price by Rs. 10 /litre in a staggered manner over the next 10 months. Possibility of kerosene price hike is also expected in the media, in order to contain the fiscal deficit that stands at 5.3% of the GDP.

6: Political Sizzlers:

As the Finance Minister would present his last regular Budget before the polls, prudent measures may be foregone under the influence of political clout in a pre-election year. Further, as various key states would be going to elections during the year 2013, the ruling coalition will be under pressure to maintain cohesion within its group.

7. End of the gold rally:

Stagnating gold prices will be godsend for the equities as an asset class. For the past couple of years, yellow metal had given a stiff fight. Further, realty prices showing weakness in some areas is also seen as a good omen.

8. MCX-SX entry:

Though the newest stock exchange got the key regulatory clearances, it is yet to begin its much-hyped and awaited equity trading. Like in other segments, the Exchange is expected to bring in competition and therefore better value for investors' money.

9. Sinha's climax at SEBI and regime change at NSE:

Two years have rushed past for U K Sinha at his hot seat as a Sebi chairman before the government decides on his extension in February 2014. Further, after over a decade at the helm of NSE, Ravi Narain will step down. Chitra Ramakrishna, is expected to take over his place in April.

December quarter likely to prolong weakness in the rupee.

The worse-than-expected deficit also adds pressure on the government as it tries to push through long-delayed reforms to stave off a sovereign rating downgrade due to the country's high deficit on both the current and fiscal accounts. A sharp rise in gold imports, a hefty oil bill and falling exports due to the global slowdown have kept India's current account deficit at persistently high levels.

Though the Indian economy is headed for the weakest full-year growth in a decade, at about 6%, far below the near double-digit pace before the global economic downturn, the Reserve Bank of India (RBI) has been hesitant to lower rates since April because of above the comfort level inflation.

The central bank left the short-term lending (repo) rate and the cash reserve ratio (CRR) unchanged at 8 per cent and 4.2%, respectively. However, it has given an indication that there will be a rate cut in the third-quarter review of its policy on January 29, which will support growth. Moreover, the indication to change its stance of policy from inflation to growth is a step in the right direction.

Meanwhile, the Indian equities market ended the month of December on a positive note registering one of the best gains among the leading indices from major countries across the globe on the back of strong FII inflows, some late moves by the government to put the slowing economy back on track and the resilience by local investors in the face of global concerns

Foreign institutional investors (FIIs) remained net buyers of Indian stocks during the month of December with inflows worth Rs 25,087.80 crore. BSE Sensex ended the month of December, 2012 with marginal gain 0.45% at 19426 while the S&P CNX Nifty gained 0.44% to settle at 5905.

Metal sector was at the crowning position during the month with gains of 6.91%. In addition, high beta stocks of Auto and Realty recorded healthy increase of 5.66% and 5.63% returns, respectively. The laggards were CD and IT with losses of 3.89% and 3.47% respectively.

During the start of the month, the UPA government won the vote on foreign direct investment (FDI) in multi-brand retail in both the houses of Parliament. Further, the Rajya Sabha passed the Banking Laws (Amendment) Bill, 2011 that is expected to pave the way for issuance of the new bank licenses by the RBI.

India's manufacturing sector expanded at its fastest pace in five months in November 2012, boosted by strong export orders and a surge in output. The HSBC manufacturing Purchasing Managers' Index (PMI), which gauges the business activity of India's factories but not its utilities, rose to 53.7 in November from 52.9 in October, denoting a healthy recovery in the economy.

Bringing the much-needed relief to a battered economy, India's index of industrial production (IIP), a key measure of industrial output, expanded at its fastest pace in 16 months at 8.2% in October versus a contraction of 0.4% in September. This is the highest growth that the IIP has touched since June,2011.

After rising to the highest level in the year for the month of September, the wholesale price index (WPI), India's main inflation gauge, in a big relief, unexpectedly cooled down to 7.24% (provisional) for the month of November, 2012 as compared to 7.45% for October and 9.46% during the corresponding month of the previous year, thereby registering second consecutive decline. However, the annual rea

The immediate focus of most markets is the so-called U.S. fiscal cliff, which is the combination of automatic tax hikes and spending cuts that will be triggered in January if Congress does not act, and which could mean another recession in the U.S. A resolution of US's fiscal problem is expected to boost sentiment in financial markets across the globe, which could rub off on Indian equities as well.

Going forward, while reversal of interest rate cycle would be a key trigger for the market during the first half of 2013, the uncertainty of outcome of general elections in 2014, would act as a wild card. Budget 2013 would be a keenly watched event as one expects populist measures in pre-election year. We believe that reform momentum by the government and fall in interest rates would contribute to growth both in industrial economy and corporate earnings. From international perspective, we expect that monetary easing policy should provide abundant liquidity that would flow towards emerging economies. We think that 2013 would be an year of intense volatility and year of execution as we shall witness how well the government is able to implement the reforms as promised. Investors should continue to stay optimistically cautious as volatility may be generated based on news flows and select stocks specifically within sectors depending on company specifics.

Yearly Performance

Indian Indices

Indices	Dec-12	Dec-11	Change %
SENSEX	19426.71	15454.92	25.70
S&P CNX NIFTY	5905.10	4624.30	27.70
BANK NIFTY	12474.25	7968.65	56.54
CNX MIDCAP	8505.10	6111.85	39.16
S&P CNX 500	4743.45	3597.75	31.84
CNX IT	6024.95	6139.00	-1.86
CNX REALTY	281.30	184.20	52.71
CNX INFRA	2585.00	2124.90	21.65

BSE Sectoral Indices

Indices	Dec-12	Dec-11	Change %
AUTO	11426.21	8143.65	40.31
BANKEX	14344.99	9153.39	56.72
CD	7719.1	5284.33	46.08
CG	10868.11	8067.63	34.71
FMCG	5916.22	4035.31	46.61
HC	8132.35	5870.52	38.53
IT	5684.08	5751.93	-1.18
METAL	11070.63	9293.17	19.13
OIL&GAS	8518.58	7529.27	13.14
PSU	7334.71	6364.89	15.24
REALTY	2110.8	1375.65	53.44
TECk	3427.9	3380.25	1.41

Global Indices

Indices	Dec-12	Dec-11	Change %
DOW JONES	13106.00	12217.00	7.28
NASDAQ	2660.00	2277.00	16.82
HANG SANG	22656.00	18434.00	22.90
FTSE	5897.00	5572.00	5.83
NIKKEI	10395.00	8455.00	22.95

Commodities and Forex

Particular	Dec-12	Dec-11	Change %
MCX GOLD	30,859	27,329	12.92
MCX SILVER	57,864	51,029	13.39
MCX CRUDE OIL	5,015	5,296	-5.31
MCX-SX USDINR	55	53	3.12

FII Activity (` in cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for 2012	669,182.91	540,823.21	128,359.80

MF Activity (` in cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for 2012	119,214.70	139,818.40	-20,603.90

* Till Nov 2012 (Source: SEBI)

Monthly Performance

Indian Indices

Indices	Dec-12	Nov-12	Change %
SENSEX	19426.71	19339.90	0.45
S&P CNX NIFTY	5905.10	5879.00	0.44
BANK NIFTY	12474.25	12158.90	2.59
CNX MIDCAP	8505.10	8139.80	4.49
S&P CNX 500	4743.45	4675.25	1.46
CNX IT	6024.95	6263.25	-3.80
CNX REALTY	281.30	266.55	5.53
CNX INFRA	2585.00	2629.60	-1.70

BSE Sectoral Indices

Indices	Dec-12	Nov-12	Change %
AUTO	11426.21	10814.46	5.66
BANKEX	14344.99	13951.88	2.82
CD	7719.1	8031.24	-3.89
CG	10868.11	11080.2	-1.91
FMCG	5916.22	6037.91	-2.02
HC	8132.35	7946.48	2.34
IT	5684.08	5888.42	-3.47
METAL	11070.63	10355.19	6.91
OIL&GAS	8518.58	8252.14	3.23
PSU	7334.71	7177.65	2.19
REALTY	2110.8	1998.36	5.63
TECk	3427.9	3527.88	-2.83

Global Indices

Indices	Dec-12	Nov-12	Change %
DOW JONES	13106.00	13025.00	0.62
NASDAQ	2660.00	2677.00	-0.64
HANG SANG	22656.00	22030.00	2.84
FTSE	5897.00	5866.00	0.53
NIKKEI	10395.00	9446.00	10.05

Commodities and Forex

Particular	Dec-12	Nov-12	Change %
MCX GOLD	30859.00	31076.00	-0.70
MCX SILVER	57864.00	61185.00	-5.43
MCX CRUDE OIL	5015.00	4838.00	3.66
MCX-SX USDINR	55.15	54.60	1.01

FII Activity (` in cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Dec 2012	74,314.30	49,226.30	25,087.80

MF Activity (` in cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Dec 2012	9,978.10	12,676.60	-2,698.90

(Source: SEBI)

Key Events in December, 2012

India's manufacturing PMI grows at five-month high in November, 2012: Indicating further improvement in the health of the Indian manufacturing sector, the seasonally adjusted HSBC Purchasing Managers' Index, posted a good advancement in November, surging to their five-month high to 53.7 from 52.9 in October.

Indian exports down by 4.17% in November, 2012: India's exports in November contracted 4.17 per cent year- on-year, for the seventh month in a row, to USD 22.2 billion, due to slowdown in demand in the US and European markets, as against $ 23.2 bln during November. On the other hand, imports were valued at $ 41.58 bln growing by 6.35% leaving a trade deficit of $19.3 billion.

October, 2012 IIP expands at 8.2%: India's annual industrial output growth measured by index of industrial production (IIP), expanded by robust 8.2% for the month of October against contraction of 0.4% in the previous month, thus clocking the highest growth since June, 2011.

November 2012 inflation eases down to 7.24%: The wholesale price index (WPI), India's main inflation gauge, in a big relief, unexpectedly cooled down to 7.24% for the month of November, 2012 as compared to 7.45% for October, 2012. However, the annual reading for the month of September was revised sharply higher to 8.07% from earlier of 7.81%.

India's FDI inflows in October 2012 jumps 67% to $1.94 billion: The foreign direct investment (FDI) inflows into India rose 67% in October, 2012 to $1.94 billion. Total FDI inflows in the first seven months for the current fiscal year that began in April were down 42% from a year earlier at $14.79 billion.

Monetary policy : The Reserve Bank of India (RBI), left the short-term lending (repo) rate and the cash reserve ratio (CRR) unchanged at 8% and 4.25%, respectively. It stated, however, that with inflation pressures ebbing, monetary policy has to increasingly shift focus and respond to the threats to growth from this point onward.

12 FDI proposals worth over Rs 802 crore get govt's approval: The Central Government, on recommendations of the Foreign Investment Promotion Board (FIPB), has given nod to the twelve Foreign Direct Investment (FDI) proposals, including Ratnakar Bank, envisaging a total inflow of over Rs 802 crore. However, it has rejected the proposals of Mahindra and Mahindra, Coimbatore-based Ampo Valves India and Mumbai-based Berggruen Real Estates.

Auto Sales: Dec,12

Auto Sales numbers for December 2012 reflect a continuation of the overall weakness in the domestic auto industry. While certain segments like SUV and LCV continue to register healthy volumes, on the other hand, M&HCV continues to be the worst performing sector. 2W market leader Hero Moto's numbers reflect a flat growth scenario, as it comes under increasing competition from Bajaj and HMSI. Bajaj's numbers reflect a second consecutive monthly surprise, with a 17% yoy growth in the domestic sector. 4W leader Maruti's numbers were not encouraging due to low petrol model sales, and we feel that there is an over dependence on the Ertiga's volumes. We believe that the "SUV" and "Scooter" segment are also showing early signs of "over crowding". Bajaj Auto and Tata Motors were the positive and negative surprises respectively for December.

Hero Motocorp's volumes fail to show any meaningful signs of pickup. Bajaj reported another good month of volumes, with domestic volumes improving to 218K units, domestic motorcycle market share has come close to 27% with the success of its new launches. TVS continues to face competition in all domestic segments, particularly in the scooter segment which we feel is becoming over crowded. The company had launched the 125 cc Phoenix motorcycle a few months ago and hopes to increase market share by 2.5%, which we feel will be very difficult. Maruti's monthly numbers reflect weakness in the all petrol "Mini" segment, while the SUV segment sales have come lower than 6,000 for the first time in the last 6 months. Ertiga's strong performance has provided support to overall numbers, and we feel that over – reliance on one model might prove to be a risk factor. Tata's motors domestic performance has been the worst hit, M&HCV segment volumes were again lower than 10,000 units, a fall of 46%. Tata's Domestic Passenger Car segment fell by 50% yoy. The LCV segment / Ace family however provided support to a very weak domestic performance M&M continues to outperform, with its SUV segment growing at a monthly rate of 25% over the last 6 months. We note that M&M might face challenges in this segment in the coming year due to possible hikes in diesel prices (and hence narrowing of the fuel differentials), and continuing competition from Maruti (Ertiga selling 7,000+ units per month), and Renault (Duster selling 5,000+ units per month). M&M's domestic tractor segment volumes continue to be a disappointment. Ashok Leyland's M&HCV segment continues to languish due to the slowdown in core economic growth.

Honda motorcycles continue to perform well, but scooter segment growth has come under pressure due to "over crowding" in that segment. Meanwhile, Hyundai's domestic volumes continued to stay weak in line with the industry.

SUMMARY:

December sales numbers released signal a continuation of weakness in the domestic auto industry. While certain "pockets" like SUV's and LCV's are growing well, but the overall trend of 2W, 3W and 4W continues to be weak, with M&HCV's being the worst performing segment. Though we don't expect any significant improvement in the domestic auto sector till the end of FY13, however easing of macro pressures in FY14 could result in re-entry of deferred purchases and improved sentiment in certain segments. We feel that the absence of a considerable fiscal / monetary push over the next year will keep domestic auto sector growth at "moderate" levels in FY14. Proposed increase in diesel prices by INR 10 per litre can also dampen consumer interests.

Advance Tax: Oct-Dec, 2012

Advance tax collection registered a marginal increase of 7.5 per cent in the third quarter to Rs 78,000 crore, reflecting the impact of slowing economy.

Advance tax payment is a reflection of performance of the economy and lower collection suggests lower profitability. The economic growth rate in the first half of the current fiscal was 5.4 per cent as against 7.3 per cent in the same period of previous fiscal. Companies pay advance taxes in four installments. In the current quarter, they have to pay 30 per cent of their annual tax liability.

The largest lender State Bank of India has paid marginally lower advance tax in the third quarter at Rs 1,701 crore as against Rs 1,730 crore in the same period last year. While Bank of Baroda paid Rs 550 crore compared to Rs 525 crore last quarter and Central Bank of India paid Rs 120 crore against Rs 104 crore in the year ago period. Similarly, housing lender HDFC said it has paid Rs 560 crore in advance tax against Rs 475 crore in the review period, a growth of 18%.

Software major TCS has also seen a major spike in its tax outgo at Rs 810 crore compared to Rs 530 crore, which is a growth of over 52.83%.

However, the largest steel maker Tata Steel has seen its outgo decline by more than half to Rs 520 crore as against Rs 1,090 crore. Among the auto sector, Bajaj Auto has paid Rs 470 crore compared to Rs 450 crore, while Tata Motors has not paid any amount this time around against Rs 60 crore it had paid in the Sept-Dec quarter of last fiscal.

FII Activity (` in cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Jan-12	50,467.40	40,109.90	10,357.70
Feb-12	79,898.60	54,686.60	25,212.10
Mar-12	63,795.10	55,413.80	8,381.10
Apr-12	41,091.90	42,200.50	-1,109.10
May-12	42,443.30	42,790.70	-347.10
Jun-12	44,751.20	45,252.40	-501.30
Jul-12	49,557.40	39,284.80	10,272.60
Aug-12	48,136.50	37,332.50	10,804.00
Sep-12	66,752.50	47,491.20	19,261.50
Oct-12	56,832.40	45,468.20	11,364.20
Nov-12	51,143.80	41,567.00	9,577.00
Dec-12	74,314.30	49,226.30	25,087.80
TOTAL	669,184.40	540,823.90	128,360.50

(Source: SEBI)

MF Activity (` in cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Jan-12	10,421.40	12,279.50	-1,858.40
Feb-12	14,940.40	17,111.50	-2,171.10
Mar-12	10,585.00	12,134.10	-1549.10
Apr-12	9,054.20	9,593.20	-539.00
May-12	8,871.60	9,269.70	-397.80
Jun-12	9,267.70	8,972.10	295.50
Jul-12	8,825.90	10,795.60	-1,969.70
Aug-12	9,535.70	11,136.00	-1,600.30
Sep-12	10,427.20	13,625.90	-3,198.70
Oct-12	9,058.80	11,578.50	-2,519.80
Nov-12	8,248.70	10,645.70	-2,397.00
Dec-12	9,978.10	12,676.60	-2,698.90
TOTAL	119,214.70	139,818.40	-20,604.30

(Source: SEBI)

Advance Tax figure of Nifty Companies (Oct-Dec 2012)

Nifty Companies	Oct-Dec, 2012	Oct-Dec, 2011	% Change y-o-y
ACC	112	95	17.89
Ambuja Cements	150	110	36.36
Bajaj Auto	470	450	4.44
BPCL	201	Nil	N.A.
Coal India	75	--	--
HDFC	560	475	17.89
HDFC Bank	1000	900	11.11
HUL	450	290	55.17
ICICI Bank	675	500	35.00
ITC	1100	910	20.88
L&T	330	350	(-) 5.71
Lupin	133	43	209.30
M&M	295	207	42.51
Reliance Ind	1100	1000	10.00
Siemens	19	70	(-) 72.86
State Bank of India	1701	1730	(-) 1.68
Tata Motors	Nil	60	N.A.
Tata Steel	520	1090	(-) 52.29
TCS	810	530	52.83
UltraTech	250	200	25.00

Fund Managers share their market outlook, sector preference & investment strategy

1. As we head into 2013, what is your view about the Indian markets? Should investors invest at this juncture for long-term or are the markets fully valued?

Mr Sadanan Shetty : We believe we are headed for another year of robust returns for 2013, One need to understand Indian markets have been consolidating in last 4 years and have been trading substantial below its long term average .This is in spite of superior financial performance led by many large and mid cap companies. The domestic and global headwinds have capped the performance and suppressed the market performance. The coming year's returns will be led by earnings upgrades and incremental re-rating of the market. Investor must get into the market without being concerned about recent sharp rally and higher level of the market. Investor should not succumb to traditional folly of getting off right at the turn of next sustainable market up move. It's time to get confident about India and its economy.

Mr. A. N. Sridhar: Our markets continue to be a good long term bet and are one of the best destinations for long term investment.

2. What are the big triggers that investors should watch out for that would perhaps catapult the markets to its new highs ?

Mr Sadanan Shetty : Triggers are already being playing out in the market. The change of guard at finance ministry and his new team has provided the first trigger for the market. The new team has prioritized the currency stability and investment revival and foreign flow. The subsequent steps have boosted the morale of the institutional investors, causing significant flow of the market. We believe sustaining the current momentum is extremely important. Govt's effort to use executive and administrative measures to revive the investment cycle is very important. Upcoming budget could be used to further provide fillip to the economy and market

Mr. A. N. Sridhar: The biggest triggers are of course government policies. For a developing economy like India, these form a major trigger or decision changer for any investor. The policy paralysis that we witnessed prior to 3-4 months has now changed for the better, with the passing of FDI in Retail, Banking Amendments Bill etc. Still many issues like FDI in Insurance, Goods and Service Tax, Direct Tax Code etc. proposed by the government are yet to be passed. Moreover, big investments in Infrastructure and Power are long overdue. Favourable announcements in the above areas would augur well for the markets. Any improvement in the US and Euro zone would also be considered as a big positive trigger. The relative movement of other assets, commodities and currencies would have to be conducive for big investment in equities in India.

3. Do you think 2013 would bring with us the beginning of another bull market rally for our markets?

Mr Sadanan Shetty : We think market will continue to maintain the momentum that has started in last quarter of CY 2012. India is still cheap across many parameters including market cap to gdp ratio. There will be significant upside to the market in coming period. Future bull market rally need not be secular one. We are living in unpredictable global world, trade and finance have interlinked like never before. Pockets of unseen, unpredictable events can always induce volatility to secular bull rally. Overall we are optimistic on the market sustaining the significant gain in coming period

4. How do you view the impact of fiscal cliff issue and the debt ceiling issue in the US on the global markets including our markets?

Mr Sadanan Shetty : Global leaders in recent times have shown maturity in tackling financial crisis that had the potential to turn into catastrophe. We have seen big crisis of Lehman Brothers and Euro Crisis have been averted successfully even if it's temporary. We expect Fiscal Cliff issue will also be resolved and would not inflict incremental damage the markets. Indian markets will continue to remain in sweet spot due to its potential to deliver higher growth rate and would be largely driven by domestic factors.

Mr. A. N. Sridhar: The problems of Fiscal cliff and debt ceiling issue are not US specific, because of the global integrations with this largest economy of the world. Any solution to the fiscal cliff would be keenly watched by the world economies especially the emerging economy like India, as it can have an indirect impact with US in the short to medium term.

Mr. Sadanan Shetty
Vice President and Sr.Fund Manager
Taurus Asset Management Co. Ltd.

5. Sectorally what would you recommend for the 2013? How should investors allocate their money?

Mr Sadanan Shetty : On a portfolio basis we would have significant bias for BFSI sector especially on PSU large and mid cap banks. One should also consider new generation PVT sector banks also in the list. We think effort to review investment cycle will significantly benefit. Capital goods, Infrastructure, Power, and Engineering sector. Real Estate and Auto sector will also benefit due to significant reduction in interest rate and resilient consumption growth. Broadcasting, motion picture and content cos will do significantly well as content monetization will gather its steam. Within MF products one should look at sectoral funds like Banking, Infrastructure, and Mid cap and Diversified funds.

Mr. A. N. Sridhar: Sectorally, Infrastructure, Power and Banking should be preferred over others. Infrastructure because, most stocks of the sectors are currently attractively valued. With India, continuing to be a good long term bet, favourable government policies and investments in Infrastructure and Power is imminent, and this would bring back lost value in these stocks. Secondly, for economy to grow, our banking system would have to grow and become stronger. This would be possible only with consolidation in the Indian Banking space, entry of new players, increase in voting rights for foreign owners etc. Policies related to these are inevitable in the medium term. On a relative basis, sectors other than those mentioned above would under-perform. Investors should continue to hold diversified portfolios with increased exposure in above mentioned sectors.

6. Which sectors should investors stay away from in the forthcoming year?

Mr Sadanan Shetty : The year 2013 is about relative return and ability generate return at optimal level.. In an economy that is recovering from long spell of lull. It benefits almost all components of the economy and markets. One could focus on companies and sectors which will deliver superior returns. The Sectors mentioned about looks clear winners in such scenarios. Large number of mid cap and small cap cos have ability to deliver substantial higher than benchmark return. One could identify them from logistics, retail, Infrastructure, construction, engineering, media, IT, FMCG and pharma and NBFC. Large outperforming sector like FMCG, Pharma in recent times will take backseat in relative return perspective. IT and Oil and Gas and Telecom may also lag in relative return perspective

7. Midcap vs large cap, which is the right investment pick at the moment?

Mr Sadanan Shetty : Midcaps are different asset class within equities due to its volatility and risk-reward. Allocation of assets within and outside of equities should depend upon ones risk appetite. Mid caps will continue to outperform large cap. Scope to re-rate for mid caps are greater than large cap cos in the current environment. Mid cap cos have more leveraged to economic recoveries than large cap due to existence of multiple lever and subsequent improvements in return ratios. We see tremendous opportunities in large nos of mid companies within media, logistics, engineering, NBFC, banking, mining, power, IT, FMCG, transmission, airlines etc.

Mr. A. N. Sridhar: Over the years, rallies have been more stock-specific, across large and mid caps. This generally happens in a stagnant or falling economy. But when there is an economic revival, investors shift to top-

(Contd...)

Mr. A. N. Sridhar,
Fund Manager,
Sahara Mutual Fund

down approach. Therefore, the initial interest would be in large-caps but several mid-caps which are potential large caps too would stand as good picks. However, only stocks with good fundamentals should be bought.

8. With RBI monetary policy expected to come out in January, how do you look at rate-sensitive sectors like banks, auto and real estate?

Mr Sadanan Shetty : It is now consensus view about outperformance of rate sensitive sectors driven by significant rate cut that market is expecting in coming quarter. One should also take into consideration that since last one quarter rate sensitive sectors like Banks, real estate, Autos have been the biggest outperformer. To that extent view has been pretty much digested within the market participants. There still exits larges upsides in this sector but one has to be stock specific to make return incrementally from the sector. We would also incline to believe other spectrum of rate sensitive sectors like Infrastructure, Construction, and Engineering to better and deliver superior returns.

Mr. A. N. Sridhar: The RBI stance of giving importance to managing inflation vis-à-vis promoting growth is likely to continue; but the central bank has given enough feelers to signal rate cut this January. This would augur well for medium term, because only successive cuts would force the intermediaries to pass on the benefit to consumers. Sentiment would definitely change, flows too would increase but for momentum to sustain, intermediaries would have to play a vital role. Inflation though would be keenly watched for future trend.

9. With the diesel price hike expected in a staggered manner by the government, how do you look at oil and gas space? Should one venture into oil marketing companies?

Mr Sadanan Shetty : Oil marketing cos could emerge as dark horse for 2013, some companies with large E&P exposure within its portfolio. Govt resolve to cut fiscal deficit by lowering under recoveries is significant step forward for profitability of OMCs. We see some of the steps taken recently as unprecedented and could be termed as 'game changer' if sanctity of those policies maintained. We do believe regulatory headwinds to ease for the sector and expect absolute positive return although we are not sure whether it would match return of winning sectors of 2013 as mentioned above except to an extent for select OMCs.

Mr. A. N. Sridhar: The proposal to hike the diesel prices which are currently administered by the government looks practical. If it is really implemented, more than the companies, the government would benefit in managing the economic affairs of the nation. Then the stocks would indeed be good investments as uncertainties relating to subsidy would not be there. But government would have the old problem on hand i.e. inflation.

10. What are your expectations from earnings season this time around? Do you think the worst of the earnings downgrades are behind us?

Mr Sadanan Shetty : With 3Q reporting season we will cross the cycle of earning down grade and in coming quarter will look forward to earnings upgrade. Reversal of interest cycle should have direct positive impact on earning upgrade and economic recoveries should boost top lines of corporate India. Earnings upgrade will play significant role in market up move this year with incremental upside from re-rating.

Mr. A. N. Sridhar: This earnings season, like the past quarter ended September 2012, is likely to throw fewer surprises. For some sectors the earnings downgrades are behind us.

11. How do you look at the gold versus equity market's debate? For 2013, what is you expectation of the return on gold? Do you expect equities markets to outperform gold in 2013?

Mr Sadanan Shetty : Incremental outlook on Gold is not as bullish as it has been in last two years. Heightened global risk appetite, post resolution of Euro zone Crisis. And US fiscal cliff. Global equities will sustain the risk appetite that it demonstrated in last quarter. This is not favorable environment for GOLD. Nevertheless we think GOLD must become part of one's asset allocation .

12. What funds would you recommend for investors ?

Mr. A. N. Sridhar: Interest rates have almost peaked out and the progressive Banking Amendments Bill is also passed. As explained above, in future, several measures are likely to be taken for growth of this industry. To capitalize these, investors can prefer to invest in high dividend paying Sahara Banking & Financial Services Fund - a Lipper Award winner last year. Our Sahara Infrastructure Fund and Sahara Power and Natural Resources Fund too would help investors to create good sector specific portfolios.

Tax Planning

Come January and it's that time of the year when most of us would start planning our taxes. In fact, a lot of us would already have got deadlines from our employers to submit investment proofs for tax purposes. It's time to act again. Tax planning is an essential part of financial planning that enables us to reduce our tax liabilities to the minimum. This is done by legitimately taking advantage of all tax exemptions, deductions rebate and allowances while ensuring that your investments are in line with your long term goals. Equity Linked Saving Scheme (ELSS) and Tax free Bonds are two such instruments which allow us to do this.

Equity Linked Saving Scheme (ELSS)

Some key features/advantages of ELSS are:

- Lock-in period of only 3 years.
- SIP (Systematic Investment Planning) available
- Only tax- saving vehicle having substantial equity exposure (large cap, mid cap and small cap)
- Dividend pay-out is tax exempt
- Provides tax deduction benefit under section 80C of the Income Tax Act

Potential Investors:

- Salaried Individuals
- Self Employed Persons/Professionals

How to Apply for ELSS?

- Offline: To apply for ELSS, an investor needs to comply with KYC regulations, whereby investor needs to provide personal details like PAN no etc., after which, the investor can approach AMCs for subscribing to ELSS. Investor has to provide a photocopy of PAN Card along with the subscription form. The subscription form and a cheque leaf of the investment amount should be submitted with the AMC. In case of SIP (systematic investment plan), one additional form should be filled and signed by the investor.
- Online: In case of an existing trading account with Arihant, there is only one requirement of filling a form for online mutual fund transactions. Thereafter, trading in ELSS will be routed the same way as trading in equities.

Recommended ELSS

NAV Calculated as on 2nd January 2013 (in Rs)

Name	Launch Date	1 Mnth	3 Mnth	6 Mnth	1 Year	3 Year	Since Inception	Nav
HDFC Tax Saver Fund-G	13-Mar-96	4.83	7.17	14.19	28.75	7.97	21.42	248.16
Canara Robecco Equity Tax Saver-G	2-Mar-93	2.52	6.66	14.06	32.15	11.34	32.48	30.1
Sundaram BNP Paribas Tax Saver Fund-G	22-Nov-99	3.5	5.65	17.46	36.2	4.8	12.82	48.7
Franklin India Tax shield-G	16-Aug-00	2.12	6.4	15	29.81	10.83	26.12	242.64

Tax-free Bonds:

We are aware that the Indian economy has been on a high inflation and high interest rate trajectory for quite sometime. However, RBI in its last monetary policy review indicated initiation of monetary easing cycle from January onwards. As we know, as interest rates come down, bond prices go up. Hence, in the given scenario, there is a lot of scope of capital appreciation with tax-free bonds once the widely anticipated interest rates start falling. What's more ? These bonds have now got the added advantage of being tradable and freely transferable as they are listed on the exchanges.

Particulars	Of
Tenure	10-20 years
Interest	7% - 8% (varies)
Interest Taxability	Tax free
Scope of capital appreciation	Yes
Investment limit	10 lacs for retail investors

Particulars	Of
Rating	AAA/AA+ for most issues
Safety	Secured but not insured
Liquidity	Easy liquidity/tradable
Demat/physical option	Both options available

What makes tax free bonds attractive?

- Tax-Free Income
- Higher effective after-tax returns
- Low risk of default, since companies have a better credit rating
- Listing of bonds on various Exchanges provides liquidity to your investments
- Option of holding bonds in 'Demat Form' makes your investments easy to handle and monitor
- Ratings by agencies like CARE, FITCH, CRISIL; ICRA enables you to assess the quality of instruments
- Scope of capital appreciation

How to Apply for Tax Free Bonds?

- Demat: To apply for tax-free bonds through demat mode, an investor needs to submit application form (available on Arihant website) along with cheque of requisite amount at the nearest Arihant centre.
- Physical: In case of physical mode, a copy of PAN card, address proof and cancelled cheque needs to be submitted along with cheque of requisite amount and application form.

Upcoming/Ongoing Tax Free Bonds

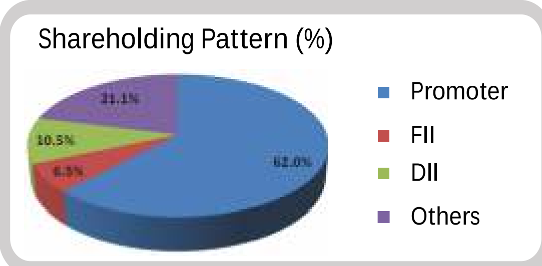
Issuer Name	Opening Date	Closing Date	Min Amount	Rate of % (Individuals)	Rating
India Infrastructure Finance Company Ltd. (IIFCL)	26-Dec-12	11-Jan-13	5,000	7.69 / 7.86 / 7.90	"CARE AAA" , "[ICRA] AAA " , "BWR AAA"
Housing and Urban Development Corporation Ltd. (HUDCO)**	9-Jan-13	22-Jan-13	5,000	7.84 / 8.01	"CARE AA+", "IND AA+".

** Also note that NRI's can invest in HUDCO Bonds in both repatriation and non-repatriation basis.

Bajaj Finance Ltd: BUY

Target Price 1,480

Value Parameters :	
BSE Code	500034
NSE Symbol	BAJFINANCE
CMP (Rs)	1379
Face Value (Rs)	10
52 Week High/Low (Rs)	585/1376
Market Cap (Rs in cr)	5,706
FY12 EPS (Rs)	10.3



Bajaj Finance Ltd- treading on the growth path

Company Overview: Bajaj Finance Limited is the most diversified non-bank in the country, the largest financier of consumer durables in India and one of the most profitable firms in the category.

Here under are summary details of the portfolio of businesses for Bajaj Finance:

Consumer Finance	Consumer Durables Finance, Lifestyle Finance, EMI Card, Personal Loans Cross Sell, Co-branded Credit Cards, Two and three wheeler Finance, Salaried Personal Loans
SME Finance	Mortgage, Business Loans
Commercial Lending	Construction Equipment Finance, Infrastructure Finance, Vendor Financing

Investment Rationale:

Bajaj Finance Ltd. has consistently observed loan growth with 50% CAGR over FY10-12 and we expect the growth momentum to remain strong albeit at 35% levels for the period FY12-15. The consumer finance business and the small business segments aided by cross-sell is expected to support the growth pace. Further, clear earnings visibility and the resultant superior return ratios, better margin profile, improvement in asset quality and visible AUM growth makes us positive on the company.

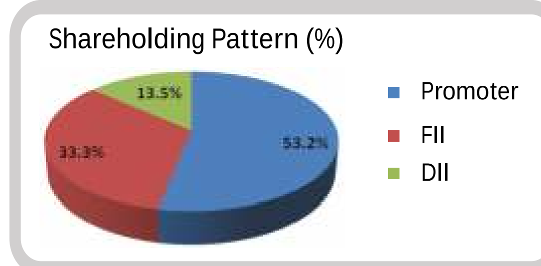
Valuation:

Niche business model, strategic focus on high growth business segments, consistent product development and product pricing, and superior customer service form the positives for the company. We remain cautious on asset quality front and credit losses, however , we believe in the resilient balance sheet and the diversified product segment of the company. We recommend BUY rating for the company i.e. currently trading at 2.9X P/BV, with a price target of Rs 1,480. The strong business fundamentals and superior earnings profile justify the premium valuations and we do see further upside from current levels.

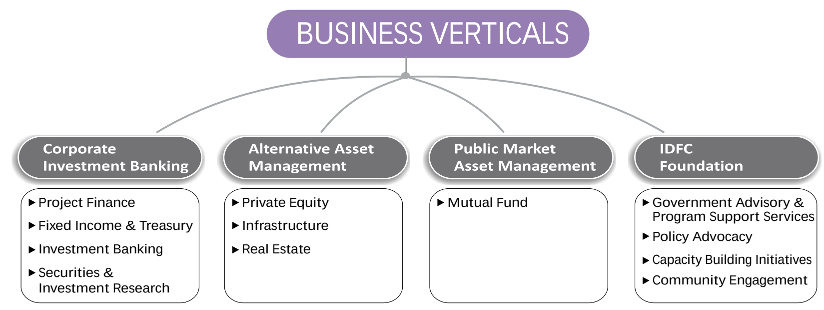
IDFC: BUY

Target Price 196

Value Parameters :	
BSE Code	532659
NSE Symbol	IDFC
CMP (Rs)	184
Face Value (Rs)	10
52 Week High/Low (Rs)	96/183
Market Cap (Rs in cr)	27,777
FY12 EPS (Rs)	17.1



IDFC currently proves as the best bet in infrastructure financing space



Company Overview:

IDFC looks after the diverse needs of infrastructure development. Whether it is financial intermediation for infrastructure projects and services, adding value through innovative products to the infrastructure value chain or asset maintenance of existing infrastructure projects, we focus on supporting companies to get the best return on investments.

Investment Rationale:

IDFC has delivered consistent strong performance both on margins and growth front. The earnings outlook and the growth visibility remain strong for IDFC. Loan growth for the company has been supported by refinancing opportunities. Softening of wholesale rates and Government's due attention to infrastructural reforms would prove as key earnings driver for the company. While we remain cautious on asset quality front, adequate provisioning instills our confidence in the company.

Valuation:

IDFC proves a good bet and is favourably placed amidst the other infrastructure financiers. Robust earnings performance aided by strong growth and rich margin profile, healthy asset quality and prudent provisioning policy makes us positive on the company. The anticipated monetary policy easing and slew of reforms from the Government would further prove as positive triggers for IDFC. We advise Investors to Buy IDFC which is currently trading at 2.2X P/BV for a price target of Rs 196.

Sector Outlook for 2013

Sector	Factor influencing the Sector	Stocks to watch
Metal and Mining	Continued growth in Chinese economy	NMDC
	Positive news flow from EU zone	Sesagoa, Sterlite
	Continued rally in global commodity prices	JSW Steel, Tata Steel
	Interest rate cut will increase domestic spending and thus demand	Monnet Ispat
	Pre-election year spending by the government likely to spur the demand	JSPL
	Increased clarity with favorable outcome on regulatory issues surrounding Mining activities	GPIL, Indian Metals & Ferro Alloys (IMFA)
Cement	Pre election year spending by government on infrastructure likely to push demand for cement	Ambuja Cement, Ultratech Cement,
	Stable raw material prices; coal in particular	Grasim Ind., JK Cement , Orient Industries
	Favorable CCI ruling	JK Lakshmi Cement, Mangalam Cement
Oil and Gas	Effective implementation of recent direct cash transfer programme likely to bring down reliance on subsidies	ONGC Indian Oil, BPCL
	Clarity on pricing of petroleum products based on crude oil prices will auger well for oil marketing and upstream oil companies.	GAIL
	Appreciation in rupee will bring down import bills for oil marketing companies Clarity on Natural Gas pricing	CAIRN India
IT	Improvement in the incremental Discretionary spending	TCS
	Outlook given by the industry for the clientele budget scenario for CY13	Wipro
	Currency depreciation further to lower levels Employee intake for FY14	HCL Tech
	Salary hikes for the industry to be in the historical yearly guidance levels	Infotech Enterprises
Auto	Due to challenging economic conditions, combined with lack of a substantial fiscal or monetary push in the coming year, we believe that 2013 will be a "mild to moderate" year for domestic auto sector growth.	Tata Motors, Mahindra and Mahindra
	We believe that the fastest growing segments will be Light Commercial Vehicles (LCV), Sports Utility Vehicles (SUV), and Scooters while Heavy Commercial Vehicles (HCV) is expected to be the weakest performer.	
	Possible increase in Diesel prices by Rs 10 per litre might create negative sentiment in the PV and CV segment. Fuel costs (petrol and diesel) are expected to stay high throughout the next year, due to expected high international crude prices and weakness in currency. Based on our interaction with auto dealers, fuel costs continue to be the number 1 factor to influence a vehicle purchase.	
	Weakness in domestic currency might result in higher import cost, which might keep vehicle prices high. Bajaj Auto can be the biggest beneficiary of the weak currency due to high exports.	
	Raw Material costs are expected to stay firm, (partly due to a weak currency) and pressures on company's variable overheads may keep a check on margin expansion.	
Pharma	Any major proposal for foreign direct investment in the sector, if announced, could be a big trigger. Further, the verdict of the apex court on the new drug pricing policy, if released on an unanticipated line, could lead to a major negative movement in pharma stocks. The effect of the clearance in the verdict has already been factored in the price.	Dr Reddys, Ranbaxy, Lupin
FMCG	An increase in prices will be seen as the new packaging norms come into effect. Companies will be nervous; lower growth estimates will impact product demand. Optimism will be witnessed on rural growth.	ITC, Tata Global Pidilite
Banking	The Reserve Bank of India which is currently giving final touches to the new bank license norms is likely release the final norms in January. The mint street will begin the process of granting the new banking licenses. The likely contenders include M&M Finance, Bajaj Finance, Shriram Transport Finance and L&T Finance. Any positive news for the above companies should provide big momentum.	Federal Bank, Bank of Baroda

Technical Outlook, 2013

Indian equities market witnessed strong foreign inflows in the year 2012 as government announced some policy reforms to review growth which led the indices to gain nearly 26% this year.

Since we are entering 2013 on a positive note, we are of the opinion that equities markets are the right place to get invested where one can expect a minimum of 15 to 20% return on your capital.

Technical Harmonic Pattern unfolding on the indices Fig 1.1

Fig 1.2

- The current price action is displaying a Bearish Gartley formation. In a Gartley pattern the wave XA normally ends at 78.6% (5963) or some time ends at 88.6% (6150) Fibonacci retracement level (Fig 1.1).
- At present we are not observing any reversal pattern on the chart, any move beyond the channel line would propel Nifty to test the prior high of 6335.
- However if the rally test the prior high then the next Harmonic pattern which is unfolding would be Crab Pattern, which is 161.8% Fibonacci retracement level of the wave XA. The above mentioned crab pattern would then end at 7500 level.
- The current scenario, suggests that Nifty has tight resistance at 6150 level, according to Gartley pattern. Any strong reversal near that level could witness a correction of 10%.
- On the flip side, if the price action continues beyond the prior high of 6335, then the target for indices could be 6335 – 6641 – 6893 and 7500.

Time Analysis:

- Indian equities market is observing an 8 year cycle. The recent top of 2008 appears to replicate the entire movement post 1992 top. Hence the next top according to time theory would be in the year 2016.
- During, this period we are likely to witness multi folds rallies.

Conclusion for the year 2013:

Combining the above technical arguments, we are of the opinion that Nifty is likely to test 6335 – 6641 levels in the coming year but sustainability would be questionable hence we recommend profit booking at regular intervals.

The next down leg to unfold would be in the range 5500 – 5150 levels in the latter half of 2013 and early to 2014. However such correction would offer golden opportunity for investors to go long as next Bull Run may lead the indices towards new highs by 2015 – 2016.

Equity

Technical Picks

Reliance

BUY - Rs 850-830
TP - Rs 885-905
SL- Rs 815

Reliance Industries Limited (BSE code – 500325, NSE code - Reliance) is one of the largest publicly traded companies in India by market capitalisation and is the second largest company in India by revenue after Indian Oil Corporation. It is also India's largest private sector company by revenue and profit. On the daily chart, stock is trading between " channel pattern" and has given a "symmetric triangular" formation breakout. At present, prices have taken support at 200 DMA. Further the momentum indicator viz. the RSI is trading positive. Hence, we expect the momentum to continue in this stock.

We recommend a buy and accumulate on Reliance at Rs 850-830 with a stop loss of Rs 815 and a price target of Rs 885-905 for short to medium term.

Averages (SMA)	
13-DMA	835
50-DMA	811
200-DMA	768

Support & Resistance-Daily	
R2	900
R1	880
S1	840
S2	822

Stock Trend	
Short	Up
Medium	Up
Long	Down

TCS

BUY - Rs 1,270-1,250
TP - Rs 1,300-1,330
SL- Rs 1,225

Tata Consultancy Services Ltd (BSE code – 532540, NSE code - TCS) is an Indian multinational information technology (IT) services, business solutions and outsourcing services company. It has been trading in down trend from its peak of Rs 1,439.80 on 14th Sep, 2012 and made low of Rs 1197.00 on 18th Dec, 2012. On the daily chart, stock is trading between " channel pattern" and has taken support at 200 DMA. Further the momentum indicator viz. the RSI is trading positive. Hence we expect the momentum to continue in this stock.

We recommend a BUY and accumulate on TCS at Rs 1270-1250 with a stop loss of Rs 1225 and a price target of Rs 1300-1330 for short to medium term.

Averages (SMA)	
13-DMA	1,251
50-DMA	1,283
200-DMA	1,255

Support & Resistance-Daily	
R2	1,320
R1	1,280
S1	1,250
S2	1,230

Stock Trend	
Short	Up
Medium	Up
Long	Up

Commodities 2013 - Major events to watch out for

Monetary policy by RBI: There are expectations that RBI will cut interest rates to support growth and to keep a check on inflation. These decisions will have a high impact on agro commodities.

Impact of recent reforms: Government's decision to allow FDI in retail and various other reforms will come in force this year and we may see commodity prices fluctuating under impact of INR's strength/weakness. Agro commodity prices will be most affected.

Budget 2013: Being a pre-election year, Budget will obviously catch the eyes of every investor, trader and common man. Commodity prices may see some add-ons in the form of duties and taxes. Gold and Silver have already been in line of fire from finance ministry, some agro commodities may come under scan as well.

Elections: States like Madhya Pradesh, Rajasthan, Chhattisgarh, Karnataka and Delhi will vote to form new Government at the end of this year. Agro commodities having high production base in above states like chana, soybean, mustard and wheat are likely to get election based short term benefits.

India's measures to cut gold imports: The current account deficit worries are forcing to end dependency on gold. Policies to cut gold imports are likely to be implemented at regular intervals this year and we may see rising import duties and newly added taxes very soon.

US' Federal Deficit: US may face even bigger budget battles in the next two months after a "fiscal cliff" deal narrowly averted devastating tax hikes and spending cuts. The main challenge would be to raise the borrowing limit in February to close a deal. If Obama Government succeeds in closing a deal in February, Gold will tumble the most.

New policies in China: The new leadership in China is likely to frame more aggressive policies in mid of this year. Economy of China has slowed down last year due to increased labor cost and low production. Housing and core industrial sectors are expected to get revival. Base metals will be in focus amid all this restructuring as China is the world's largest consumer of copper, nickel and lead.

Year gone, 2012:

Commodities performed extraordinarily in last five years but the decade long rally, especially in metals and energy sectors, looked like reaching a saturation stage in 2012. Thus, on one hand some commodities scored their new all-time high prices while on the other hand, few lost their shine and direction to trade in an indecisive range. In Indian market, currency disparities played key role in deciding the ultimate price. For example, Gold, after reaching all-time highs in September, 2011 never really took-off in 2012 in international markets like COMEX & London bullion market but traders and investors in India were more than delighted when Gold prices crossed Rs 33000/10g mark in local markets. This happened with almost all the commodities which are import based.

Year Ahead, 2013:

Enter 2013! New year, new hopes and new forecasts. All eyes are now on how commodities will perform this year. Here is the segment wise brief on our estimates and outlook for 2013.

Bullion, Metals and Energy Commodities

Commodity	Highlights	Trend	Strategy
BULLION			
Gold	'Safe haven' appeal likely to fall as major economies are expected to show some signs of recovery this year. Indian Government's measures to bring down Gold consumption will hamper local demand in long run. Currency disparities will play major role in deciding the ultimate price in Indian market.	Down	Crucial support is at $1600, below which fall may be seen towards $1520 & then $1400. Important resistance is at $1800. Trading range in Indian markets likely to be Rs 27,000-33,000.
Silver	Physical demand is likely to retain its pace since silver is extensively used in electronics & other industries. Currency disparities will bring in unexpected volatility but investment appeal may increase this year & we may see small rallies in between.	Sideways	$26 is important support at COMEX. Trading range likely to be Rs 51,000-65,000 at MCX.
BASE METALS			
Copper	Worldwide demand looking to remain higher. New leadership in world's largest consumer China is likely to be supportive for housing sector & core industries. There is no hurdle in supplies at present but contingent factors like production halt due to mine strikes, accidents & maintenance must be considered.	UP	Rs 435-425 is good range to buy. A break above Rs 470 will pave the way for Rs 500-530 levels. Rs 405 is crucial support.
Nickel	Supply is likely to remain on higher side this year which gets reflected in rising LME inventories. But increase in demand due to parity with substitutes will save the prices from falling further.	UP	Rs 930-910 levels will attract buying. Overall range likely to be Rs 880-1,200 for the year.
ENERGY			
Crude Oil	Geo-political tensions aside, demand in India & China will keep a check on falling crude oil prices for this year too. Despite a huge glut of crude oil, a revival of demand may be seen in US this year along with supply threats arising over conflicts within OPEC on various policies.	UP	NYMEX Crude may trade back above $100 this year. Trading range at MCX likely to remain between Rs 4,800-5,700.
Natural Gas	A clear shift towards consumption of natural gas in many countries strengthens the outlook. Less vulnerable to geo-political tensions makes it attractive. Advanced production technologies will show their impact this year with US on the verge of an extensive export strategy which will bring gas as a main stream fuel to drive the world economy.	UP	NYMEX gas may reach $7 this year. Prices at MCX may see a stretch between Rs 140-320 this year.

Agri-commodities

Commodity	Highlights	Trend	Strategy
SPICES			
Pepper	Bearish on weak demand for the Indian produce in the export market and the increase in imports of cheaper produce from Sri Lanka and Vietnam. Pepper shipments from India to the international market were being quoted at $8,475-$8,600 a ton. Production for 2013 is projected at 316,832 tn.	Down	Trading range for the coming year could be Rs 39,200-28,800. Best strategy could be selling on rise.
Chilli	Expected to remain negative for short and medium term as a result of higher production, lower domestic and export demand, fresh arrivals and increase in the production estimates. The total chilli production in the country is estimated at 2.90-3 crore bags this year against 2.80 lakh bags of the last year.	Down	Crucial resistance is Rs 6,800, above which rally may be seen towards Rs 7,950. Support is at Rs 5,800-5,520. Buying may be initiated above Rs 6,800.
Cardamom	Lack of domestic and export markets are making cardamom markets bearish both in spot and futures. The production is also low. An export target of 4,000 tons has been fixed by the Spices Board of India for 2012-13 crop year.	Sideways	Trading range for the coming year could be Rs 820-1500. Buying on dips could be the best strategy.
Turmeric	Low supply, pick up in domestic demand and exports are expected to help turmeric prices to move further Exports and consumption are likely to increase further in line with 2012, giving a push to the commodity prices.	Up	Can buy and accumulate in the range of Rs 6,200-6,000. Trading range for the coming year could be Rs 6,000-9,000
Jeera	Jeera (Cumin Seed) showing bearish trend in both spot and future markets in India due to lower demand. Rise in exports may help Jeera prices to move up in near future. India's production for 2013 is estimated at 55,000 tons against 43,000 tons projected for the year 2012. The country's domestic consumption and exports in 2013 is estimated at 43,000 tons and 25,000 tons respectively.	Up	Trading range could be Rs 15,000-12,300. Selling on rise could be the strategy for the coming year.
OIL & OIL SEEDS			
Soy Complex	Significant rise in the supply of edible oils Cheaper edible oil prices are expected to pressurize the prices of soy bean in India. Better production prospects in Brazil and Argentina are expected to pull down soy bean prices in the international market.	Down	Trading range could be Rs 2,850-3,500. Low risk traders are suggested to stay away from the market.
OTHERS			
Sugar	Bearish on higher output and subdued demand India's sugar mills have produced 4.91 million ton sugar in the 2012-13 sugar seasons till Dec 15. The production is up nearly 2% from 4.82 mln tn produced a year ago. Sugar supplies are estimated at 30.5 mn tn against the domestic consumption of around 22.5mln tn for 2012-13.	Down	As per the technical analysis, one can go long around Rs 3,150-3,100. Resistance is seen at Rs 3,440-3,500.
Chana	Due to some better production projection and estimates of higher acreage it witnessed free fall in prices in the last few months.	Sideways	Trading range could be Rs 3,700-4,250.

Currency Outlook

Volatile 2012 for USD-INR:

Looming domestic and global economic concerns turned the USD-INR volatile throughout the calendar year 2012. It made a historical high of

Rs 57.32 in the month of June 2012, and ended the year with a gain on 3.12%. An ailing economy pulled down by poor performance of manufacturing and agriculture sectors; disappointing IIP numbers in the middle of the year and below 6% GDP for the last three successive quarters's dampened investor sentiments. Besides, burgeoning current account deficit owing to large oil and gold imports made the Indian currency vulnerable to capital inflows.

Outlook for 2013:

From the above analysis, we expect that USD-INR should remain on a volatile note during the start of the 2013. After that, any positive developments in the budget session during the March- April are likely to lead to sell off in the pair, which could further boost the local and global equity markets. However, USD-INR remains challenged by a very weak current account position which continues to leave it at the whim of portfolio flows.

We expect that the USD-INR to test Rs 52.80-52.50-51.00 levels during the H1 of the 2013 (Expected D point as per the Gartley Pattern). Further down side moves are may be seen only below Rs 50.50, till Rs 48.50 levels. Otherwise, from the Rs 52.80-51.00 levels buying is expected which may take USD-INR towards Rs 53.50/54.00 levels (61.8 % retracement at least from CD leg of Gartley Pattern) in the second Half of the year. After that, further move will depend on new global and national developments.

Mid-to-Long Term Recommendation:

Thus, our long term view is short in far month USD-INR Future; at around Rs. 55.80- Rs. 56.00 with Rs 57.35 levels as strict stop loss and projected target of Rs. 52.80/51.80 levels.

USD-INR Monthly Chart: Elliot wave

As per the wave count drawn on the above monthly chart, the USD-INR spot long term uptrend started from July, 2011 with an impulsive wave's structure. The rise from Rs 43.85 (ii) to Rs 57.32 (Jun, 2012) is high of wave 5th (V).

The correction from Rs 57.32 to Rs 51.35 (Oct 2012) is considered as corrective wave A. The subsequent up move from Rs 51.35 to Rs 55.88 is treated as a wave B (Nov, 2012).

Now the pair is assumed to ready for corrective wave C with projection till Rs 50 levels. Also, sustaining below drawn trend line (high of Rs 57.32 (29/6/12) to high of Rs 55.88 (30/11/12) is giving strong indication for the above movement.

MACD is at on the overbought zone and treading on the verge or bearish cross over which makes the probability of sustained trading above Rs 55.05 levels quite low. Meanwhile, it was also found trading above its 100 and 200 SMA and is signaling for a retest of medium term moving averages.

USD-INR Weekly Chart: Gartley Bullish Pattern

On the above weekly chart, USD-INR was found forming Gartley Bullish Pattern. The following conditions justify the above pattern:

- On the chart, X point is considered at Rs 48.95 levels (26 Feb 2012).
- The A point is at Rs 57.52 levels (24 June 2012).
- The correction from Rs 57.52 levels to Rs 52.10 levels (7th October 2012) is considered as A-B point which amounts to 38.2% retracement of the X-A.
- The subsequent up move from Rs 52.10 levels to Rs 55.92 levels is treated as point B-C (25 Nov 2012).
- From the above pattern, the pair is assumed to be preparing for point C-D.
- D point may just above X point (78.6% retracement from X-A levels), confirming for Gartley Bullish Pattern, thus giving a projection up to Rs 52.80 levels.

Major events and their impact on USD-INR during the year 2013

1. Monetary policy by the Reserve Bank of India (RBI): With the inflation coming down and steps taken by the government towards fiscal consolidation over the last year, the ball is in RBI's court to initiate rate cuts. With the central banks largely expected to do rate cuts starting January,13 selling pressure will be seen on USD-INR.
2. Inflation: Inflation is expected to remain a point of concern (projection at 7.5% by end-March 2013), which would attract keen attention from the RBI to shape its monetary policy stance. There is however, a case for the RBI to reduce interest rates by 50 bps in H2 FY13 as food inflation can moderate more due to the high base effect and the inflow of the Kharif crop. Also, major projection for 2013 inflation is on reduction from 2012 levels. This will also help to moderate USD-INR.
3. FDI Inflow: In winter session 2012-13 FY, the cabinet approved limit for foreign investors such like Single retail brand from 51% to 100%, 49% in Aviation, 49% in Insurance and 26% FDI in Pension. Meanwhile, FDI in broadcasting services sector was raised from 49% to 74% and Withholding tax was reduced from 20% to 5% on interest income for foreign investors in the same session. These reforms came in as much awaited move and there is an expectation for a boost to the economy. This may add some selling in to the USD-INR as a result of increase in FDI in-flows.
4. Effect of widening current account deficit: India's current account deficit widened to a record high of 5.4 percent of GDP in the September quarter as export growth slowed more sharply than imports. Going by the current data it is likely that the data for the Oct-Dec quarter would be even worse and it would be a key factor for the USD-INR in the coming year.
5. Budget session: During the March to April period, USD-INR will reflect through the Railway and Union Budget, any positive announcement could lead correction in the pair. Hopes for more outdoors for the FIIs are likely to boost the local market.
6. Global situations: Progress on European banking union for the future framework, Fed policy along with measures taken to resolve fiscal cliff and debt ceiling issue in the US will help to support USD-INR during the start of the year. Further, looking out at 2013, there are significant EUR downside risks that are difficult to ignore- bouts of political uncertainty, economic contraction and negative headlines are likely to weigh heavily on fragile market sentiment driving a small appreciation in dollar in 2013. Furthermore, growth in the China in Q1 2013 is expected to exceed 8% y-o-y which may boost the Asian currencies against the dollar.

Mutual fund industry

Though the year 2012 commenced on a gloomy note, however a few positives changed the cards and the benchmark indices ended with handsome returns of over 25% outperforming their Asian peers. The bold reform measures taken by UPA government, signaling of monetary easing cycle by the Reserve Bank of India and continuous unleashed quantitative easing programmes by governments worldwide led to a surge in foreign flows towards the end of the year.

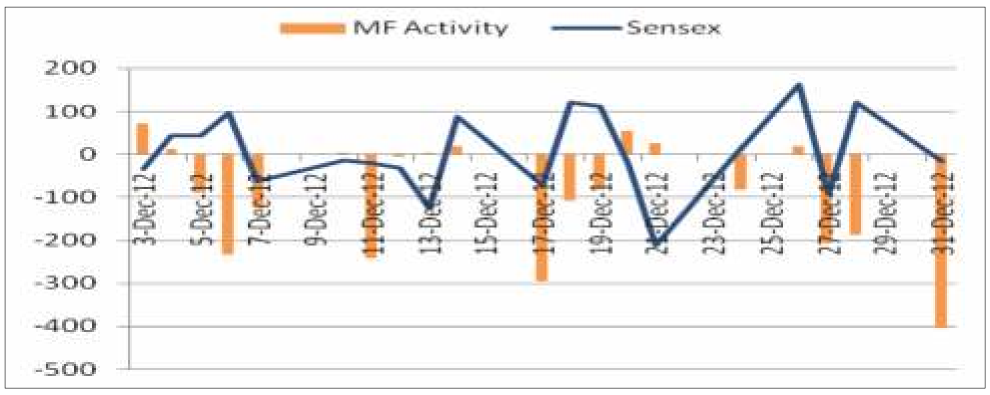
In the year 2012, the benchmark BSE index surged 25.7% to mark its biggest gain since 2009 while the S&P CNX Nifty was up by 27.70%. Bankex counter outperformed with gains of 56.72% during similar period. Other sectors that led the rally were Realty and FMCG that gained 53.44% and 46.61%, respectively.

In the month of December 2012, the BSE Sensex ended with a marginal gain 0.45% to settle at 19426, while the S&P CNX Nifty jumped by 0.44% to end at 5905. The top gainers on the BSE Sectoral space were Metals (up by 6.91%), Auto (up by 5.66%) and Realty (up by 5.63%) while CD (down by 3.89%), IT (down by 3.47%) and Teck (down by 2.83%) were the losers during the month.

Indian mutual funds turned net sellers of equities to the tune of Rs 2,698.90 crore for the month of December, 2012 and Rs 20,603.90 cr for the year, 2012. On the other hand, the foreign institutional investors pumped in Rs 25,087.80 cr during December, 2012 and Rs 1,28,359.80 crores worth of equities in the year, 2012.

Mutual Fund Activity in December, 2012

Rs (in Crores)	Gross Purchases	Gross Sales	Net investment
1st Week	2,430.90	3,524.00	-1093.10
2nd Week	2,858.10	3,638.40	-780.40
3rd Week	2,808.60	3,439.20	-630.60
4th Week	1,496.90	1,647.90	-151.20
5th Week	383.60	427.10	-43.60
Total	9,978.10	12,676.60	-2,698.90



Mutual Fund Activity in 2012 (Rs in cr)

Date	Gross Purchases	Gross Sales	Net Pur/Seles
Jan-12	10,421.40	12,279.50	-1,858.40
Feb-12	14,940.40	17,111.50	-2,171.10
Mar-12	10,585.00	12,134.10	-1549.10
Apr-12	9,054.20	9,593.20	-539.00
May-12	8,871.60	9,269.70	-397.80
Jun-12	9,267.70	8,972.10	295.50
Jul-12	8,825.90	10,795.60	-1,969.70
Aug-12	9,535.70	11,136.00	-1,600.30
Sep-12	10,427.20	13,625.90	-3,198.70
Oct-12	9,058.80	11,578.50	-2,519.80
Nov-12	8,248.70	10,645.70	-2,397.00
Dec-12	9,978.10	12,676.60	-2,698.90
!TOTAL	119,214.70	139,818.40	-20,604.30

Gainers and Losers:

The robust performance of the Indian bourses was reflected in the performance of equity diversified schemes with funds delivering positive returns during the month of December, 2012 as well as year 2012. SBI Magnum Sector funds Umbrella - Emerg Buss fund was the best performing fund that generated positive return of 5.88% during the month of December, 2012. While Birla Sun Life Mid Cap fund - Plan A and Templeton India Equity Income fund jumped by 5% during the month. On the other hand, Sundaram Media & Entert Opportunities fund – Regular gave negative returns of 2.35%.

Monthly Best Performer: All Equity Diversified Funds

Scheme Name	NAV (Rs.)	Last 1 Month %
SBI Magnum Sector Funds Umbrella - Emerg Buss Fund - G	61.18	5.88
Birla Sun Life Mid Cap Fund - Plan A - G	118.94	5.00
Templeton India Equity Income Fund - G	23.22	5.00
Franklin India Prima Fund - G	330.53	4.82
Kotak Emerging Equity Scheme - G	13.84	4.40

In the sectoral fund category, HDFC Infrastructure Fund - Growth topped the chart with a positive return of 5.01%, followed by Sundaram Financial Services Opportunities fund – Regular that jumped by 4.67% and Reliance Banking fund that went up by 4.34%. While the worst performer in this category was Birla Sun Life New Millennium that generated a negative return of 3.42% in the month.

Monthly Best Performer: All Sectoral Funds

Scheme Name	NAV (Rs.)	Last 1 Month %
HDFC Infrastructure Fund - G	11.00	5.01
Sundaram Financial Services Opportunities Fund - Regular - G	20.96	4.67
Reliance Banking Fund - G	120.13	4.34
Baroda Pioneer Banking and Financial Services Fund - G	11.88	4.30
Birla Sun Life MNC Fund - G	267.14	4.00

On the debt side, the top performing debt fund was HDFC Monthly Income Plan - Long Term Plan - that generated return of 2.07% and ICICI Prudential Multiple Yield fund - Plan D gave positive return of 1.99% while SBI edge fund was the worst performer in this category provided a negative return of 0.57% in the month of December 2012.

Monthly Best Performer: All Debt Funds

Scheme Name	NAV (Rs.)	Last 1 Month %
HDFC Monthly Income Plan - Long Term Plan - G	26.36	2.07
ICICI Prudential Multiple Yield Fund - Plan D - G	12.01	1.99
FT India Monthly Income Plan - Plan B - G	32.27	1.85
Tata Dynamic Bond Fund - Plan A - G	16.78	1.71
IDFC Monthly Income Plan - G	12.85	1.63

Yearly Best Performer: All Equity Funds

Scheme Name	NAV (Rs.)	Last 1 Month %
ICICI Prudential Banking and Financial Services Fund - Retail - G	22.80	71.75
Reliance Banking Fund - G	120.13	60.15
UTI Banking Sector Fund - G	48.64	58.34
Sahara Banking and Financial Services Fund - G	34.37	57.81
Religare Banking Fund - Reg - G	23.83	57.77

Yearly Best Performer: All Debt Funds

Scheme Name	NAV (Rs.)	Last 1 Month %
ICICI Prudential Multiple Yield Fund - Plan A - G	12.01	19.50
IDFC Monthly Income Plan - G	12.85	18.84
HSBC MIP - Savings Plan - G	22.46	17.64
Sundaram MIP - Aggressive - Reg - G	11.88	16.86
Reliance MIP - G	25.30	16.67

Capital Movement:

Rally in the equity markets reflect the performance of mutual fund industry. The mutual fund industry reported a 6.18% rise in its average asset under management (AUM), q-o-q, to Rs 7,84,718.20 crore for the quarter ending December 2012, as per the data released by the Association of Mutual Funds of India (AMFI). The positive performance of the equity markets, the breadth of the mutual fund industry was positive with 33 of 41 fund houses recording a rise in their AUM.

L&T Mutual Fund was the biggest gainer during the quarter, in absolute terms, with its AUM rising by Rs 8,181 crore or 210.68% to Rs 12,064.10 crore followed by ICICI Prudential Mutual Fund that recorded an increase of Rs 76,387.6 crore or 6.55% to Rs 81,394.2 in its AUM.

Among the top ten fund houses of the country, in terms of AUM, only one fund house registered a decline in their AUM , nine of them saw an increase. IDFC Mutual Fund, saw an increase of 7.13% in its AUM to Rs 30,001.9cr, the highest percentage and absolute increase among the top ten fund houses while UTI Mutual Fund saw a sharp erosion of 0.02% in its AUM, which is equivalent to Rs 144.60cr. ICICI MF and Birla Sun Life MF saw their assets rise at the fastest pace in percentage term. The ICICI MF jumped 6.55% and Birla Sun Life MF grew 5.47%. Reliance MF, the country's second largest asset management company, managed an asset growth of 5%. HDFC MF, top in terms of AUM grew by only 3.70%. SBI MF AUM jumped 4.6 % from the previous quarter, to Rs 53,311 crore. On the other hand fund houses like Daiwa, Edelweiss, Sundaram and BNP Paribas witnessed a decline in their quarterly AUMs.

Change in Quarterly AUM of Top 10 Mutual Fund Houses

Mutual Fund Name	Average AUM (Rs in cr)		Q-o-Q Change	
	Oct- Dec 12	July- Sep 12	Absolute	%
HDFC MF	101,392.50	97,773.70	3,618.90	3.70
Reliance MF	90,635.80	86,326.90	4,308.90	4.99
ICICI Prudential MF	81,394.20	76,387.60	5,006.60	6.55
Birla Sun Life MF	76,889.80	72,904.50	3,985.30	5.47
UTI MF	70,638.10	70,782.80	-144.60	-0.20
SBI MF	53,311.30	50,958.80	2,352.50	4.62
Franklin Templeton MF	40,868.60	39,045.60	1,823.00	4.67
Kotak Mahindra MF	31,772.80	30,316.00	1,456.80	4.81
DSP BlackRock MF	30,837.60	30,227.30	610.30	2.02
IDFC Mutual Fund	30001.90	28004.20	1997.70	7.13

Change in Yearly AUM of Top 10 Mutual Fund Houses:

Mutual Fund Name	Average AUM (Rs in cr)		Q-o-Q Change	
	Oct- Dec 12	July- Sep 12	Absolute	%
HDFC MF	101,392.50	88,628.03	12,764.47	14.40
Reliance MF	90,635.80	82,305.81	78,821.80	10.12
ICICI Prudential MF	81,394.20	69,367.79	12,026.41	17.34
Birla Sun Life MF	76,889.80	60,377.27	16,512.53	27.35
UTI MF	70,638.10	57,817.34	12820.76	22.17
SBI MF	53,311.30	41,551.51	11,759.79	28.30
Franklin Templeton MF	40,868.60	35,641.63	5,226.97	14.67
Kotak Mahindra MF	31,772.80	29,738.06	2,034.74	6.84
DSP BlackRock MF	30,837.60	30,564.90	272.69	0.89
IDFC Mutual Fund	30,001.90	26,475.93	3525.96	13.32

The breadth of the industry was positive in year 2012. Among the top ten fund houses of the country, SBI Mutual Fund saw highest return of 28.30% or Rs 11,759.79 in its AUM, to Rs 53,311.30 cr while Birla Sun Life Mutual Fund is the second performer in term of percentage with 27.35% or Rs 16,512.53 in its AUM, to Rs 76,889.80 cr.

HDFC Mutual Fund, the largest fund house of the country, saw an increase of 14.40% or Rs 12,764.47 cr in its AUM,to Rs 1,01,392.50 cr. The second largest fund house (in terms of AUM) Reliance Mutual Fund, witnessed gain 10.12% or 78,821.80 in its AUM, to Rs 90,635.80 cr.

Report card of our fundamental picks, 2012

Company	Initiating Price	Rating	Target (Rs)	CMP (Rs)
Banking & NBFCs				
BOB	743	Buy	864	878
Federal Bank	483	Buy	533	522
Yes Bank	347	Hold	439	498
Indusind Bank	345	Accumulate	385	431
Bank of Mah	53	Buy	79	64
DCB	46	Accumulate	51	50
Lakshmi Vilas Bank	119	Not Rated	NA	121
Andhra Bank	100	Buy	148	129
PFC	183	Buy	265	207
IDBI Bank	88	Hold	100	116
ShriramTransport	520	Buy	680	751
M&M Fin	672	Hold	756	1203
Dewan Housing	181	Buy	311	221
Auto				
Maruti	1438	Reduce	1423	1584
Hero Moto Corp	1795	Reduce	1827	1897
Bajaj Auto	1772	Reduce	1707	2196
TVS Motors	38.6	Hold	41.5	47
Tata Motors	280	Hold	300	313
IT				
Infy	2298	Accumulate	2645	2374
TCS	1262	Accumulate	1421	1294
Wipro	374	Accumulate	432	404
HCL Tech	609	Hold	638	627
KPIT Cummins	120	Accumulate	138	109
Polaris	117	Buy	162	116
3i Infotech	33	Sell	16	9
Infotech Enterprises	190	Buy	233	178
Oil & Gas				
ONGC	262	Buy	339	288
GAIL	361	Hold	400	366
IGL	265	Buy	320	255
Cairn India	311	Buy	362	342
Metal				
JSW Steel	733	Hold	801	854
IMFA	271	Buy	336	299
GPIL	123	Buy	151	119
Adhunik Metaliks	34	Buy	46	46
Monnet Ispat	305	Buy	395	278
Visa Steel	51	Reduce	27	49

Arihant Events

At Arihant, we think beyond business. We are deeply committed to our core values which always place our client's interests first. As we offer a wide array of products and services and serve over a lakh clients, our mission is to "Empower the Investor". Our Investor Awareness Programmes help investors navigate the financial markets better and demystify the complex world of finance from a layman perspective.

In the year gone by, we conducted several seminars in association with the Exchanges for educating investors at grass root level. This included among other, commodities and currency hedging and new products launched by the Exchanges across the nation. We also actively participated in events conducted by the regulatory authorities and Exchanges to keep ourselves abreast of the current market activities.

A brief overview of some of the activities is given below:

Knowledge sharing seminar on "Risk Management using Currency Futures" on 30th June, 2012 at Sayaji Hotel, Indore. Mr Pratap Chandramani, corporate member from MCX-SX team along with Ms Swati Jain from Arihant presiding session conducted for importers/exporters/SME's and corporates.

Seminar at Barod on 7th July 2012, for explaining basics of equities markets and various trading strategies adopted in commodities markets. Mr Alok Thakkar from MCX and Mr Uttam Srimal from Arihant addressing the audience.

Investor awareness seminar in association with MCX and FMC on 15th September, 2012 at Pune in Hotel Coronet. Mr. Shivanshu Mehta, Vice President, from MCX and Ms Swati Jain and Mr. Nishchal Singh Bais presided the event and explained investors at length regarding benefit of taking delivery of gold and silver through MCX platform in light of festive season.


Arihant participated in a financial education initiative called, Jagruti in association with NSE India and Post Office on October 4, 2012, at post office, Chhindwara. Mr Gaurav Kapoor from NSE and Mr Gaurav Jain from Arihant briefed the audience.


Arihant participated in one of the most exciting investor support movement Investothon, 2012, on 14th October at Abhay Prashal Stadium, Indore conducted by CNBC-TV18 and NSE for driving the financial cause. Mr Ashok Kumar Jain, CMD was also present at the occasion to support the team. Team Arihant won two awards at the event.

Seal your Financial Leakages this Year

As the famous adage goes, "Change is the only constant in life"

Financial planning is not a one-time process. Life, your goals, tax laws, and your financial world have a way of changing, sometimes dramatically. It is quite unfortunate fact that though we spend more than half of our lives working and saving, but we hardly spend any time in contemplating on putting our hard-earned money to work more effectively for us. This approach leads to various Financial Leakages which often causes a financial disaster in the long run. Keeping a regular eye on our personal finances and sealing these financial leakages helps us to make the most of our money.

Let us take a resolution in this new year that we take charge of our finances wisely as we alone are the architects of our financial future. Reviewing provides us an early signal and prevents us from potential financial problems. Hence, we have identified few areas that need a regular review to help our financial plan running as planned:

Review your Goals: You should review your goals and find out if there are changes in your life, changes in job/increments/loss, if any of your goals have been achieved; if there have been birth or death in your family, or change in the family size on account of marriage; it makes sense to re-look at the goals and re-set the plan.

You should also assure that your saving plan is on track. If you are even not able to save for your high priority goals such as children education, children marriage or retirement then you should curtail your discretionary expenses.

Review your Loans: You should review your existing loans and ensure that all loans help you in increasing your net worth (assets- liabilities). In case they do not, you should plan for repaying the same. You should also review that your interest cost on loan is less than return on your investments. If it is not then you should redeem your low yield investments to repay loans. You should also find out the ways to reduce your interest burden.

Review your Insurance policies: Insurance is often the most crucial and yet the most overlooked aspect of financial planning. Though most of us take life insurance or health insurance covers but the amount of cover is usually inadequate. While buying life insurance, you need to consider the immediate, future and living expenses that your family might have to incur in case a tragedy strikes you. The right strategy is to buy pure term insurance with adequate cover. Hence, you should not mix insurance and investment. If you have life insurance policies other than the pure term insurance then, it is time for your to reconsider them.

Review your Investments: Year 2012 was characterized by sheer pessimism for the retail investors and hence most of the investors chose to stay away from the markets. However, as a matter of fact, equities generated more than 25% return in the past year, which was the highest among all the asset classes. If we look back, in the year 2008 there was a lot of optimism for equities and in the year 2010, there was a lot of optimism for silver but the returns in these asset classes were substantially negative in those years. Hence, our investment decisions should not be marked by pessimism or optimism about any asset class whereas they should be based on the correct Asset Allocation.

Asset Allocation decision involves deciding the percentage of investable funds to be placed in equities, bonds, real estate, gold, and cash equivalents. It is decided on the basis of investors' return requirements, risk tolerance and the time horizon in conjunction with the expectation about the capital markets and individual asset class.

You should also review risk and return of your individual investments and should take corrective measures if it has underperformed the benchmark.

Prepare and Review your WILL: Most of the individuals do not opt for making WILL just because they do not possess many assets or are under the impression that they have already made nomination. No doubt, nomination is a great help to successors but the Nominee can hold the assets only in the capacity of a trustee. In such a case, the nominee has to pass the assets to its successors. Hence, it is prudent to write WILL in addition to nomination. An important point to note here is that you have all the rights and privileges over your assets during your life time even after you have written your WILL. In other words, the contents of WILL are effective only after your death and your assets are safe during your life time.

You can also do tax planning for your successor through WILL. Your successors are your kith and kin and hence you would not want to burden them with any unnecessary tax liabilities. Hence, it is pertinent that you should review your WILL keeping in mind your successor's tax liability. It is advisable to take the assistance from a Certified Financial Planner having expertise in estate planning or a Chartered Accountant to mitigate this problem.

Review your Advisors performance: Financial advisor plays an important role in our financial decision making. In India, the financial service providers often focus on providing commission based recommendations without providing adequate knowledge to their customers. Hence, you need to ensure that your financial advisor is providing you advice or giving solutions considering your over all needs, attitude, life style, risk tolerance and financial situation. You should also review that your advisor is competent in providing advice on every aspect of personal finance. Additionally, transparency, honesty and proactive approach are a must while reviewing your advisors performance. If your advisors do not fulfill these parameters, then you should consider hiring a competent certified financial planner.

A Workout Worth Doing

You can keep yourself financially fit by:

- Periodically reviewing your goals to reflect changes in income or personal circumstances.
- Reviewing your loans keep track on interest cost
- Updating your various insurance safety nets and ensure you do not mix them with investment
- Monitoring performance of your investments and making adjustments if necessary.
- Writing your WILL keeping in mind your successor's tax liability
- Monitoring your Financial Planner's performance.

If You Choose To Work With A Financial Planner

You are the one ultimately responsible for the management of your own financial affairs. However, you may want additional help along the way from a Certified Financial Planner. A certified planner can:

- Provide expertise you don't have.
- Help improve your current financial management.
- Save your time.
- Provide an objective perspective.
- Help you work through a financial crisis.
- Motivate you to take action.

In case you are interested to have a personal financial planning session with our experts, you can e-mail us at feedback@arihantcapital.com or call us at 09320045030 and our executive will assist you.

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