ARIHANT's
VALUE Plus

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Monthly Newsletter (For private circulation only) Issue: August, 2013

ARI - Movers & Shakers

INDIAN INDICES

Indices	Jul-13	Jun-13	Change %
SENSEX	19345.70	19395.81	-0.26
S&P CNX NIFTY	5742.00	5842.20	-1.72
BANK NIFTY	10015.75	11617.25	-13.79
CNX MIDCAP	6872.95	7342.40	-6.39
S&P CNX 500	4379.65	4510.90	-2.91
CNX IT	7787.35	6634.15	17.38
CNX REALTY	167.55	192.25	-12.85
CNX INFRA	2178.95	2255.20	-3.38

(Source: BSE & NSE)

BSE-SECTORAL INDICES

Indices	Jul-13	Jun-13	Change %
AUTO	10568.80	10715.77	-1.37
BANKEX	11440.96	13257.76	-13.70
CD	6262.38	6134.72	2.08
CG	8227.04	9111.38	-9.71
FMCG	6791.78	6458.09	5.17
HC	9073.98	8845.26	2.59
IT	7458.19	6255.10	19.23
METAL	6882.46	7753.76	-11.24
OIL&GAS	8578.60	8900.41	-3.62
PSU	5449.81	6162.99	-11.57
REALTY	1316.95	1511.02	-12.84
TECk	4295.35	3679.08	16.75

(Source: BSE)

GLOBAL INDICES

Indices	Jul-13	Jun-13	Change %
DOW JONES	15499.54	14909.60	3.96
NASDAQ	3090.19	2909.45	6.21
HANG SANG	21883.66	20803.00	5.19
FTSE	6612.06	6215.47	6.38
NIKKEI	13668.32	13677.00	-0.06

(Source: Telequote software)

COMMODITIES and FOREX

Particular	Jul-13	Jun-13	Change %
MCX GOLD	28207.00	25669.00	9.89
MCX SILVER	41520.00	40208.00	3.26
MCX CRUDE OIL	6409.00	5763.00	11.21
MCX-SX USDINR	60.39	59.38	1.70

(Source: Telequote software)

FII ACTIVITY (₹ in cr)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Jul 2013	62,972.20	69,058.20	-6,086.10
Total for 2013 *	477,283.41	411,191.19	66,092.30

(Source: SEBI)

MF ACTIVITY (₹ in cr)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Jul 2013	10,485.10	12,653.70	-2,168.50
Total for 2013 *	65,628.30	80,670.40	-15,042.00

* From Jan-Jul 2013

(Source: SEBI)

Market Commentary

Indian equity markets witnessed a sharp recovery during initial part of July month after the Federal Reserve Chairman Ben Bernanke's declaration of continuance of US stimulus measures. The up moves were majorly supported by the global cues coupled with few government initiatives that once again led the indices at two month high. However, the gains were erased as benchmark indices plummeted during the last week of the month owing to a steep rupee depreciation, post the RBI's quarterly review of monetary policy.

Indian markets shut shop on a disappointing note as S&P BSE Sensex shaved off 0.26% settling the month at 19345.70 and CNX Nifty losing 1.72% ending the month at 5742.00. During the month, S&P BSE Sensex and CNX Nifty touched the highest level of 20351.06 and 6093.35 respectively on July 23, 2013 and the lowest level of 19126.82 and 5675.75 respectively on July 31, 2013. On the sectoral front, IT turned out to be the best performing sector in July, 2013 clocking gains of 19.23% in the backdrop of a strengthening dollar. This was followed by TECK (16.75%) and FMCG (5.17%). Bankex was the worst performer in the pack plummeting 13.70% followed by Realty, PSU, Metal, Capital Goods, Oil & Gas and Auto that lost 12.84%, 11.57%, 11.24%, 9.71%, 3.62% and 1.37% respectively.

On the institutional side, foreign institutional investors (FIIs) remained bearish during the month and sold equities worth Rs 6,086.10 crore in July 2013 while the domestic mutual fund houses sold Rs 2,168.50 crore of equities during July 2013.

On the global front, the world markets ended the month of July 2013 on a positive note. FTSE and Nasdaq were the top two performers, which ended the month with gains of 6.38% & 6.21% respectively. Hangsang also outperformed, rising by 5.19%. Dow Jones increased by 3.96%. However, Nikkei disappointed, reporting marginal loss of 0.06% during the month.

Earlier this month, the government promulgated an ordinance to implement the Food Security Bill, giving over two-thirds of the population the right to 5 kg of foodgrain each month at the subsidised rates of one to three rupees per kg. Implementing the food security bill will bring additional fiscal pressure and push up the fiscal deficit to five per cent of GDP in the current financial year.

During the beginning of the month the prime minister, Manmohan Singh stated that the government aims to invest Rs 1.15 lakh crore in PPP (public private partnership) projects across infrastructure sectors in rail, port and power in the next six months. But economic news remained unsupportive, as India's HSBC Purchasing Managers' Index (PMI) recorded a marginal rise in June at 50.3 as against 50.1 in May 2013. In another indication of slowing economic activity, the seasonally adjusted HSBC Services Business Activity Index for India fell to 51.7 for June 2013 from the 3-month high of 53.6 seen in May 2013. Sentiments also got dented after the International Monetary Fund (IMF) cut India's growth outlook for 2013-14 to 5.6% from the 5.8% it projected in April. India's industrial output growth measured by index of industrial production (IIP) fell 1.6% in May 2013 versus a growth of 2.3% a month ago while consumer price index (CPI) inched up to 9.87% in June, against 9.31% in May 2013. The Wholesale Price Index (WPI), on the other hand, rose to 4.86% in June 2013 from 4.70% in May 2013. On the other hand, Foreign direct investment (FDI) numbers showed some positivity with an increase of 25% y-o-y to $2.32 bn in April 2013, the highest level recorded in the past six months.

However, sentiments dampened during the last week of the month after the Reserve Bank of India (RBI) came out with a slew of measures, including hiking the lending rates for banks and sucking up Rs 12,000 crore to stem the rupee volatility. Sentiments also got clobbered after Asian Development Bank (ADB) for the second time this year, lowered its India's growth forecast to 5.8% from its April 2013 estimate of 6%, on account of growth constraints and sluggish progress in structural reforms. Indian markets suffered heavily in last two sessions, as though the RBI left the repo rate and the cash reserve ratio (CRR) unchanged in its first quarter monetary policy for 2013-2014, in line with the general expectations but its downward revision of GDP growth for the current fiscal to 5.5% from 5.7% dampened the market sentiments.

Meanwhile, the government has been moving ahead with its reforms process, opening the foreign direct investment (FDI) gates further in over a dozen sectors. The sectors where the FDI cap has been relaxed include courier services, credit information entities, asset reconstruction companies, commodities and stock exchanges among others. More significantly, the limit has been raised to 100% and 49% in the telecom and insurance sectors respectively from the earlier 74% and 26%. The government relaxed FDI rules in various industries in a bid to attract capital inflows, help the rupee and boost growth.

The Q1FY14 earnings season continued and most market heavyweights brought cheer with quarterly results beating consensus estimates. Better earnings by companies like Infosys, TCS, HCL Tech, Axis Bank, Indusind Bank, Kotak Bank, Maruti Suzuki, Reliance Industries, ITC and HDFC Bank for Q1 June 2013 supported the market uptrend. However, results of companies like ACC, Bharti Airtel, L&T, HUL and Asian Paints have been subdued and have failed to lift market sentiments.

On the global front, US markets continued their optimistic run during the month after Federal Reserve Chairman Ben Bernanke stated that the rate of bond purchases is flexible. Ratings firm Moody's raised its outlook on the country to stable from negative, citing the reason as federal government's progress in putting debt on a more sustainable path. The US Federal Open Market Committee said it would continue the asset purchases until the outlook for the labour market improved substantially in the context of price stability. On the other hand, China's GDP slowed in the second quarter to 7.5%. China's PMI for the manufacturing sector fell to 50.1% in June 2013 from 50.8% in May 2013. The European markets too showed some enthusiasm during the month after investors heard from Federal Reserve Chairman Ben Bernanke that the rate of bond purchases is flexible. On the economic front, Euro zone's current account surplus declined to 19.6 bn euros from the revised higher 23.8 bn euros in April 2013. Euro zone's industrial production was down by 0.3% in May 2013 as compared to 0.5% growth in April 2013.

Outlook

Going forward, we believe that the quarterly earnings cue going ahead would be crucial while the market would also keep a close eye on the political development and macro cues from the US. Fed's stance on the future of monetary easing due to be decided in the third week of August will determine the course of rupee-dollar movement that is going to be the major driving factor for markets in the near future.

Key News and Events in July 2013

- India June trade gap shrinks to $12.2 bn as gold import falls: India's trade deficit narrowed to $12.2 bn in June 2013 from a seven-month high of $20.1 bn a month ago, as bullion imports fell sharply because of various government measures to curb the same. However, the trade deficit in June was higher compared with $11.2 bn reported in June 2012. Sequentially, it was narrowed to a three-month low. India's gold and silver imports in June 2013 fell to $2.5 bn from $8.4 bn a month ago, but rose 22.8% on year. Exports in June 2013 declined 4.6% on year to $23.8 bn from $24.9 bn in June 2012, while imports contracted 0.4% to $36 bn from $36.2 bn in June 2012. For the Apr-Jun period, exports were down 1.4% at $72.5 bn. Imports in the first quarter rose 6% to $122.6 bn.
- India's Industrial growth slumps to 11-month low of (-)1.6% in May: India's industrial production contracted 1.6% in May 2013, the weakest growth in 11 months, compared with a growth of 2.3% in April 2013. Industrial production had grown 2.5% a year ago. The surprise contraction in May is on account of decline in output of mining and manufacturing sectors. The manufacturing sector, which accounts for three-fourth of the total

weight of the Index of Industrial Production, contracted 2.0% in May 2013, compared with 2.3% growth in April 2013. Following the trend, mining output contracted 5.7% compared with contraction of 3.3% in April 2013. Electricity was the only sector to show positive growth in May 2013 rose 6.2%, compared with 4.2% in April 2013. Capital goods and consumer goods output contracted 2.7% and 4.0%, respectively, in May 2013. The decline in both capital goods and consumer goods suggest weak investment and consumer demand in the economy.

- India June WPI inflation rose to 4.86% from 4.70% in May: India's headline inflation rate, based on the Wholesale Price Index, rose to 4.86% in June 2013 from a 43-month-low of 4.7% in May 2013, mainly on account of a sharp rise in vegetable prices. The inflation rate was 7.58% a year ago. This is the first time in six months that the WPI inflation rate has risen month-on-month. The rise in inflation was mainly due to a 8.14% rise in the prices of primary articles, against 6.65% in May 2013. Prices of food articles rose 9.74%, against 8.25% in May 2013. The sharpest rise was seen in the case of vegetables - prices rose 16.47%, against 4.85% in May 2013. The rise in food inflation meant that the retail inflation measured by CPI (Combined) also rose in June 2013. The CPI (Combined) inflation rate rose to 9.87% in June 2013 from 9.31% a month ago.
- RBI keeps key policy rates unchanged: The Reserve Bank of India kept key policy rates unchanged in its first quarter review of the monetary policy for 2013-14. Thus for the second time, Repo and Reverse Repo rate were left unchanged at 7.25% and 6.25% respectively. Further, Marginal Standing Facility (MSF) rate and bank rate too have been retained at 10.25% each, while Cash Reserve Ratio (CRR) was held out at 4% of their net demand and time liabilities (NDTL).
- Govt liberalises FDI norms; 100% FDI allowed in telecom: The UPA government announced major changes in foreign investment policy, including allowing 100% FDI in telecom services. The FDI limit in basic and cellular telecom services has been raised to 100% from 74%, insurance sector FDI limit has been raised to 49% from 26%, and also FDI up to 100% through automatic route has been allowed in courier services. There has been no decision on hiking FDI limits in civil aviation, media and multi-brand retail. The FDI limit for petroleum and natural gas refining, commodity exchanges, power exchanges and stock exchanges will remain at 49%, but the approval route has been changed to automatic from Foreign Investment Promotion Board route. The government also decided that Cabinet Committee on Security can allow FDI in defense production beyond 26% on a case-to-case basis. All these measures are likely to attract investments in India. The initiative has been a big step towards boosting growth.

Auto Sales Registered growth in July 2013

July 2013 domestic auto sales numbers continue to be weak, with no signs of immediate recovery. Erstwhile, fast growing segments like SUV's and LCV's are showing clear signs of slowing momentum. The acute contraction in the SUV segment is being witnessed across all models, which suggests there could have been excess inventory in the system. Heavy trucks continue to face one of their worst cycles, due to slowdown in overall core economic growth. Tractor numbers were also due for a correction in July 2013, given the high wholesale billing in Q1 before the start of the monsoon. Global 2W companies like HMSI and Yamaha have performed well on a “relative” basis. Global OEM's performance continues to stay “relatively” strong, with the biggest surprise of the month being Honda 2W (HMSI). Honda sold its highest ever volume at 2.87 lakh units in July 2013. Global 4W companies such as Ford's and Honda's numbers have also inched upwards, with the success of the EcoSport and the Amaze. Overall, July 2013 has been another uneventful month and we remain cautious on volumes for H2FY14.

Domestic companies

Market leader Hero Moto continues to face market pressure and overall slowdown in motorcycles. Bajaj's weakness is also due to their production loss due to the Chakan strike. TVS's product portfolio continues to remain weak across the board. This is the sixth consecutive month of negative sales growth for TVS. Its toughest competition has come in the scooter segment. Maruti's compact segment has slowed sharply; management confirmed in the earnings concall that diesel models are also witnessing slower momentum and higher discounts. SUV (Ertiga) momentum has slowed a bit, and competition in the SUV space is expected to get higher with the Ford EcoSport launch. Tata Motors' domestic volumes continue to be a big disappointment. A third consecutive month of negative growth was seen for their LCV segment, while their Passenger Vehicle and M&MHCV segment continued to remain deep in negative territory. July witnessed a 29% yoy fall in M&M's SUV volumes, one of the largest in recent times. The excise duty hike in budget for SUV's and high diesel prices are clearly having a negative effect, while the Ford EcoSport has also received good bookings and is expected to be strong competition to the Quanto. Tractor numbers below 20,000 units were expected, given the high billing in Q1 before the monsoons. Ashley's LCV Dost has also slowed, in line with the LCV segment slowdown. Volvo Eicher Commercial Vehicles (VECV) volumes fell by 12.5%, in line with the overall slowdown in the domestic CV industry.

Global Companies

The “global 2W pack” continues to perform relatively well, compared to the domestic 2W pack. Honda 2W has recorded its highest sale ever in India at 2.87 lakh units. Their latest motorcycle Dream Neo has received good reviews. We see Honda as the biggest threat in the domestic 2W sector, with their incremental capacity in Karnataka coming into effect this year. The “global 4W pack” performance has been “mixed”, with Ford and Honda’s numbers inching upwards with the success of the EcoSport and the Amaze. Renault Duster wholesales slowed down to 3,089 units, in line with the overall slowdown in the SUV segment. Honda Amaze sold 6,515 units in July 2013.

Summary

July 2013 sales numbers released over the last few days have been weak once again, signalling a continuation of weakness in the domestic auto industry. Lack of considerable fiscal and monetary push factors over FY14, combined with continuing challenging domestic conditions (especially from high fuel prices and interest rates) make us “cautious” on near term prospects for the domestic auto sector. We believe that easing of macro pressures post H1FY14 / towards FY15 could result in re-entry of buyers and a “moderate” improvement of sentiment in certain segments.

Q1FY14 Result Update: Nifty Companies

Positive Performance:

- Asian Paints reported a 3.40% rise in net profit at Rs 283.92 crore for the quarter ended June 30, 2013 as compared to Rs 274.59 crore for the quarter ended June 30, 2012.
- Axis Bank reported a 22.14% rise in net profit at Rs 1,408.93 crore for the quarter ended June 30, 2013 as compared to Rs 1,153.52 crore for the quarter ended June 30, 2012.
- Bajaj Auto reported a 2.69% rise in net profit at Rs 737.68 crore for the quarter ended June 30, 2013 as compared to Rs 718.39 crore for the quarter ended June 30, 2012.
- Cairn India reported a net profit of Rs 1,989.12 crore for the quarter ended June 30, 2013 as compared to a net loss of Rs 33.88 crore for the quarter ended June 30, 2012.
- HCL Technologies reported a 119.69% rise in net profit at Rs 1,447.21 crore for the quarter ended June 30, 2013 as compared to Rs 658.75 crore for the quarter ended June 30, 2012.
- HDFC reported a 17.09% rise in net profit at Rs 1,173.10 crore for the quarter ended June 30, 2013 as compared to Rs 1,001.91 crore for the quarter ended June 30, 2012.
- HDFC Bank reported a 30.09% rise in net profit at Rs 1,843.86 crore for the quarter ended June 30, 2013 as compared to Rs 1,417.39 crore for the quarter ended June 30, 2012.
- ICICI Bank reported a 25.30% rise in net profit at Rs 2,274.21 crore for the quarter ended June 30, 2013 as compared to Rs 1,815.05 crore for the quarter ended June 30, 2012.
- IDFC reported a 34.03% rise in net profit at Rs 514.54 crore for the quarter ended June 30, 2013 as compared to Rs 383.89 crore for the quarter ended June 30, 2012.
- Indusind Bank reported a 41.73% rise in net profit at Rs 334.84 crore for the quarter ended June 30, 2013 as compared to Rs 236.26 crore for the quarter ended June 30, 2012.
- Infosys reported a 2.09% rise in net profit at Rs 2,250 crore for the quarter ended June 30, 2013 as compared to Rs 2,204 crore for the quarter ended June 30, 2012.
- ITC reported a 18.05% rise in net profit at Rs 1,891.33 crore for the quarter ended June 30, 2013 as compared to Rs 1,602.14 crore for the quarter ended June 30, 2012.
- JP Associates reported a 140.93% rise in net profit at Rs 334.51 crore for the quarter ended June 30, 2013 as compared to Rs 138.84 crore for the quarter ended June 30, 2012.
- Kotak Bank reported a 42.62% rise in net profit at Rs 402.82 crore for the quarter ended June 30, 2013 as compared to Rs 282.45 crore for the quarter ended June 30, 2012.
- Maruti Suzuki India reported a 49.05% rise in net profit at Rs 631.61 crore for the quarter ended June 30, 2013 as compared to Rs 423.77 crore for the quarter ended June 30, 2012.
- NTPC reported a 1.13% rise in net profit at Rs 2,527.02 crore for the quarter ended June 30, 2013 as compared to Rs 2,498.67 crore for the quarter ended June 30, 2012.
- Punjab National Bank reported a 2.38% rise in net profit at Rs 1,275.32 crore for the quarter ended June 30, 2013 as compared to Rs 1,245.67 crore for the quarter ended June 30, 2012.
- Reliance Industries reported a 19.65% rise in net profit at Rs 5,352 crore for the quarter ended June 30, 2013 as compared to Rs 4,473 crore for the quarter ended June 30, 2012.
- Reliance Infrastructure reported a 14.44% rise in net profit at Rs 374.23 crore for the quarter ended June 30, 2013 as compared to Rs 327.02 crore for the quarter ended June 30, 2012.

ARI - Equity Outlook

- TCS reported a 17.88% rise in net profit at Rs 3,297.75 crore for the quarter ended June 30, 2013 as compared to Rs 2,797.59 crore for the quarter ended June 30, 2012.

Negative Performance:

- ACC reported a 38.01% decline in net profit at Rs 259.09 crore for the quarter ended June 30, 2013 as compared to Rs 417.93 crore for the quarter ended June 30, 2012.
- Ambuja Cements reported a 30.86% decline in net profit at Rs 324.20 crore for the quarter ended June 30, 2013 as compared to Rs 468.90 crore for the quarter ended June 30, 2012.
- Bharti Airtel reported a 34.78% decline in net profit at Rs 958.80 crore for the quarter ended June 30, 2013 as compared to Rs 1,470.00 crore for the quarter ended June 30, 2012.
- Dr Reddys Laboratories reported a 63.49% decline in net profit at Rs 64.86 crore for the quarter ended June 30, 2013 as compared to Rs 177.66 crore for the quarter ended June 30, 2012.
- GAIL reported a 28.72% decline in net profit at Rs 808.17 crore for the quarter ended June 30, 2013 as compared to Rs 1,133.78 crore for the quarter ended June 30, 2012.
- Hero Motocorp reported a 10.87% decline in net profit at Rs 548.58 crore for the quarter ended June 30, 2013 as compared to Rs 615.46 crore for the quarter ended June 30, 2012.
- Hindustan Unilever reported a 23.45 % decline in net profit at Rs 1,019.25 crore for the quarter ended June 30, 2013 as compared to Rs 1,331.19 crore for the quarter ended June 30, 2012.
- Larsen &Toubro reported a 12.46% decline in net profit at Rs 756.03 crore for the quarter ended June 30, 2013 as compared to Rs 863.65 crore for the quarter ended June 30, 2012.
- Sesa Goa reported a net loss of Rs 191.92 crore for the quarter ended June 30, 2013 as compared to a net profit of Rs 227.66 crore for the quarter ended June 30, 2012.
- Ultratech Cement reported a 13.59% decline in net profit at Rs 672.60 crore for the quarter ended June 30, 2013 as compared to Rs 778.39 crore for the quarter ended June 30, 2012.

Technical Equity Market Outlook

Nifty:

Markets initially traded with positive bias in the month of July 2013 but were unable to sustain the gains due to continuing decline in the rupee, which has dampened the growth story of India. On the sectoral front Bankex, Realty, PSU and Metal led the fall whereas Teck, IT and FMCG ended on the gainers side. The Sensex closed with a net loss of 0.26% whereas the Nifty lost 1.72% vis-à-vis the previous month.

Technical Observation

- On the monthly chart

  We maintain our earlier stance that we are observing a sideways movement which gives no clear indication of the trend.
- On the weekly chart

  We are observing a bear candle which has closed below the median line of the channel. This suggests weakness going forward.
- On the daily chart

  We are observing that prices are closer to the demand zone of 5600 – 5650 level. Hence a bounce cannot be ruled out from that zone.

Future Outlook:

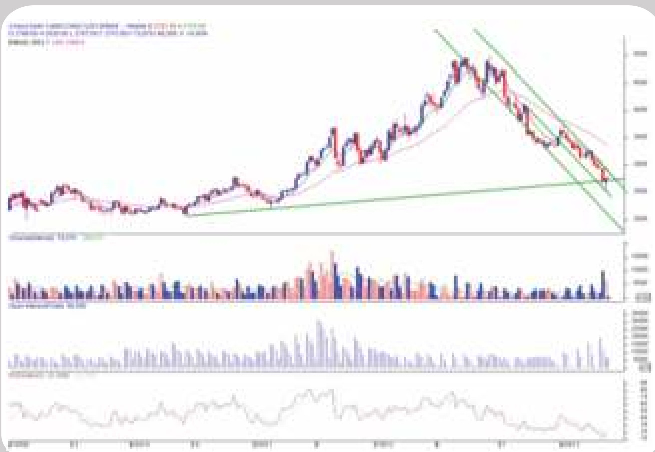
Combining the above pattern formation it is evident that 5600 – 5650 zone holds significance. Any close below the zone would intensify the selling pressure. In such scenarios indices may test 5450 – 5400 levels. However, if nifty holds the 5600 – 5650 zone then we may witness a rally up to 5850 – 5900 level.

Broadly, the speed of the fall is sharp and it has formed a lower top on the weekly chart. Hence one should adopt a cautious approach towards the market.

ARI - Commodity & Currency Pick

CHANA: The ‘impulsive pulse’ BUY

The ‘king of pulses’ Chana has seen over 50% decline in prices after touching an all-time high above Rs 5,000 just a year ago. The correction that began in October last year soon converted into a bearish rally sending prices to as low of Rs 2,528 on 30th July 2013. Meanwhile, the highly over-sold status attracted bottom level buying which contributed in fuelling the recent 10% bounce back.



On technical charts we can see the current positive developments hinting towards a relief rally from here. A long term trend line support has remained intact till now around which prices are trading presently. The bounce back has shaped up into a reversal Hammer candlestick pattern on weekly chart coupled with an increasing volume. However, open interest is still under pressure since the bear rally going on since almost a year has eliminated long term buyers.

An analysis of yearly data of Chana, based on Elliott wave perspective, indicates that the commodity is slowly emerging for a 5th wave rally. The recent bottom at Rs 2528 can be termed as that of a 4th wave correction. Importantly, the above mentioned long term trend line support also captures the 0-2 wave movement and it being still intact adds to the possibility of a reversal. Fundamentally also things are looking brighter now as preparations for upcoming festive season has already begun and the demand is set to increase more in days to come. Mid-term traders can buy NCDEX Chana September contract at current levels of Rs 2820 and accumulate on dips to Rs 2770-Rs 2750 with stop loss below Rs 2690 for targets in the range of Rs 3000-Rs 3150.

USD-INR BUY

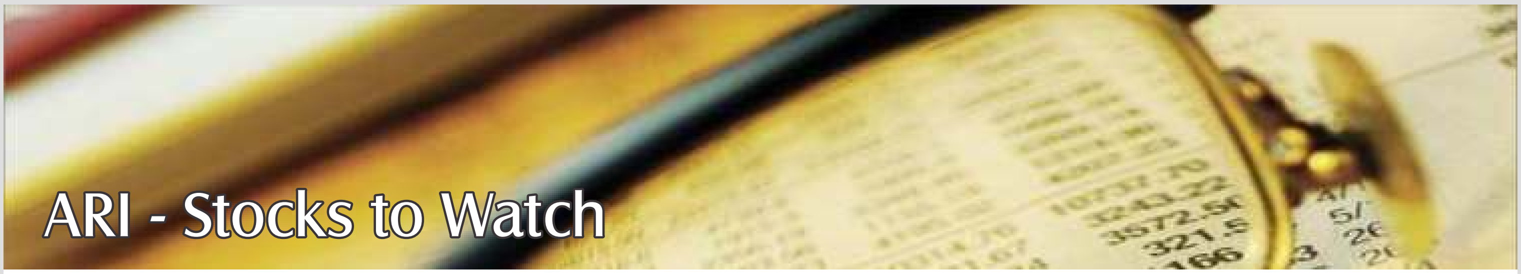
USD-INR extended its bullish rally for second consecutive month, towards Rs 61.55, as expected in our July 2013 Value plus edition.

As per the wave count drawn on the above monthly chart, the USD-INR long term uptrend started from July, 2011 with an impulsive wave’s structure. The correction from the high of Rs 52.33 (March 2009) is high of wave A. The rise from Rs 43.83 (B) to Rs 54.58 (Dec 2011) is considered as a sub wave (i) of B. Similarly, correction from Rs 54.58 to Rs 58.83 (Feb 2012) is sub wave (ii). While impulsion from Rs 58.83 to Rs 57.52 high (June 2012) is (iii), and correction from the pick of Rs 57.52 to Rs 51.55 is treated as a sub wave (IV). Now the pair is assumed to ready for the sub wave IV of wave B while C wave according to ABC structure. The short-term important resistance level to watch is Rs 62.25 (178% Fibonacci retracement); sustained trading above it will open for movement towards Rs 63.75-64 and above levels in months to come. If however, it will not manage to breach above Rs 62.25 levels, then short term correction is expected towards the support of Rs 60.10-59.75.

Important events later in the month: The Indian economic data and events are likely to start from 12th August with the release of Index of Industrial Production for June 2013. In the May month it stood negative at (-1.60%) compare to the April month 2.30%. WPI Inflation on 14th August will determine the trend for the dollar. FOMC Meeting Minutes on 21st August may have strong impact on it. At the end of the month, GDP for Apr-June quarter (which stood at 4.80% in previous quarter) may have strong impact on the pair.

All above the factors are providing bullish sentiment to the dollar. However, the uptrend may get averted ahead of FOMC meeting in which the Fed could begin to taper its $85 bn monthly bond purchases as soon as September, may cause turning point for the USD-INR.

This sets up further volatile moves for the coming month. We recommend going long in the dollar on dip Rs 59.80-59.90 targeting Rs 62.50-63.75 with short term stop loss of Rs 58.70.



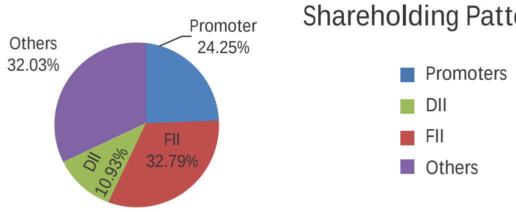
ARI - Stocks to Watch

KPIT Cummins — BUY

Target Price: Rs 158

Value Parameters	
BSE Code	532400
NSE Symbol	KPIT
CMP (Rs)	126
Face Value (Rs)	2
52 Week High/Low (Rs)	142/92
Market Cap (Rs cr)	2,479
EPS (Rs)	11.5
P/E ratio	10.9

Shareholding Pattern (%)



Company Overview:

KPIT Cummins Infosystems Ltd is a global IT consulting and product engineering firm focused on domain intensive technology solutions for corporations specializing in automotive & transportation, manufacturing and energy & utilities.

The group operates through following strategic business units:

- Integrated enterprise solution (IES) – It provides oracle ERP, enterprise consulting, e-business (eBiz), business intelligence (BI) and related offerings.
- Automotive & Engineering (A&E) – It offers solutions in the areas of embedded software and automotive electronics for global automotive equipment manufacturers and tier 1 and 2 suppliers.
- SAP – It offers SAP implementation and support services along with BI and other related offerings.

Phenomenal Q1 FY14 results:

Company reported a 17.5% increase in consolidated net profit to reach Rs 60.1 cr as compared to Rs 53.6 cr last year. Q1 FY14 growth momentum was in line with annual guidance. Indian Rupee revenue was up 7.6% qoq and 13.9% yoy at Rs 613cr. Revenue in dollar terms rose 3.1% qoq and 11% yoy at $108.8mn.

Valuations:

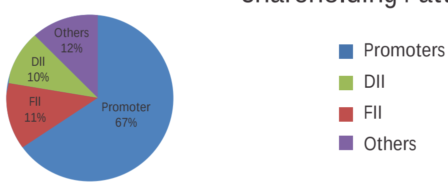
At CMP of Rs 126 per share the stock trades at P/E(x) of 9.2x and 7.6x its FY14E and FY15E EPS of Rs 13.7 and Rs 16.6. We assign a price target of Rs 158 per share discounting FY15E earnings at PE(x) of 9.5x and maintain buy rating on the stock.

JK Cement — BUY

Target Price: Rs 269

Value Parameters	
BSE Code	532644
NSE Symbol	JKCEMENT
CMP (Rs)	156
Face Value (Rs)	10
52 Week High/Low (Rs)	370/148
Market Cap (Rs cr)	1087
EPS (Rs)	33.7
PE ratio	4.6

Shareholding Pattern (%)



Company Overview

JK Cement is a mid cap cement company with grey cement production capacity of 7.4mtpa having manufacturing capacities located in Rajasthan and Karnataka. Company is also the largest white cement producer with 40% market share in India.

Investment Rationale

Capacity expansion

Company is expanding manufacturing capacity by 40% and 50% in grey and white cement which is expected to come on stream by FY14 end. We forecast volume growth in excess of 13% in FY15. In addition company's profitability is well supported by its high margin white cement business.

Demand to pick up in FY15

Cement demand has been weak off late. However, we expect cement demand to pick up in FY15 backed by election induced spending which will benefit JK Cement given its presence in high growth market segments.

Valuations

We have valued JK Cement at 5x FY15 EV/EBITDA and have arrived at fair value of Rs 269 per share. We recommend buy rating on JK Cement.

ARI - Mutual Fund Update

Mutual Fund Roundup

Indian equity markets ended the month on a flat note after touching two-month high levels during the month and thereafter retracting 5%. Sensex ended the month with a loss of 0.26% closing at 19345.70 and Nifty ended at 5742.00 after touching a high of 6093.35. On the sectoral front, most sectoral indices ended the month with negative returns, Bankex delivered extremely disappointing returns plummeting (-13.70%) followed by Realty (-12.84%), PSU (-11.57%), Metal (-11.24%), Capital Goods (-9.71%), Oil & Gas (-3.62%) and Auto (-1.37%). IT sector was the best performer in July 2013 clocking gains of 19.23% followed by TECK (16.75%) and FMCG (5.17%).

MF Activity

There was a wide sell-off in the Indian equities during the month wherein not only were the domestic fund houses net sellers but even FIIs went on a selling spree of Indian equities to the tune of Rs 6,086.10 crore. On the equity side, the Indian mutual funds made net sales of Rs 2,168.50 crore in July 2013. Highest selling was recorded in the fourth week of the month when the fund houses made total net sales of Rs 876.60 crore of equities.

Mutual Fund Activity in July 2013

(₹ in Crores)	Gross Purchases	Gross Sales	Net Investment
1st Week	1622.80	2111.50	-488.80
2nd Week	1995.80	2273.50	-277.60
3rd Week	2491.80	2830.70	-338.90
4th Week	2470.10	3346.70	-876.60
5th Week	1904.60	2091.30	-186.70
Total	10485.10	12653.70	-2168.50

(Source : SEBI)

Movers and Shakers

Equity Category

In July 2013, the performance of top performing schemes in the equity diversified category was positive. Within the diversified funds, ICICI Prudential Service Industries Fund topping the best performer witnessed a return of 9.42% followed by BNP Paribas Dividend Yield Fund (6.04%), Birla Sun Life India Opportunities Fund (5.75%), Sundaram Equity Plus (2.72%) and Taurus Ethical Fund (2.51%).

Monthly Best Performer: All Equity Diversified Funds

Scheme Name	Last 1-Month return (%)
ICICI Prudential Service Industries Fund - Dir - Dividend	9.42
BNP Paribas Dividend Yield Fund - Dir - Dividend	6.04
Birla Sun Life India Opportunities Fund - Dividend	5.75
Sundaram Equity Plus - Dir - Growth	2.72
Taurus Ethical Fund - Dividend	2.51

(Returns are absolute as on 31st July 2013)

Monthly Best Performer: All Sectoral Funds

In the sectoral category, the schemes focusing on the technology stocks generated positive returns with Franklin Infotech Fund being the best performer of the month with a return of 17.21% followed by Birla Sun Life New Millennium (16.15%), SBI IT Fund (15.48%), ICICI Prudential Technology Fund (11.75%) and DSP BlackRock Technology.com Fund (10.84%).

Scheme Name	Last 1-Month return (%)
Franklin Infotech Fund	17.21
Birla Sun Life New Millennium	16.15
SBI IT Fund - Dir - Growth	15.48
ICICI Prudential Technology Fund - Dir - Dividend	11.75
DSP BlackRock Technology.com Fund - Dir - Dividend	10.84

(Returns are absolute as on 31st July 2013)

Debt Category

The debt market saw huge volatility and shocked the investors with even the liquid and ultra short term funds taking a hit in their returns for a couple of days due to the strict liquidity curbing measures taken by the RBI to keep a check on rupee fall. The rise in short term rates undertaken by the RBI resulted in tighter liquidity position and made even the money market mutual funds lose on marked to market valuation, because as the interest rates go up, the bond prices fall.

Despite the huge volatility, certain schemes in the debt fund category generated impressive returns for the investors. Leading the pack was Sundaram FTP - Plan CX (367 days) that generated a return of 11.94% followed by Tata Income Plus Fund, SBI Edge Fund, IDFC FMP - 366 Days - Series 76 - Dividend Fund, and ICICI Prudential Multiple Yield Fund delivering returns of 3.43%, 3.19%, 1.93% and 1.69% respectively.

Monthly Best Performer: All Debt Funds

Scheme Name	Last 1-Month return (%)
Sundaram FTP - Plan CX (367 days) - Growth	11.94
Tata Income Plus Fund - Plan A - Bonus	3.43
SBI Edge Fund - Dir - Qtly Dividend	3.19
IDFC FMP - 366 Days - Series 76 - Dividend	1.93
ICICI Prudential Multiple Yield Fund - Series 2 - Plan F - Dividend	1.69

(Returns are absolute as on 31st July 2013)

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