ARIHANT's

VALUE Plus

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Monthly Newsletter | (For private circulation only) | Issue: February, 2014

ARI - Movers & Shakers

INDIAN INDICES

Indices	Jan-14	Dec-13	Change %
SENSEX	20513.85	21170.68	-3.10
S&P CNX NIFTY	6089.50	6304.00	-3.40
BANK NIFTY	10237.75	11385.25	-10.08
CNX MIDCAP	7540.00	8071.30	-6.58
S&P CNX 500	4709.15	4914.85	-4.19
CNX IT	9957.45	9517.85	4.62
CNX REALTY	154.55	184.60	-16.28
CNX INFRA	2256.65	2477.35	-8.91

(Source: BSE & NSE)

BSE-SECTORAL INDICES

Indices	Jan-14	Dec-13	Change %
AUTO	11568.87	12258.83	-5.63
BANKEX	11712.31	13001.94	-9.92
CD	5548.18	5821.34	-4.69
CG	9486.63	10264.26	-7.58
FMCG	6517.93	6567.01	-0.75
HC	10109.76	9966.26	1.44
IT	9476.62	9081.78	4.35
METAL	9151.57	9964.29	-8.16
OIL&GAS	8453.06	8834.42	-4.32
PSU	5554.94	5909.74	-6.00
REALTY	1211.60	1433.41	-15.47
TECK	5167.53	5051.33	2.30

(Source: BSE)

GLOBAL INDICES

Indices	Jan-14	Dec-13	Change %
DOW JONES	15698.85	16576.66	-5.30
NASDAQ	4103.88	4176.59	-1.74
HANG SENG	22035.42	23306.39	-5.45
FTSE	6510.44	6749.09	-3.54
NIKKEI	14914.53	16291.31	-8.45

(Source: Telequote software)

COMMODITIES and FOREX

Particular	Jan-14	Dec-13	Change %
MCX GOLD	29462.00	28422.00	3.66
MCX SILVER	43309.00	43833.00	-1.20
MCX CRUDE OIL	6169.00	6122.00	0.77
MCX-SX USDINR	62.65	61.80	1.38

(Source: Telequote software)

FII ACTIVITY (₹ in cr)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Jan 2014	64,478.90	63,764.40	714.50

(Source: SEBI)

MF ACTIVITY (₹ in cr)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Jan 2014	9,348.80	11,864.30	-2,515.50

(Source: SEBI)

Market Commentary

Indian equity markets started the New Year on a cautious note owing to chaos in the domestic and global economies with January 2014 witnessing a lot of volatility. Global equities saw a sharp correction in the first month of 2014 amid a combination of concerns about the US Federal Reserve's tapering plans, ongoing political and currency turmoil in emerging markets and disappointing Chinese growth data. This also resulted in weakening of currencies across emerging markets. Rate hike by RBI in its monetary policy, on 28th January 2014, further dampened the sentiments and finally the markets ended the month with a drain in investors' portfolios. S&P BSE Sensex shut the shop with negative returns of 3.10% to settle the month at 20513.85 and CNX Nifty lost 3.40% ending the month at 6089.50.

On the sectoral front, IT turned out to be the best performing sector in January 2014 clocking gains of 4.35%, followed by Teck (2.30%) and Healthcare (1.44%). Realty was the worst performer in the pack plummeting 15.47% followed by Bankex (9.92%) and Metal (8.16%).

On the institutional side, foreign institutional investors (FIIs) remained bullish during the month and bought equities worth Rs 714.50 crore in January 2014 while the domestic mutual fund houses sold Rs 2,515.50 crore of equities during January 2014.

During the month, India's index of industrial production (IIP) contracted 2.1% in November 2013. Wholesale Price Index (WPI) eased to a five month low of 6.16% in December 2013 against 7.52% in November 2013. The Consumer price index (CPI) or retail inflation eased to three month low of 9.87% in December 2013 after having touched a lifetime high of 11.24% in November 2013.

The month started on a weak note on the back of profit taking in the first week of January 2014, however better than expected numbers from the frontline stocks and inflation numbers that released in the third week added positive momentum in the markets. This also led to an expectation of a rate cut by RBI in forthcoming monetary policy towards the end of January 2014.

However, in its 3Q monetary policy review, the Reserve Bank of India (RBI) surprised the markets by hiking repo rate by 0.25% to 8% citing elevated inflation and the need to continue efforts to ensure fiscal and monetary stability amid an uncertain external environment. This was not taken well by the market participants and broader markets witnessed correction with banking stocks being the worst hit of the lot.

India's trade deficit widened slightly to $10.14 bn against

$9.22 bn in November 2013 while trade deficit narrowed to $10.14 bn in December 2013 from $17.59 bn a year ago. The trade deficit in December 2013 narrowed y-o-y as imports were down 15.3% on year at $36.49 bn, while exports rose 3.5% to $26.35 bn. Oil imports in December 2013 rose 1.1% on year to $13.90 bn, while bullion imports declined as much as 68.8% to $1.77 bn.

India revised down its economic growth for the fiscal year 2012-13 to 4.5% from 5% earlier, on lower than provisionally estimated output in farm and manufacturing sectors. The GDP growth for fiscal year 2011-12, however, upwardly revised to 6.7% from 6.2%, but 2010-11 estimates were revised down to 8.9% from 9.3%.

The Q3FY14 earnings season continued and better earnings by corporate bigwigs like Axis Bank, Bajaj Auto, Bharti Airtel, GAIL, HCL Tech, HDFC, HDFC Bank, Hero Motocorp, Hindustan Unilever, ICICI Bank, Indusind Bank, Infosys, ITC, L&T, Maruti Suzuki, TCS and Wipro for Q3 December 2013 supported the market towards the first three weeks of the month. However, there were some that failed to deliver; companies like Asian Paints, Jindal Steel and Power, Kotak Bank and Ultratech Cement delivered disappointing numbers.

On the international front, a new series of panic hit the exchanges across the world amid concerns that Argentina, Turkey, South Africa and several vulnerable Central American nations might be on the brink of a currency crisis after Turkey's local currency, lira, hit a new record low against the US dollar, and Argentina's peso fell 20%, in the week ending 24th January 2014, against the dollar. Political instability in Ukraine and the nose-diving Venezuelan economy added to the nervous atmosphere on exchanges. Even the Indian Rupee touched a two-month low against the dollar, falling below 63 due to turmoil in local equities and sharp sell-off in global markets triggered by possibility of US tapering.

The US Federal Open Market Committee's announced its decision to further reduce its monthly bond-buying programme. On 29th January 2014 FOMC meeting, the US Federal Reserve said it was tapering asset purchases in view of the progress made in employment and the improvement in outlook for the labour market conditions. The US central bank has reduced its quantitative stimulus for the second month in a row by cutting the asset purchase programme by $10 bn to $65 bn from February 2014.

The global markets ended the month of January 2014 on a negative note. Japan’s Nikkei was the worst performer, which ended the month with loss of 8.45% followed by Hang Seng (5.45%), Dow Jones (5.30%), FTSE (3.54) and Nasdaq (1.74%).

Going ahead, the Indian stock markets will be influenced by global cues and corporate earnings are likely to be the key driver for the markets in February while the market would also keep a close eye on the political development, macro cues from the US, movement of rupee against dollar, industrial growth and inflation. We would recommend investors to look at stock specific investments rather than broader markets.

Key News and Events in January 2014

- **India December trade gap narrows to $10.14 bn as imports fall:** India's merchandise trade deficit narrowed to $10.14 bn in December 2013 from $17.59 bn a year ago with imports continuing to record a y-o-y decline for the sixth consecutive month. India's trade deficit in December 2013, however, widened slightly from $9.22 bn in November 2013. The trade deficit in December 2013 narrowed y-o-y as imports were down 15.3% on year at $36.49 bn, while exports rose 3.5% to $26.35 bn. The pace of exports too gained y-o-y for the sixth straight month during December 2013, and from $24.61 bn in November 2013. Oil imports in December 2013 rose 1.1% on year to $13.90 bn, while bullion imports declined as much as 68.8% to $1.77 bn. On a cumulative basis gold and silver imports fell 30.3% on year to $27.3 bn. In the first nine months of the current financial year, exports rose 5.9% to $230.34 bn, while imports fell 6.6% at $340.38 bn.
- **India IIP growth falls to a 7-month low of (-)2.1% in November:** IIP hit a seven-month low of (-)2.1% in November 2013, primarily due to sharp declines in manufacturing sector and consumer durables. The industrial production had contracted 1% from a year ago and 1.6% m-o-m. Among the IIP constituents, consumer durables growth showed the sharpest decline to an all-time low of (-)21.5% in November 2013. Consumer durables segment pulled down the overall consumer goods sector performance, offsetting the 2.5% growth in consumer non-durables. Consumer goods growth posted an all-time low of (-)8.7% in November 2013 compared with (-)0.3% a year ago. The manufacturing sector fell to a 20-month low of (-)3.5% in November 2013. Electricity output rose to 6.3% in November 2013 due to strong growth in hydropower.
- **India WPI inflation eases to 5-month low of 6.16% in December:** India's headline inflation rate, based on the WPI, fell to a five-month low of 6.16% in December 2013 from a 14-month high of 7.52% in November 2013, mainly on account of a sharp fall in prices of food articles, especially vegetables. December food articles inflation rate also fell to a five-month low of 13.68% from an over three-year high of 19.93% in November 2013, led by prices of vegetables. This, in turn, pulled down primary articles inflation index by 4.96% to 10.78% in December 2013. However, higher prices of electricity and liquefied petroleum gas pushed up the fuel and power index by 0.81% on month. The non-food manufactured products inflation, which is a proxy for core inflation, rose to 2.8% in December 2013 from 2.7% in November 2013.
- **RBI hiked policy rates by 0.25%:** RBI hiked the repo rate by 25 basis points from 7.75% to 8%, in its third-quarter monetary policy statement for 2013-14. However, it kept the CRR unchanged at 4% of net demand and time

liability (NDTL). Consequently, the reverse repo rate under the LAF stands adjusted at 7%, and the marginal standing facility (MSF) rate and the Bank Rate at 9%.

- **India November FDI inflows up 54.8% to $1.64 bn:** FDI inflows into India rose 54.8%, on year, in November 2013 to $1.64 bn. Total FDI inflows in Apr-Nov 2013 were down 2% from a year earlier at $15.46 bn, compared with $15.85 bn during the year-ago period. The total FDI inflows, including re-invested earnings and other capital, in Apr-Nov 2013 were $21.32 bn. The top foreign investor in India in Apr-Nov 2013 was Mauritius investing at $3.41 bn, followed by Singapore and UK at $3.05 bn and 3.12 bn, respectively.
- **India Apr-Dec fiscal gap Rs 5.16 trln:** India's fiscal deficit in Apr-Dec 2013, at Rs 5.16 trln, touched 95% of the budgeted target of Rs 5.42 trln for this year. Total receipts grew by 10.4% in the first nine months of the year, at Rs 6.47 trln. The Budget has pegged a 22% rise in total receipts over the previous year at Rs 11.23 trln. Non-tax revenues jumped 34.6% in Apr-Dec 2013 to Rs 1.16 trln, while tax revenue was up 6.9% at Rs 5.18 trln. Total expenditure during Apr-Dec 2013 was up 17.4% at Rs 11.64 trln, with plan and non-plan expenditures growing 18.7% and 16.9%, respectively. During Apr-Dec 2013, revenue deficit surged 24.6% on year to Rs 3.71 trln. In December 2013, fiscal deficit was Rs 68.33 bn, compared with a surplus of Rs 82.27 bn a year ago.
- **FY13 GDP growth estimate cut to 4.5% vs 5%:** The Central Statistics Office (CSO) trimmed its estimate on India's gross domestic product growth for the fiscal year 2012-13 to 4.5% from 5% earlier. The revision is primarily on account of a sharp upward correction in the base year. The GDP growth at 4.5% is the lowest since 2002-03, when the economy had expanded 4%.

Auto Sector January Sales

Volume slide continues in the New Year

Passenger vehicle segment continues the rough patch: Maruti volumes decline; M&M & Tata continue to remain weak

India's largest car manufacturer, Maruti Suzuki India's, Jan's PV volume was down 10% yoy to 1,02,416 units as domestic volumes declined 6% yoy while exports fell by 48% yoy. Even the second largest Hyundai (unlisted) posted de-growth of 2% despite heavy discounts offered to the customers. **Mahindra & Mahindra** PV shipments were down 25% yoy, while its total sales dipped 13.8%, which was partially offset by growth in tractor volumes. Sales of the company's 4W CVs were up 4% at 15,100 units and its exports were up by 42% to 2,361 units. The **downrun continued for Tata Motors** with its domestic PV volumes registering a 28% yoy decline to 10,974 units. Company's CV sales continued to witness a decline, with medium and heavy CV sales falling 6.4% yoy to 8,166 units, while light CV sales almost halved to 17,517 units. The total sales of the company was down 34.3% yoy to 40,481 vehicles.

2Ws: Competition intensifies while segment witnessing decent growth. Honda sustains double digit growth; Bajaj volumes decline while Hero flats

Volumes remained flat for country's largest two-wheeler maker, **Hero MotoCorp**, in January 2014 (+0.6% yoy) after a strong CY2013 when the company recorded its highest ever-sales; whereas its toughest competitor, **Honda** (unlisted), saw its 2W shipments grow strongly by 50% yoy driven by 63% yoy growth in scooters and 37% yoy in motorcycles. **Bajaj motorcycles** witnessed a decline of 7% yoy at 2,81,390 units while company's total sales dropped 8% yoy at 3,18,171 units. In its CV space, **Bajaj**'s volumes dipped 20% yoy while its total exports upped 7%. **TVS** domestic 2W volumes increased marginally (up 1% yoy) and its total sales registered 6% growth yoy fueled by a jump of 39% yoy in exports.

3-wheeler goes strong

Atul Auto, India's leading 3W manufacturer, registered 18.60% growth in its January 2014 sales to 3,330 units. Sales of **TVS**'s 3W also recorded a strong growth of 52% at 6,737 units.

Tractors volume continue to remain robust

M&M's domestic tractor sales remained strong, up 18%yoy while **Escorts** registered 10.3% growth in total sales to 4,742 tractors in January 2014.

Commercial Vehicles: recovery looks bleak

The trend in the Medium & Heavy Commercial Vehicle (M&HCV) segment remained weak – **Ashok Leyland**'s sales were down by 19% while **Tata Motors** reported a decline of 6.4% yoy to 8,166 units. TM's Large Commercial Vehicle (LCV) shipments also registered a significant decline of 48% yoy, followed by a poor performance by **Ashok Leyland**, in LCV, with 37% dip in sales to 2,317 units. **Eicher Motors** too reported 30% volume decline in its CV segment.

What to expect? The weak economic outlook coupled with rising interest rates and fuel prices will weigh down on the performance of automobile industry in the forthcoming quarters. Good agriculture harvest would offer some support to the industry as it would result in strong rural demand. M&M (healthy rural demand and attractive valuation) and Tata Motors (JLR story) continue to remain our top picks in the auto segment.

Q3FY14 Result Update: Nifty Companies

Positive Performance:

- **Axis Bank** reported a 19.07% rise in net profit, yoy, at Rs 1,604.11 crore for the quarter ended Dec 31, 2013.
- **Bajaj Auto** reported a 10.48% rise in net profit, yoy, at Rs 904.55 crore.
- **Bharti Airtel** reported a 139.52% rise in net profit, yoy, at Rs 1,797.10 crore.
- **GAIL** reported a 30.71% rise in net profit, yoy, at Rs 1,679.40 crore.

ARI - Equity Outlook

- **HCL Technologies** reported a 79.09% rise in net profit, yoy, at Rs 1,297.87 crore.
- **HDFC** reported a 12.07% rise in net profit, yoy, at Rs 1,277.71 crore.
- **HDFC Bank** reported a 25.10% rise in net profit, yoy, at Rs 2,325.70 crore.
- **Hero Motocorp** reported a 7.54% rise in net profit, yoy, at Rs 524.66 crore.
- **Hindustan Unilever** reported a 21.91% rise in net profit, yoy, at Rs 1,062.31 crore.
- **ICICI Bank** reported a 12.53% rise in net profit, yoy, at Rs 2,532.21 crore.
- **IDFC** reported a 1.44% rise in net profit, yoy, at Rs 475.44 crore.
- **Indusind Bank** reported a 29.79% rise in net profit, yoy, at Rs 346.90 crore.
- **Infosys** reported a 20.75% rise in net profit, yoy, at Rs 2,735 crore.
- **ITC** reported a 16.25% rise in net profit, yoy, at Rs 2,385.34 crore.
- **Larsen & Toubro** reported a 10.60% rise in net profit, yoy, at Rs 1,240.70 crore.
- **Maruti Suzuki** India reported a 35.88% rise in net profit, yoy, at Rs 681.15 crore.
- **Reliance Industries** reported a 0.16% rise in net profit, yoy, at Rs 5,511 crore.
- **TCS** reported a 48.48% rise in net profit, yoy, at Rs 4,776.76 crore.
- **Wipro** reported a 38.09% rise in net profit, yoy, at Rs 2,047.90 crore.

Negative Performance:

- **Asian Paints** reported a 1.46% decline in net profit, yoy, at Rs 307.47 crore for the quarter ended Dec 31, 2013.
- **Cairn India** reported a 88.88% decline in net profit, yoy, at Rs 1,473.39 crore.
- **Jindal Steel & Power** reported a 29.76% decline in net profit, yoy, at Rs 365.58 crore.
- **Kotak Bank** reported a 6% decline in net profit, yoy, at Rs 339.98 crore.
- **Punjab National Bank** reported a 42.14% decline in net profit, yoy, at Rs 755.41 crore.
- **Ultratech Cement** reported a 38.46% decline in net profit, yoy, at Rs 369.76 crore.

Nifty Technical Outlook

Markets witnessed selling pressure in the month of January 2014 after taking cues from quarterly results and uncertain macro economic conditions at domestic and global level. On the sectoral front Realty, Bankex and Metals led the fall whereas IT and Healthcare ended with marginal losses. The Sensex closed with a net loss of 3.10% whereas the Nifty lost 3.40% vis-à-vis the previous month.

Technical Observation

- **On the monthly chart,** we are observing a three spinning top which gives a small clue that the up move is losing breath
- **On the weekly chart,** we reiterate our view that we are observing a negative divergence on the indices which suggests weakness going forward. The said pattern target on the downside are 6069 (already achieved) – 5968 – 5857 – 5698. The downward gap area 6243 to 6188 now remains strong resistance for the indices going forward. Further, the prices have also closed below the median line of the upward channel
- **On the daily chart,** prices have closed below 6129 and confirmed a bearish lower top lower bottom formation

Future Outlook:

Combining the above pattern formations, it is evident that the downward gap area mentioned above (shown in the graph) remains strong resistance going forward. At present, below 6069 level the next support for Nifty is at 5968 – 5857 – 5698 levels. However, a pullback near the downward gap area of 6188 to 6243 cannot be ruled out.

Broadly, as long as daily charts are in lower top – lower bottom formation, rallies are likely to attract selling pressure. Hence, one should adopt cautious approach in the market.

ARI - Stocks to Watch

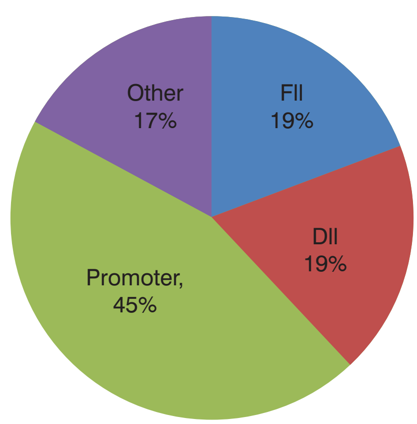
Fundamental

Indraprastha Gas Ltd — BUY & Accumulate

Target Price: Rs 318

Value Parameters	
BSE Code	532514
NSE Symbol	IGL
CMP (Rs)	267
Face Value (Rs)	10
52 Week High/Low (Rs)	329/236
Market Cap (Rs cr)	3,778
EPS (Rs) (FY15)	30.1
PE ratio	8.9

Shareholding Pattern (%)



Investment rationale:

In an important decision, Ministry of Petroleum and Natural Gas (MoPNG) has decided to reallocate domestic gas to city gas distribution (CGD) companies. We believe this is positive for IGL as this decision will help it to replace costlier imported LNG with cheaper domestic gas thereby improving operating margins. Further, reallocation of gas will bring CNG and PNG prices down in NCR region and may result in incremental volumes through higher demand for CNG vehicle and PNG connections.

Valuations:

IGL continues to deliver stable volume growth and pricing power in weak micro economic environment. We believe company will benefit from MoPNG's decision to reallocate gas to CGD companies which can improve volumes and margins going forward. We have valued IGL at 5.5x EV/EBITDA(x) (average 1 year forward multiple of last four years) and have arrived at price target of Rs 318 per share.

Technical

Amara Raja Batteries Ltd — BUY

CMP: ₹ 354.45 (As on 05th Feb 2014)

Buy: ₹ 354.45-340

Target Price: ₹ 390-410

Stop-Loss: ₹ 330

Amara Raja Batteries Ltd, the flagship company of Amara Raja group is one of the leading manufacturers of acid storage batteries in India. It operates in two segments - industrial battery division and automotive battery division. In India, Amara Raja is the preferred supplier to major telecom service providers, telecom equipment manufacturers, UPS sector, Indian railways and to power, oil & gas sector. The company is a leading manufacturer of automotive batteries under the brands - Amaron and Powerzone, which are distributed through large pan India sales and service retail network. The company supplies automotive batteries under OE relationships to Ashok Leyland, Ford India, Honda, Hyundai, Mahindra & Mahindra, Maruti Suzuki, and Tata Motors. Its industrial clientele includes big names like BSNL, MTNL, Lucent, Alcatel, Siemens, Nokia, Ericsson, Alstom, and Crompton Greaves. The company's industrial and automotive batteries are exported to Asia Pacific, Africa and Middle East.

Technical Outlook:

On the daily chart, the stock is trading in a channel. Further, the stock has breached the downward sloping trend line within the channel. Even the momentum indicators are positively poised which suggest further upside momentum. At present, the stock has resistance at Rs 366 levels.

Hence, we are of the opinion that one should Buy the stock at Rs 354.45 or on a decline up to Rs 340 levels and maintain a stop loss of Rs 330. The upside target is in the range of Rs 390 - Rs 410 levels.

ARI - Commodity Pick & Currency Pick

It gets sweeter with Gur (jaggery) BUY

CMP: ₹ 1,039 (As on 04th Feb 2014)

Buy: ₹ 1,039-1,015

Target Price: ₹ 1,100-1,130

Stop-Loss: Below ₹ 1,000

After reaching a peak of Rs 1,350 in April last year, Gur futures prices have seen a major correction in last 8-9 months marking a yearly bottom at Rs 965 in November 2013. Since then, Gur prices were broadly in a consolidation phase on technical charts and it is only in last 2 trading days that they have broken out of diamond bottom pattern formed as a result of v-shaped consolidation.

A 'diamond bottom pattern' is a bullish reversal pattern that usually has few candlesticks with false breakout and breakdown making it look like a diamond. On daily chart of gur, we can see such false breakout and breakdown within the diamond. Also, positive divergences and crossovers can be seen in RSI & MACD as supportive facts.

On adding volume and open interest study to the chart, the reversal gets more strength as both volume and open interest were declining with prices, a few days back, whereas on breakout of the diamond pattern volume also increased substantially.

Fundamentally, since Gur is the unrefined traditional form of sugar its prices depend heavily on sugarcane production. Historically, a shortage in sugarcane production has always increased the diversion of demand in favor of Gur. If we look at current scenario, this may once again happen in days to come as sugarcane production was estimated 5% lower in comparison to previous year.

We recommend Buy on NCDEX Gur March contract at CMP Rs 1,039 and on dips to Rs 1,025-Rs 1,015 with stop loss below Rs 1,000 and a target in the range of Rs 1,100-Rs 1,130.

EUR-INR SELL

ECB rate cut, the next big driver of EUR-INR currency pair:

In the month of January 2014, EUR-INR futures drifted lower towards 84.93, from the peak of 86.68 and closed at 85.36 with a drop of 0.22%. Similarly, the EUR-USD pair witnessed drastic selling pressure from the peak of 1.3738 towards low of 1.3480 after January 2014 inflation of Euro

zone stood at 0.7% down from 0.8% in December 2013 and below half of the ECB 2% target adding fears of risk of deflation and a concern for further cut in main refinance rate in upcoming meetings. Furthermore, second tapering of QE3 by US Federal Reserve to $65 bn from $75 bn strengthened dollar against Euro.

On the above weekly chart, EUR-INR was found to form a consolidation pattern. Since 11th October 2013 to 31st January 2014, the pair has been trading between the range of 82.88 to 86.70 level while sustaining above the Raff Regression channel line. Also, after hitting a high of 86.30 and 86.60, a pull down was noted in December 2013 and January 2014.

We expect that long run consolidation may offer a big move in the EUR-INR while concerns over rate cut by ECB may bring bearish trend for the Euro.

We recommend Sell on EUR-INR on every rise till 86.60 with a target of 84.50-83.40 and a stop loss of 87.60. On the other hand, bullish move is expected only above 87.65 towards 88.00-89.24 levels.

Key Domestic Events:

- **Europe** - 06th February: Minimum bid rate & ECB press conference
  28th February: CPI flash estimate
- **U.S.** - 11th February: Fed Chairperson Yellen testifies
  20th February: FOMC meeting minutes
- **India** - 14th February: WPI inflation for January
  28th February: Fiscal deficit (% of budget estimate) Apr- Jan and GDP estimate for Oct-Dec by CSO

ARI - Mutual Fund Update

Mutual Fund Roundup

Indian equity markets started the New Year on a grim note as the bellwether indices clocked negative returns after a volatile January 2014. The S&P BSE Sensex lost 3.10% to close the month at 20513.85 and Nifty ended with 3.40% loss closing at 6089.50.

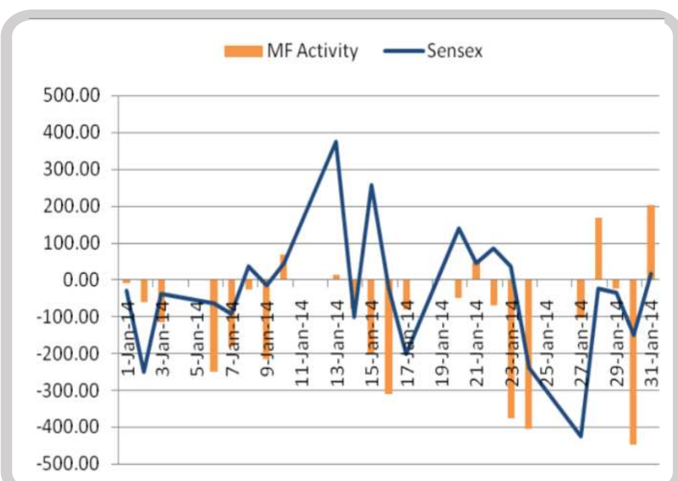
MF Activity

During the month, Indian mutual funds turned net sellers of equity clocking net sales of Rs 2,515.50 crore. Highest selling was recorded in the fourth week of the month when the fund houses made total net sell of Rs 857.90 crore of equities. While the domestic fund houses were net sellers, foreign institutional investors (FIIs) turned net buyers of Indian equities to the tune of Rs 714.50 crore in January 2014.

Mutual Fund Activity in January 2014

(₹ in Crores)	Gross Purchases	Gross Sales	Net Investment
1st Week	881.50	1069.40	-187.90
2nd Week	1960.20	2567.40	-607.20
3rd Week	1725.60	2382.70	-657.00
4th Week	1783.90	2641.90	-857.90
5th Week	2997.60	3202.90	-205.30
Total	9348.80	11864.30	-2515.50

(Source : SEBI)



Movers and Shakers

Equity Category

The performance of equity mutual funds mirrored the markets with all diversified schemes delivering negative returns barring ICICI Prudential Exports and Other Services Fund that delivered positive 1.83% followed by Religare Invesco AGILE Fund (0.87%). While the IT sector funds turned best performers in the markets for January 2014 followed by Pharma.

Monthly Best Performer: All Equity Diversified Funds

Scheme Name	Last 1 Month %
ICICI Prudential Exports and Other Services Fund - Dir - Growth	1.83
Religare Invesco AGILE Fund - Dir - Dividend	0.87
Tata Ethical Fund - Dir - Growth	-0.86
SBI Small & Midcap Fund - Dir - Growth	-0.88
Sundaram Equity Plus - Dir - Growth	-1.06

(Returns are absolute as on 31st January 2014)

In the sectoral category, the schemes generated positive returns with Franklin Infotech Fund being the best performer of the month with a return of 3.72% followed by DSP BlackRock Technology.com Fund (3.55%), SBI IT Fund (3.51%), SBI Pharma Fund (2.66%) and Birla Sun Life New Millennium Fund (1.93%).

Monthly Best Performer: All Sectoral Funds

Scheme Name	Last 1 Month %
Franklin Infotech Fund - Dir - Dividend	3.72
DSP BlackRock Technology.com Fund - Dir - Growth	3.55
SBI IT Fund - Dir - Dividend	3.51
SBI Pharma Fund - Dir - Dividend	2.66
Birla Sun Life New Millennium - Dir - Dividend	1.93

(Returns are absolute as on 31st January 2014)

Debt Category

Among the debt fund category, during the month of January 2014, ICICI Prudential Corporate Bond Fund delivered positive return of 2.95% followed by IDFC SSIF - MTP Fund (2.78%), Religare Invesco Short Term Fund (1.56%), Baroda Pioneer Dynamic Bond Fund (1.37%) and JM Income Fund (1.35%).

Monthly Best Performer: All Debt Funds

Scheme Name	Last 1 Month %
ICICI Prudential Corporate Bond Fund - Dir - Qtly Dividend	2.95
IDFC SSIF - MTP - Dir - Bi-Mthly Dividend	2.78
Religare Invesco Short Term Fund - Dir - Dividend	1.56
Baroda Pioneer Dynamic Bond Fund - Dir - Dividend	1.37
JM Income - Dir - Bonus	1.35

(Returns are absolute as on 31st January 2014)

Going Global with Mutual Funds

For an economy that's been beleaguered by slowing growth and a slew of weak indicators (IIP contraction, dampening auto sales and, of late, some softening in exports), it makes a case for an investor to seek diversification beyond domestic market, after achieving optimum diversification in India.

Why diversify cross border? When studying basic finance we all learned the importance of diversification. A well-diversified portfolio reduces risk – asset class risk, industry specific risk and even country specific risk. So for example if an investor puts money only in gold, but if gold does not perform (s)he nets with a flat or negative return. However, if the portfolio is diversified across gold, cash, stocks and land, and if one asset class does not perform but the other does, (s)he ends positive. Same is the case for diversification beyond India. International diversification offers the opportunity to an investor to take part in the world's booming economies and performing stock markets. For example, if India is posed with the election risk, it would not hamper the performance of equities in other parts of the world.

It is a fact that a single country cannot consistently outperform over the years. India was clocking a GDP growth of 8%+ earlier, but now even a 5% looks difficult and achieving the 8% tag in near future looks bleak. However, the improving situation in the US offered strong growth opportunities for the US companies and their stock markets performed well in recent times. Hence, diversification across geographies makes sense.

How do I invest in global markets? Fortunately, Indian investors now have easy access to investment in global economies through mutual funds. There are over twenty mutual fund schemes today that invest in foreign equities and can be classified as - those which invest in specific geographies like HSBC Emerging Fund or DWS Top Euroland Offshore Fund, then there are thematic funds like DSP BlackRock World Agriculture Fund and then others that predominantly invest in Indian equities with some international exposure. Here is a list of some of the available schemes that invests in international equities:

DSP BlackRock US Flexible Equity Fund - Growth
DSP BlackRock World Agriculture Fund - Growth
DSP BlackRock World Energy Fund - Reg - Growth
DSP BlackRock World Mining Fund - Reg - Growth
DWS Top Euroland Offshore Fund - Growth
FT India Feeder - Franklin U.S. Opportunities Fund - Growth
HSBC Brazil Fund - Growth
HSBC Emerging Markets Fund - Growth
ICICI Prudential Global Stable Equity Fund - Reg - Growth
ING Latin America Equity Fund - Growth
JPMorgan Asean Equity Offshore Fund
JPMorgan Emerging Europe ME & Africa Equity Offshore Fund
JPMorgan Greater China Equity Offshore Fund
JPMorgan US Value Equity Offshore Fund
Kotak Global Emerging Market Fund - Growth
Mirae Asset China Advantage Fund - Reg - Growth
PineBridge India - US Equity Fund - Std - Growth
PineBridge World Gold Fund - Std - Growth
Principal Global Opportunities Fund - Growth
Sundaram Global Advantage Fund - Reg - Growth

In addition to the above schemes, there are many exchange traded funds (ETFs) that have international indices like NASDAQ as the underlying.

How much should I invest in international funds? It is no doubt that international diversification is a good risk mitigation technique, but it is not completely risk free. The first and most important thing is that identifying countries which would do well is a difficult exercise and within those selected countries, identifying which schemes are good is also a difficult job. This again is coupled with currency risk, a weak rupee would offer a better return but if India's currency strengthens your returns will take hit. Considering all these factors, your exposure to such funds should not be more than 10 percent of the overall portfolio.

What are the tax implications? For taxation purpose, global funds that have less than 65% exposure in domestic equity are treated as debt funds and have the same tax slabs applicable to them as that of a domestic debt fund. While those which have 35% or less exposure to international equity have the same tax applicable as that to regular diversified schemes.

Get in touch with Arihant's Mutual Fund Expert to explain you about investing in international markets or to help you make an investment. SMS <Arihant> to 56677 or email mutualfund@arihantcapital.com

Personal Finance

Planning for Retirement

Age is something to celebrate when you plan ahead for retirement.

When we are young we are too naive to even think about retirement, we never believe that there'd be a day when even we will be old or maybe think that retirement is a million years away. As we grow older, 30s, family, children, building a house - all these responsibilities take up most of our time and money, and yet again planning for retirement is completely ignored. It's in the 40s, when the reality dawns, on few of, us we start to save up and start planning for retirement. Most do not put a proper retirement plan in place and make ad hoc investments. Few who turn in their 50s and now realise they're too late in planning but it must be done now, most of the times end up buying the wrong plans or making the wrong investments out of desperation.

Whatever is your age, remember the best time to plan for your retirement in "now" and it goes without saying the earlier the better. When you understand the power of compounding you would know the importance of saving early and often. For example, let's assume you start investing Rs 5,000 in an instrument, for retirement, which earns an average of 8% per year (net of tax).

- Save for 40 years, and you'll have Rs 13 lacs for retirement
- Save for 35 years, and you'll end up with around Rs 8.6 lacs in your retirement account.
- Save for just 30 years (which is how much time you'll have if you wait until your 30s to begin saving), and you'll have just Rs 5.7 lacs in savings at retirement.

But the problem is when you are in your 20s, 30s and early 40s it is difficult to tackle long term goals, like retirement, when you are already struggling with your day-to-day expenses. But postponing it for future will only compound your problems as you start moving up the age ladder. With the increasing inflation, changes in lifestyle, the growth of nuclear families and the 'me first' attitude in the young generation it is only natural that there'd be only a handful of lucky parents who will have their kids taking care of them at the retirement, if they fail to prepare themselves financially. The rest will either be at the mercy of others or will have to sacrifice on a happy and comfortable living if they do not have enough stocked up to meet their expenses, including healthcare.

Solution? We have devised these smart and useful age-specific tactics to build the financial security you need and deserve, one decade at a time.

In your 20s

Starting to build on your retirement saving is an absolute necessity

Yes you have rent and student loans. You also need that latest iPhone 5s that everybody has, and you have so many dinners and movies to go out for with your friends {networking?}, and its really important that you buy those designer shoes and watch. It is necessary. We have stepped into 2014 and to succeed you need to make the right impression. And with all these kind of expenses, where'd you have any money left for saving up for retirement? That can wait. Right? Wrong.

Saving even a small amount of money every month can add up to a big payoff at retirement. That's simply because when you are young you have the power of compounding to work for you {we already learnt above what difference compounding makes if you start early}. This is the best time in your life to take advantage of the benefit of compounding, and it will never come back again. And don't fool yourself into believing that as you'll grow old, you'll have more money to save, you'll likely have expanding family, children, tuition, car, house, mortgage and other big unavoidable expenses to take care of.

20s is to set up your retirement fund, however less or more you can put every month towards it. In fact your retirement fund now can even double as an emergency fund.

Concentrate on erasing debt

Your first target should be getting rid of all those student loans and other high interest debt {like credit card} you have taken. And avoid taking any extra debt, the interest eats up your earnings and never lets your money multiply. Postpone the expense, save up and invest instead. And credit card debt must be off limits, they're deadly for your financial health.

In your 30s

Maintain the right balance of future and present

It's probably your peak earning years when you would be in a more financially stable place. However, there would a lot of strings attached – namely marriage, children, a new house, club memberships. And yet you'd also have your dreams – a luxury car, foreign holidays with family. Despite all of this, you must not absolutely forget to pay yourself first and not sacrifice your retirement for a dream.

In your early 30s you need to make sure the emergency fund that you started building in your 20s is right in place with, ideally, six months' worth of expenses saved up. Its also the time when you have to let go off the bad habits of 20s, organisation is important. Especially when it comes to your finances, you can't be disorganised.

While we think we know it all, taking help of an expert {financial planner}, to help you plan your investments, asset allocation, debt and taxes, at this stage would make sure you have a proper financial plan in place to ensure you meet your retirement and other financial goals. It is also the time to plan your insurance needs.

In your 40s

So you have your retirement saving in place {and if you haven't already started it's never too late. Start saving atleast 20% of your income}. Gear up trim your debt, start off with the credit card debt that has the highest interest rate first. Ramp up your monthly instalment amounts to shorten the life of your loan. That'll be one less bill to worry about when you are retired. You must absolutely not take debt in any form at this stage that'd be categorised as 'luxury'.

It's time to make some tough decisions to increase your allocation towards retirement. As parents you would want to give your kids a good start in life, but you also need to ensure that does not put you at risk when you retire. The college education cost is rising considerably every year, but you should be wary of taking more debt than you can pay off. Consider lower-cost alternatives, seek other options like a scholarship.

Revisit your asset allocation strategy at least once a year.

In your 50s

Save your maximums, re-evaluate your asset allocation

This is the most significant period in your retirement planning. It is time to evaluate your retirement plan, and if you haven't put one in place, get it sorted; you cannot and must not postpone it any further. You need to set a retirement date and then calculate if you will have adequate funds to live through your golden years – keep in mind the increased life expectancy. You also need to have the proper long term care insurance plan in your 50s.

Re-evaluate your asset allocation – as you near the retirement age you should consider shifting from more aggressive investments towards more conservative ones. But don't overdo it. You don't want a stock market crash to dampen your retirement at the same time you also need to ensure you have the right asset mix so that you don't outlive your savings.

Your 50s are also your last chance to increase your retirement savings, so maximise your contributions. Keep a tab on your expenses; remember the fastest way to save more is spend less.

Review your finances regularly, every year atleast.

Meet your life goals

Get your child a
best education

Give your daughter a
wonderful wedding

Build your
dream house

Get Rs 30 lakh or more just by investing Rs 2000 per month for 20 years.

Plan properly and invest regularly
to meet your goals.

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