ARIHANT's
# VALUE Plus
www.arihantcapital.com

Monthly Newsletter (For private circulation only) Issue : June, 2012


# ARI - Movers & Shakers

INDIAN INDICES

| Indices | May-12 | Apr-12 | Change % |
|---|---|---|---|
| SENSEX | 16218.53 | 17318.81 | -6.35 |
| S&P CNX NIFTY | 4924.25 | 5248.15 | -6.17 |
| BANK NIFTY | 9441.00 | 10276.80 | -8.13 |
| CNX MIDCAP | 6898.40 | 7471.05 | -7.66 |
| S&P CNX 500 | 3913.05 | 4178.35 | -6.35 |
| CNX IT | 6008.80 | 6085.40 | -1.26 |
| CNX REALTY | 208.00 | 226.70 | -8.25 |
| CNX INFRA | 2186.45 | 2362.80 | -7.46 |

(Source: BSE & NSE)

BSE-SECTORAL INDICES

| Indices | May-12 | Apr-12 | Change % |
|---|---|---|---|
| AUTO | 8873.01 | 10645.52 | -16.65 |
| BANKEX | 10884.53 | 11828.63 | -7.98 |
| CD | 6201.53 | 6591.92 | -5.92 |
| CG | 8816.90 | 9409.09 | -6.29 |
| FMCG | 4574.26 | 4772.07 | -4.15 |
| HC | 6645.31 | 6795.59 | -2.21 |
| IT | 5666.08 | 5704.31 | -0.67 |
| METAL | 10106.45 | 11066.55 | -8.68 |
| OIL&GAS | 7587.84 | 7964.63 | -4.73 |
| PSU | 6760.10 | 7248.96 | -6.74 |
| REALTY | 1578.90 | 1692.57 | -6.72 |
| TECk | 3277.35 | 3326.09 | -1.47 |

(Source: BSE)

GLOBAL INDICES

| Indices | May-12 | Apr-12 | Change % |
|---|---|---|---|
| DOW JONES | 12396.00 | 13213.00 | -6.18 |
| NASDAQ | 2524.00 | 2723.00 | -7.31 |
| HANG SENG | 18629.00 | 21094.00 | -11.69 |
| FTSE | 5306.00 | 5737.00 | -7.51 |
| NIKKEI | 8542.00 | 9520.00 | -10.27 |

(Source: Telequote software)

**FII ACTIVITY (₹ in cr)**

| Date | Gross Purchases | Gross Sales | Net Pur/Sales |
|---|---|---|---|
| Total for May 2012 | 42,443.30 | 42,790.70 | -347.10 |
| Total for 2012 * | 2,77,695.41 | 2,35,201.20 | 42,494.40 |

(Source: SEBI)

**MF ACTIVITY (₹ in cr)**

| Date | Gross Purchases | Gross Sales | Net Pur/Sales |
|---|---|---|---|
| Total for May 2012 | 8,871.60 | 9,269.70 | -397.80 |
| Total for 2012 * | 53,872.60 | 60,388.00 | -6,515.10 |

* Till May 2012

(Source: SEBI)

## Market Commentary

May is typically a bear month for the stock markets as players often look to take advantage of the adage, 'sell in May and go away'. Yet again, this theory worked true for both domestic and global indices that registered heavy declines in May 2012. The dark clouds lingered throughout the month of May 2012, mainly marked by a very weak rupee, escalating Eurozone worries and a shocker GDP growth at 5.3%. Finally among all the casting shadows, the BSE Sensex ended the month at 16218 dropping 6.35% whereas CNX NIFTY dropped 6.17% to settle at 4924. Other Asian indices that exhibited dismal performance were Hang Seng that declined by 11.69% and Nikkei that decelerated by 10.27%.

The bad performance was not restricted to the broader index but was seen across the board as all the sectoral indices ended the month in the negative. The best performer of the month was the IT sector that registered a marginal decline of 0.67%, owing to gains from rupee movements, while BSE Auto was the worst performer dropping 16.65% as most auto firms reported tepid sales growth for the month of April 2012 that put a question mark on their future growth prospects amidst declining consumer demand and rising input cost and a rising rupee.

Factors like marco-economic worries emanating from the country's increasing fiscal and trade deficit, high inflation (that the government has been grappling to tackle for quite some time now) and contraction in industrial production, compounded over the past month resulting in negative investor sentiment. On the international front, the fate of Greece after an inconclusive election led to the resumption of Euro-zone crisis like situation. In addition to the domestic concerns, the moves in European equity markets along with weak data flowing in from the Chinese economy and the US also had a negative impact on Indian equities.

The institutional investors, both domestic and foreign, continued to be the net sellers of Indian equities in the month of May. The foreign institutional investors (FIIs) made total sales of equities to the tune of Rs 347 crore, while the domestic mutual fund house sold Rs 397 crore equity over the same period. The continuing policy uncertainty and the confusing stand adopted by the Central Government on the taxation aspects, still remains a concern for foreign investors and are the primary reasons for their negative India outlook and funds outflow.

India's industrial production unexpectedly contracted 3.5% in March 2012 for the first time in five months, indicating marked slowdown in the economy. Add to those woes, India's GDP numbers came out as another shocker as India's economy grew at a much lower than expected annual rate of 5.3% in Q4 March, 2012, its lowest in record nine years. This means that we are no longer the world's second fastest growing economy.

The sharp fall in rupee has sent ripples of worries in the economy and would pose threat to the country's growth if the situation is not handled. However, token measures by the Reserve Bank of India (RBI) in the form of 50% conversion of exporters' dollar holdings into rupee failed to provide respite as rupee continued its free fall with depreciation of almost 5 % during the month.

India's trade gap narrowed to a seven-month low in April on weaker imports of gold, silver and petroleum, offering some respite to policymakers struggling to contain the burgeoning current account deficit. India had been caught in a vicious cycle of rising fuel import costs because of a weak rupee and costlier imports, thus swelling its fiscal and current account deficits.

The Wholesale Price Index (WPI) rose faster-than-expected 7.23% in April from a year earlier, mainly driven by higher food prices and manufactured items. During the last week of the month, the state-run oil marketing firms raised petrol prices by Rs 7.50 per litre, the steepest ever increase in petrol prices that would further aggravate the already uncontrolled inflation. The revision in petrol prices came as the rupee hit an all-time low against the dollar.

Bank stocks tumbled after the Reserve Bank of India outlined a schedule for banks to steadily build up their capital buffers through March, 2018 under Basel-III norms.

Investors also closely watched India Inc's Q4 March 2012 and year ending March, 2012 (FY 2012) earnings. Focus was mainly on the guidance provided by the management of various companies for the year ending March 2013 (FY 2013) to gauge the earnings outlook.

Despite the weak sentiments, there were some positives to support the market like deferment of GAAR by one year by the Finance Minister, Pranab Mukherjee. Another silver lining amid this gloomy environment was the sharp plunge in international crude oil prices, not only giving some respite to bleeding and cash starved oil marketing companies but also to the government.

Meanwhile, the announcement of monsoons hitting the coast of Kerela by June 1st and Delhi by June 29th and the Central Bank's statements to take steps to curb rupee dollar swings provided some ray of hope amidst the negative sentiments.

On the international front, the social networking website, Facebook Inc priced its initial public offering at $38 per share, giving the world's no 1 online social network, a $104 billion valuation in the third largest offering in the US history. However, it disappointed investors with a tepid market debut as shares rose a scant 0.6 %, nowhere near expectations for double-digit gains on the first trading day.

Going ahead, we expect that a solution to the Euro zone problem and the reversal in the rupee are going to be the key trend changers in the markets. Any positive news on both the issues is going to be positive for the markets.

## Key News and Events in May 2012

### Domestic News

- India attracts highest ever FDI of $8.1 billion in March:

  With an eight-fold increase, India attracted foreign direct investment (FDI) to the tune of $8.1 billion in the month of March, the highest ever monthly inflows. Cumulative FDI inflows for the fiscal 2011-12 amounted to $36.50 billion. The sectors which received large foreign FDI inflows during 2011-12 included services, pharmaceuticals, telecom, construction, power and metallurgical industries, among others.

- Trade deficit dips marginally, exports rise 3.23 % in April:

  India's merchandise exports grew by 3.23% on y-o-y basis to $24.5 billion while imports grew by 3.8% to $37.9 billion, thus narrowing the trade deficit to $13.4 billion in the month of April from $13.9 billion in the previous month.

  Despite a weakening rupee, exporters are under pressure to sustain growth given the weak demand from developed markets. On the other hand, imports continued to rise owing to spiraling crude oil prices.

- IIP falls to dismal negative 3.5% in March:

  Growth in the factory output, as measured by the Index of Industrial production (IIP) plunged sharply to -3.5 % in the month of March, for the first time in five months. The declines were led by a slump in the manufacturing (-4.4%) and capital goods(-21.3%) sector. Against this dismal performance, the IIP numbers ended higher at 9.4% in the month of March in the previous year and 4.1% in the previous month. Both capital goods and manufacturing sectors are a dampener on the sentiments as they indicate a slowdown in investment and output and are likely to affect future growth.

- April WPI inflation accelerates to 7.23 % in March:

  The headline inflation, based on index numbers of wholesale prices (WPI) inched up yet again to 7.23 % in the month of April from 6.89 % in March, primarily owing to a spike in the prices of almost all edibles such as vegetables, milk, meat, fish and other protein-rich items.

- Economic growth dips to 5.3% in Q4, lowest in 9 years:

  Hit hard by global woes and domestic problems, India's economic growth rate slowed to 5.3% in the March quarter and 6.5 % in the financial year 2011-12, its slowest pace in nine years. The decline in growth was witnessed in almost all segments of the economy including agriculture, manufacturing, mining and construction.

- GAAR provisions deferred by one year:

  Bowing to pressure, Finance Minister Pranab Mukherjee announced deferment of the proposed General Anti-Avoidance Rules (GAAR) provisions by an year. The provisions aimed primarily at curbing tax avoidance by foreign entities have now been made effective from April, 2013, spelling good news for investors. A one-year delay is expected to bring more clarity in the guidelines and implementation of the said provisions.

- Govt raises petrol prices by Rs 7.54 per litre, first hike in last 6 months:

  Petrol prices were raised by a whopping Rs 7.54 per litre with effect from May 24. This was the first hike recorded in the last six months, necessitated by the increase in the prices of crude oil globally.

## Auto sales registered growth in May 2012

Domestic automakers posted lackluster sales in the month of May as an excise rate hike coupled with increased petrol prices in the midst of weak consumer sentiments played the spoilsport. Car makers were struggling to meet their sales targets as India's economy grew at its slowest pace in nine years, hurting the industry at large.

Market leader, Maruti Suzuki, led the decline with a 5% drop in domestic sales to 98,884 units against 1,04,073 units, an year earlier. Among other key players, General Motors and Ford India also posted y-o-y decline in their sales. India's largest utility vehicle maker Mahindra & Mahindra's total vehicle sales registered an impressive growth of 28%, having sold 43,988 units, aided by strong growth in sports utility vehicles and four-wheeler commercial vehicles. Homegrown auto major Tata Motors' total sales for May stood at 64,347 units, a growth of 4% on y-o-y basis.

Two-wheeler companies displayed better performance, with most of them posting m-o-m growth in sales, largely driven by the launch of new vehicles and demand uptick due to the marriage season in North India. In the two-wheeler segment, market leader Hero MotoCorp reported its highest ever monthly sales at 5,56,644 units in May, registering a growth of 11.3%. Chennai-based TVS Motor Company's total sales dipped by 5% to 1,76,012 units in May. Bajaj Auto, the country's second largest two wheeler maker's total sales in May was recorded at 352,219 units, down by 2%.

With the recent steep petrol price hike, car sales are expected to remain under pressure in the near term, but we expect them to recover in 2HFY12.

## Q4FY12 Result Update: Nifty Companies

Positive Performance:

- Bharat Heavy Electricals, the power equipment major posted a rise of 20.79% in its net profit at Rs 3,379.81 crore for the quarter ended March 31, 2012 as compared to Rs 2,798.04 crore for the same quarter in the previous year.
- Bharat Petroleum Corporation (BPCL), the oil major's net profit for the quarter ended March 31, 2012 zoomed by 323.75% to Rs 3,962.83 crore as compared to Rs 935.18 crore for the quarter ended March 31, 2011.
- Dr Reddy's Laboratories, registered a growth of 27.68% in net profit in the quarter ended March 31, 2012 at Rs 211.79 crore as compared to Rs 165.87 crore for the quarter ended March 31, 2011.
- HDFC, the country's largest mortgage lender, reported a rise of 16.13% in its net profit at Rs 1,326.14 crore for the quarter ended March 31, 2012 as compared to Rs 1,141.95 crore for the same quarter in the previous year.
- Hero MotoCorp, two-wheeler motorcycle manufacturer reported a 20.31% rise in net profit at Rs 603.59 crore for the quarter ended March 31, 2012, as against Rs 501.61 crore in the same period of the previous year.
- Hindustan Unilever (HUL), India's largest consumer goods maker reported a 20.63% growth in net profit at Rs 686.61 crore in the quarter ended March 31, 2012, up from Rs 569.18 crore in the corresponding quarter of the previous year. Profits were largely driven by price increases in soaps and detergents segments and higher volumes.
- ITC, India's largest cigarette maker's net profit for the quarter ended March 31, 2012 increased by 25.98% to Rs 1,614.36 crore as compared to Rs 1,281.48 crore for the quarter ended March 31, 2011, aided mainly by increase in cigarette prices and improved sale of other consumer goods.
- Larsen & Toubro, the engineering major has reported a rise of 13.89% in its net profit at Rs 1,920.41 crore for the quarter ended March 31, 2012 as compared to Rs 1,686.21 crore for the same quarter in the previous year, largely on the back of improved order inflows.
- Mahindra & Mahindra (M&M), the sports utility vehicles major's net profit for the quarter ended March 31, 2012 jumped by 44.18% to Rs 874.48 crore as compared to Rs 606.54 crore for the quarter ended March 31, 2011 helped by good demand for diesel-powered sport utility vehicles and a one-time gain from the MADPL business.
- Oil and Natural Gas Corporation, posted a rise of 102.24% in its net profit at Rs 5,644.38 crore for the quarter ended March 31, 2012 as compared to Rs 2,790.86 crore for the same quarter in the previous year.
- Punjab National Bank's, net profit rose by 18.58% at Rs

# ARI - Equity Outlook

1,424.06 crore for the quarter ended March 31, 2012 as compared to Rs 1,200.90 crore for the same quarter in the previous year.

- Ranbaxy Laboratories, India's largest drug maker reported a net profit of Rs 827.23 crore for Q1CY12 as compared to net loss of Rs 52.90 crore for the Q1CY11 on the back of robust sales in international and domestic markets.
- State Bank of India, the country's largest lender, reported a 193 fold jump in its net profit to Rs 4,050.27 crore, on the standalone basis, for the quarter ended March 31, 2012, against net profit of Rs 20.88 crore for the corresponding period last fiscal.

Negative Performance:

- Bajaj Auto, India's second largest motorcycle maker posted a fall of 44.87% in its net profit at Rs 772.00 crore for the quarter ended March 31, 2012 as compared to Rs 1,400.39 crore for the same quarter in the previous year.
- Bharti Airtel, posted a fall of 14.34% in its net profit at Rs 1,574.30 crore for the quarter ended March 31, 2012 as compared to Rs 1,837.90 crore for the same quarter in the previous year.
- Coal India, registered a decline of 11.71% in net profit at Rs 1,223.52 crore for the quarter ended March 31, 2012, compared with a profit of Rs 1,385.79 crore for the same quarter a year ago.
- DLF, India's largest real estate developer's net profit for the quarter ended March 31, 2012 plunged by 60.53% to Rs 290.87 crore as compared to Rs 736.94 crore for the quarter ended March 31, 2011.
- Gail (India), the state-run gas utility has reported a fall of 38.28% in its net profit at Rs 483.34 crore for the quarter ended March 31, 2012 as compared to Rs 783.07 crore for the same quarter in the previous year on account of 55% increase in subsidy outgo during the quarter.
- Hindalco Industries, Aditya Birla group's flagship firm posted a fall of 9.65% in its net profit at Rs 639.99 crore for the quarter ended March 31, 2012 largely due to increased tax out-go as compared to Rs 708.37 crore for the same period in the previous year.
- Tata Steel, posted a fall of 8.62% in its net profit at Rs 1,560.51 crore for the quarter ended March 31, 2012 as compared to Rs 1,707.71 crore for the same quarter in the previous year, hit by weak prices and lower volumes in its key European markets.

## Technical Equity Market Outlook

### Nifty

Domestic headwinds like fall in industrial production, deprecation in the value of the rupee and concerns surrounding a large current account deficit led to a sharp sell-off in the month of May. On the sectoral front, auto, metal, bankex, PSU and realty led the fall. The Sensex closed with a net loss of 6.35% whereas the Nifty Lost 6.17% vis-à-vis the previous month.


### Technical Observation

On the monthly chart,

- The prices have convincingly closed below the upper trendline of the downward sloping channel and have thereby negated the said pattern.
- The current price activity is in a lower top lower bottom formation which indicates weakness going forward.
- The trend following indicator viz the CCI is showing that the ongoing downtrend is gaining momentum.

On the weekly chart,

- At present prices are holding the 200-week SMA which is at 4829 level. Hence, 4829 is a crucial support level, any breach of this level on closing basis would mean weakness going forward.
- The entire up move which started from 4531 to 5629 level, has retraced near to 78.6% Fibonacci level of 4761 by making a low of 4788. Hence, it holds significance.

### Conclusion

Combining the two time frames, it is evident that 4829 to 4761 is a crucial support zone. Any breach of this zone on a closing basis, would lead to further weakness. In such a scenario, indices are likely to test 4669 level or even test the prior swing low of 4531 level in coming months. On the upside, resistance is at 5070 – 5300 levels. Since, on monthly chart, we are witnessing lower top lower bottom formation, rallies are likely to attract selling pressure.

# ARIHANT Capital markets ltd.

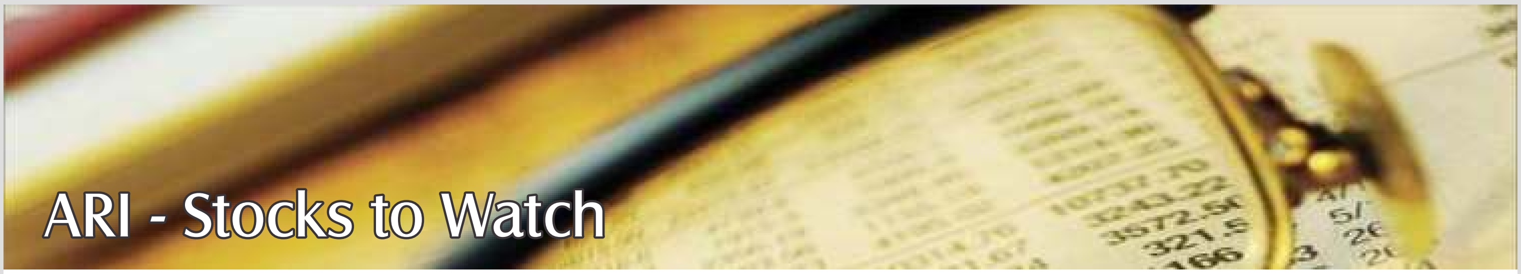
Generating Wealth. Satisfying Investors.


## Diversify your portfolio by investing in gold, silver, platinum, copper, lead, zinc and nickel through National Spot Exchange Limited (NSEL)

- Purchase, hold and sell E-series commodities in demat form or convert into physical form- the choice is yours
- Trade in small denominations: 1 gm Gold/ Platinum, 100 gm Silver, 1 kg Base Metals
- Transparent pricing as buying and selling is done through electronic mode
- Hassle-free, 100% purity and quality is guaranteed
- No bank locker charges or theft worries as your units are held in demat form
- Option to invest in gold and silver through SIP mode also available

### What do you need ?

Trading and demat account with Arihant in NSEL segment.



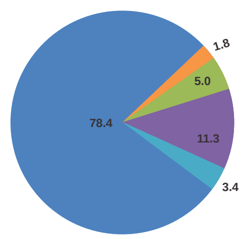
# ARI - Stocks to Watch

## OIL — POSITIVE

| Value Parameters | |
|---|---|
| BSE Code | 533106 |
| NSE Symbol | OIL |
| CMP (Rs) | 453 |
| Face Value (Rs) | 10 |
| 52 Week High/Low (Rs) | 556/431 |
| Market Cap (Rs in cr) | 26994 |
| FY12 EPS (Rs) | 57.3 |

Shareholding Pattern (%)

- Promoter
- FII
- DII
- Non promoter corp
- Public




Oil India (OIL), established in 1959, is a 'Navratna' state-owned company, engaged in exploration, development, production and transportation of crude oil and natural gas in India.

Investment Rationale:

- Strong balance sheet: Within energy sector in India, OIL has the strongest balance sheet with cash levels of Rs 10,900cr, which translates into Rs 182 per share representing 40% of current share price.
- Healthy oil and gas reserves: OIL's reserve mix is favorable with oil contributing 62% of its 2P reserves and 1P reserves being only at 53% of 2P reserves there by providing significant upside potential for increase in 1P reserves. Also, company has reserve replacement ratio of more than one indicating it is adding more reserves to its kitty than it is depleting.

Valuation:

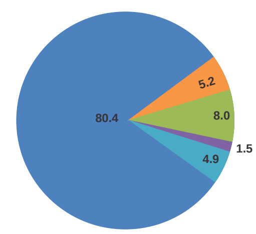
In spite of being burdened with high subsidy, OIL has clocked a CAGR of 18% in earnings over FY05-12. OIL trades at 60% discount to its global peers and we expect this discount to narrow down going forward as regulatory headwinds are expected to ease and company deploys cash to its optimum use. The stock is trading at a considerable discount and is available at attractive valuation of 7.9x its FY12 earnings.

## EIL — POSITIVE

| Value Parameters | |
|---|---|
| BSE Code | 532178 |
| NSE Symbol | ENGINERSIN |
| CMP (Rs) | 210 |
| Face Value (Rs) | 5 |
| 52 Week High/Low (Rs) | 295/195 |
| Market Cap (Rs in cr) | 7067 |
| FY12 EPS (Rs) | 18.9 |

Shareholding Pattern (%)

- Promoter
- FII
- DII
- Non promoter corp
- Public




Engineers India Ltd (EIL), is one of India's leading consultancy and EPC Companies in hydrocarbons and petrochemicals. The company has presence across two main segments i.e consultancy and turnkey projects.

Investment Rationale:

- Current order book provided revenue visibility over next one year: EIL's current order book stands at ~Rs 4600cr, which is approximately 1.2x its FY12 revenues and thus provides earnings visibility over the next one year. With India's energy needs expected to grow at CAGR of 6% over FY12-FY32, we expect EIL to be the main beneficiary of the same as it will aid it to gain order book on continuing basis.
- Cash rich and debt free company: Company has zero debt on its balance sheet and thus not subject to direct volatility in interest rates. Further its cash and cash equivalents stands at Rs 1640cr, which is equivalent to Rs 50 per share (~25% of current market cap).

Valuation:

EIL's earnings have grown at CAGR of 36% over FY07-12 and we believe things can improve for EIL as investment cycle is once again starting to gain momentum after dismal performance over last one and half year. Further, the company boasts of a strong ROE of 30-35% and average dividend payout of 100% over last two year. At CMP of Rs 210, the stock is trading at P/E(x) of 11x its FY12 earnings.

# ARI - Commodity and Currency Pick

## Commodity Pick: Cardamom — SELL

Cardamom, admired as the “Queen of Spices,” is produced primarily in the Kerala region. Monsoons are expected to hit the coast of Kerela by June 1st well in time, that augurs well for the output. The improved expectations of cardamom output have also brought the June to August contracts in backwardation. Export and local demand is also currently subdued and is expected to pick up from West Asian countries by July. Besides, prices have risen by more than 50% in the last three months and hence a sell-off is expected by the investors.

### Technical

Though high volatility was seen in cardamom prices earlier, but since last 2-3 weeks it has been trading in the state of indecision. On the weekly chart, we can see that it is on the verge of forming a rising wedge chart pattern which will only be confirmed if the prices sustain below 1200 ie the lower trend line support. Prices are sustaining far above the short and medium term moving averages signaling lower side correction. In the sub charts above, the momentum indicator RSI (14) and volumes are in negative divergence with prices. Also, a negative crossover has been witnessed between RSI (14) and its Moving Average (9). From the above analysis, we expect cardamom prices to remain in the correction mode for the coming month.

### Recommendation:

We recommend going short in July contract of MCX platform at 1230-1250 for the target of 1125 and 1075 with stop loss at 1355.

## Currency Pick: USD-INR — SELL

It was a historical month for USD-INR as it reached its life time high of 56.78. The key reason was the outflows by FIIs from the local share market and disappointing GDP data.

June would be a crucial month for USD - INR as RBI will release its mid-quarter policy in which it is expected to cut rate by 25 bps. On June 29th, balance of payments for Jan-Mar by RBI and Government finances for Apr-May by CGA are scheduled to be released. Both the data will have high impact on domestic currency. In mid June, monsoon will start which may attract FIIs to invest in local share market, after which short-term correction in USD-INR may be possible.

### Technical

The mostly traded currency pair USD-INR remained in line with our expectation last month and made a high of 56.78 to settle at 56.42.

There are some indications on monthly chart:

- Prices are sustaining far above the short and medium term moving averages
- Prices failed to settle above the resistance level of 57.30 which is 78.6% Fibonacci Projection.
- There is a negative divergence of prices with RSI (14) and volume.

All the above points suggest a short term correction in USD-INR till 54.20 and 53.60 whereas, resistance is seen at 57.30-58.10.

### Recommendation:

We recommend going short in USD-INR at 56.00-56.20 targeting 54.20-53.60 with stop loss at 57.40.

# ARI - Mutual Fund Update

## Mutual Fund Roundup

The Indian equity had a tough month as the markets were extremely volatile with negative bias note on account of concerns over high fiscal and trade deficit, continuous depreciation of rupee and selling by the funds as well as worries in the Euro-zone. The BSE Sensex dropped by 6.35% to end May 2012 at 16218 while the S&P CNX Nifty slid 6.17% to end below the crucial 5000 mark at 4924. Even the midcap segment registered huge losses with CNX Midcap Index declining 7.66% during the month of May 2012. Even the sectoral category was not spared as all the sectors ended the month with losses with rate sensitive counters like auto, metal and bankex being the biggest losers down 16.65%, 8.68% and 7.98% respectively.

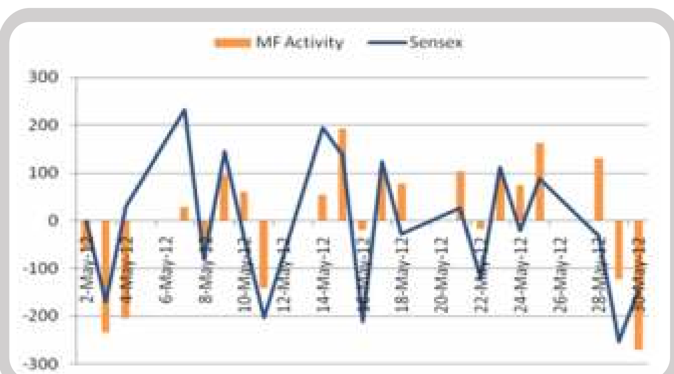
### Mutual Fund Activity in May, 2012

| (₹ in Crores) | Gross Purchases | Gross Sales | Net Investment |
|---|---|---|---|
| 1st Week | 1,175.40 | 1,675.50 | -500.10 |
| 2nd Week | 2,490.40 | 2,497.80 | -7.30 |
| 3rd Week | 2,351.20 | 1,940.90 | 410.40 |
| 4th Week | 1,664.30 | 1,247.70 | 416.70 |
| 5th Week | 1,190.30 | 1,907.80 | -717.50 |
| Total | 8,871.60 | 9,269.70 | -397.8 |

(Source : SEBI )

## Mutual Fund Activity

Owing to the negative sentiments, the Indian mutual fund houses and foreign institutional investor turned net sellers of equity in the domestic market during the month. The fund houses have been overall net sellers of equity for May 2012, making a total sales of Rs 397.80 crore and made the highest selling in the last week of the month with net sales of Rs 717.5 crore. The foreign institutional investors (FII) were also bearish for the Indian market and sold Rs 347.10 crore worth of equities over the same period.




## Performance

The breadth of the mutual fund scheme performance was negative, as only Edelweiss Absolute Return Fund – Growth gave flat return of 0.60% while all the others gave the negative return. Escorts High Yield Equity Plan with -10.58% showed the worst performance closely followed by JM Basic Fund that declined -9.64%.

### Monthly Worst Performer: All Equity Diversified Funds

| Scheme Name | NAV (Rs) | Last 1-Month return (%) |
|---|---|---|
| Escorts High Yield Equity Plan - G | 11.86 | -10.58 |
| JM Basic Fund - G | 10.94 | -9.64 |
| HSBC Progressive Themes Fund - G | 9.95 | -9.61 |
| Sundaram Media & Entert Opportunities Fund - Retails - G | 9.92 | -8.63 |
| DSP BlackRock India Tiger Fund - G | 36.51 | -7.81 |

(Returns are absolute as on 31st May 2012)

Sector fund category performance was also in line with the performance of equity diversified fund. Not even a single fund gave positive return in this category. In the sectoral fund category, Escorts Infrastructure Fund and Reliance Infrastructure Fund were the worst performance yielding returns of -11.52% and -10.48% respectively.

### Monthly Worst Performer: All Sectoral Funds

| Scheme Name | NAV (Rs) | Last 1-Month return (%) |
|---|---|---|
| Escorts Infrastructure Fund - G | 4.90 | -11.52 |
| Reliance Infrastructure Fund - Retail - G | 6.44 | -10.48 |
| UTI Transportation and Logistics Fund - G | 28.07 | -9.36 |
| HDFC Infrastructure Fund - G | 9.17 | -9.19 |
| Sundaram Fin Ser Opportunities Fund - Retails - G | 16.04 | -9.18 |

(Returns are absolute as on 31st May 2012)

On the debt side, debt funds across all categories performed well. The top performing debt fund, JPMorgan India Active Bond Fund - Retail generated an absolute return of 2.63%, while the second best fund was Religare Fixed Maturity Plan - Series XIII - Plan B with return of 2.47%.

### Monthly Best Performer: All Debt Funds

| Scheme Name | NAV (Rs) | Last 1-Month return (%) |
|---|---|---|
| JPMorgan India Active Bond Fund - Retail - G | 12.04 | 2.63 |
| Religare Fixed Maturity Plan - Series XIII - Plan B - G | 10.41 | 2.47 |
| Kotak Bond Regular Plan - G | 31.22 | 1.99 |
| ICICI Prudential Income Opportunities Fund - Retail - G | 14.71 | 1.63 |
| HDFC Income Fund - G | 24.85 | 1.63 |

(Returns are absolute as on 31stAMay 2012)

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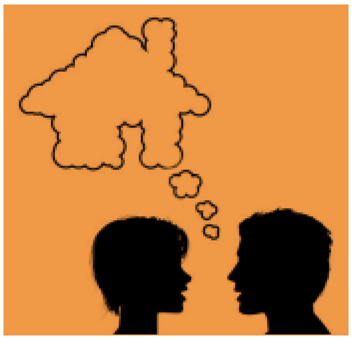

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