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ARIHANT's VALUE Plus

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

ARI - Movers & Shakers

INDIAN INDICES

Indices	Aug-14	Jul-14	Change%
SENSEX	26638.11	25894.97	2.87
S&P CNX NIFTY	7954.35	7721.30	3.02
BANK NIFTY	15740.40	15267.60	3.10
CNX MIDCAP	11114.05	10838.20	2.55
S&P CNX 500	6360.75	6194.45	2.68
CNX IT	10679.65	10304.70	3.64
CNX REALTY	220.30	242.05	-8.99
CNX INFRA	3113.45	3163.50	-1.58

(Source: BSE & NSE)

BSE-SECTORAL INDICES

Indices	Aug-14	Jul-14	Change%
AUTO	17293.65	15490.71	11.64
BANKEX	18003.68	17485.61	2.96
CD	9180.82	8556.87	7.29
CG	14913.18	14651.63	1.79
FMCG	7401.78	7169.75	3.24
HC	13356.87	12341.28	8.23
IT	10085.87	9742.34	3.53
METAL	12252.68	13064.27	-6.21
OIL&GAS	11184.90	10749.83	4.05
PSU	8096.29	8012.05	1.05
REALTY	1727.44	1893.03	-8.75
TECK	5594.31	5488.13	1.93

(Source: BSE)

GLOBAL INDICES

Indices	Aug-14	Jul-14	Change%
DOW JONES	17098.45	16563.30	3.23
NASDAQ	4580.27	4369.77	4.82
HANG SENG	24742.06	24756.85	-0.06
FTSE	6819.75	6730.11	1.33
NIKKEI	15424.59	15620.77	-1.26

(Source: Telequote software)

COMMODITIES & FOREX

Indices	Aug-14	Jul-14	Change%
MCX GOLD	27996.00	27818.00	0.64
MCX SILVER	42255.00	44399.00	-4.83
MCX CRUDE OIL	5829.00	6006.00	-2.95
MCX-SX USDINR	60.96	60.55	0.68

(Source: Telequote software)

FII ACTIVITY (₹ in cr)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Aug 2014	74,009.16	68,579.40	5,429.76
Total for 2014 *	679,168.04	600,832.92	78,335.14

(Source: SEBI)

MF ACTIVITY (₹ in cr)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Aug 2014	17,876.50	10,918.90	6,957.40
Total for 2014 *	121,682.50	116,664.50	5,017.50

*From Jan - Aug, 2014

(Source: SEBI)

Market Commentary

Indian equity markets continued its upward trend for the fourth straight month and hit record highs on strong foreign inflows. The month started in a somber mood and extended weakness on concerns of escalating geopolitical tensions between Ukraine and Russia. Market sentiment turned positive during the second half of the month on the back of positive economic data releases, easing geopolitical concerns along with inspiring speech by Prime Minister Narendra Modi on Independence Day, where he made it clear that the bureaucracy and the government would work diligently for the benefit of the nation. The month finally ended on a positive note with S&P BSE Sensex delivering return of 2.87% for the month to settle at 26638.11, after hitting a new high of 26674.38 and CNX Nifty gaining 3.02% ending the month at 7954.35, after hitting a new high of 7968.25.

On the sectoral front, Auto turned out to be the best performing sector in August 2014 clocking gains of 11.64%, followed by Healthcare (8.23%) and Consumer Durables (7.29%) while Realty (-8.75%) was the worst performing sector followed by Metals (-6.21%).

On the institutional side, foreign institutional investors (FIIs) pumped in Rs 5,429.76 crore worth of money in equities during the month while domestic mutual fund houses bought Rs 6,957.40 crore of equities during August 2014.

The Reserve Bank of India (RBI) in its third bi-monthly monetary policy review kept its key policy rates unchanged as widely expected. The repo rate and the cash reserve ratio was unchanged at 8% and 4%, respectively. However, the RBI cut banks' Statutory Liquidity Ratio and the limit on held-to-maturity portfolio of government securities by 50 bps each.

On the macro-economic front, India's HSBC manufacturing Purchasing Managers' Index surged to a 17-month high of 53 in July 2014 from 51.5 in June 2014 indicating a "solid" improvement in business conditions. India’s HSBC services PMI fell to 52.2 in July from a 17-month high of 54.4 in June, indicating moderate expansion in the services sector. Index of industrial production (IIP) growth moderated to 3.4% in

June 2014 from 5% (revised from 4.7%) in May 2014. Wholesale Price Index (WPI) fell to a five-month low of 5.19% in July 2014 from 5.43% in June 2014. Consumer price index (CPI) rose to 7.96% in July from its lowest-ever level of 7.46% a month ago. The rise in the July CPI Combined inflation rate was primarily on account of a sharp rise in prices of vegetables. However, India's trade deficit rose to a one-year high of $12.23 bn in July 2014, due to an increase in oil imports. India's exports rose 7.3% on year to $27.73 bn in July 2014, while imports grew 4.3% to $39.96 bn. Oil imports rose 12.8% on year to $14.35 bn. Gold imports declined a sharp 26.4% to $1.81 bn.

Signaling a turnaround for the economy, India's economy expanded at its fastest pace in more than two years. Country's GDP grew at 5.7% in the first quarter of 2014-15, the highest in nine quarters, against a growth of 4.6% in Q4 of FY14. The economy grew 4.7% in the year-ago period.

The fiscal deficit contracted 4.6% on year to Rs 3.249 trln in Apr-Jul 2014. The fiscal deficit in FY15 accounted for 61.2% of the budget estimate of Rs 5.312 trln for the full year compared with 62.8% in the same period of last year.

The Q1FY15 better earnings by corporate bigwigs like BPCL, Hero Motocorp, Jindal Steel and Power, NMDC, ONGC, Power Grid, SBI, Sun Pharma and Tata Steel supported the market. However, there were some that failed to deliver including companies like BHEL, Cipla, Coal India, GAIL, Grasim Industries, Hindalco Industries, M&M, Tata Motors and Tata Power.

The global markets ended the month of August 2014 on a mixed note. Nasdaq was the best performer, which ended the month with gain of 4.82% followed by Dow Jones (3.23%) and FTSE (1.33%) while Japan's Nikkei was the worst performer, which ended the month with loss of 1.26% followed by Hang Seng (-0.06%).

On the international front, the European Central Bank (ECB) left its main refinancing rate unchanged at a record low of 0.15%. It also kept the rate on bank overnight deposits at -0.10%.The Bank of England kept its benchmark interest rate unchanged at 0.5% in August and announced no change to its asset purchase facility program. European Industrial Production fell by 0.3% in June 2014 from -1.1% in May 2014. Japan's economy contracted at a 6.8% annualized rate in the second quarter. The Euro zone economy stalled in the second quarter, growing an annualized 0.2% overall. The Euro zone's Purchasing Managers' Index came in at 54.2 in July 2014 against market expectations of 54.4. China's Industrial production expanded 9% in July 2014, down from 9.2% a month ago. China's HSBC Purchasing Managers' Index fell to a three-month low of 50.3 in August 2014 from 51.7 in July 2014. US Federal Reserve's meeting indicated a sooner than expected hike in interest rates as the US economy is seen thriving. US economic growth in the second quarter was revised upward to 4.2% from 4%.

Going forward

Going ahead, the positive developments with regards to the macroeconomic environment and the geopolitical concerns globally will decide the market momentum for domestic markets. There are expectations that the ECB will announce quantitative easing in the coming months to strengthen growth in the Euro Zone, which may boost market sentiment.

While the economic indicators are signaling that the Indian economy is on the cusp of growth we believe that faster reforms are also needed to sustain growth momentum, lift business confidence and counter the coming drag on the economy from weak monsoons, fiscal consolidation and tight monetary policy. These factors will decide the direction of the markets in the medium term and the investors should make a note of them. Instead of big bang reforms the government will take small steps over a period of five years to strengthen the roots of the economy for sustainable growth.

We are bullish on the country's long term growth prospect and continue to believe Indian equities to be a lucrative asset class for investment. We advice investors to remain invested in fundamentally sound companies with long term prospects.

Domestic Data Releases in August 2014

Positive

- **India's 1Q2015 GDP growth at 5.7% vs 4.7% year ago:** India's gross domestic product (GDP) grew at 5.7% in Apr-Jun 2014, the fastest in nine quarters, primarily driven by a sharp improvement in industry sector. The country's GDP had expanded 4.6% in the previous quarter and 4.7% a year ago. Industry sector grew 4.2% in Apr-Jun 2014 compared with contraction of 0.2% in the previous quarter and 0.4% a year ago. Non-agricultural GDP growth rebounded to a nine-quarter high of 6.0% y-o-y in Q2, led by both the industrial and services sector. The higher-than-expected GDP growth in Apr-Jun 2014 suggests that Indian economy may have turned the corner after growing below 5% for the last two years. The government expects Indian economy to grow 5.4-5.9% in the current financial year.

- **Repo rate unchanged; banks' SLR, HTM limit cut by 50 bps each:** The Reserve Bank of India in its third bi-monthly monetary policy review kept its key policy rates unchanged. The RBI left the repo rate and the cash reserve ratio unchanged at 8% and 4%, respectively. The RBI cut banks' Statutory Liquidity Ratio and the limit on held-to-maturity portfolio of government securities by 50 bps each. With these measures, banks' SLR requirement will be at 22% of net demand and time liabilities, and the cap on held-to-maturity portfolio will be at 24%.
- **June FDI inflows $3.05 bn from $2.35 bn on year:** Total foreign direct investment into India in June 2014 increased to $3.05 bn from $2.35 bn a year ago. In May 2014, the inflows stood at $5.46 bn. In the first three months of the current financial year, FDI inflows into India were $11.11 bn against $8.13 bn a year ago. The total FDI inflows include equity capital, re-invested earnings, and other capital.
- **July WPI inflation at 5-month low of 5.19% from 5.43% in June:** India's inflation rate based on the Wholesale Price Index (WPI) fell to a five-month low of 5.19% in July 2014 from 5.43% in June 2014, mainly on account of the statistical effect of a high base. The fall in inflation rate was seen despite a sharp rise in food prices, especially of vegetables. The WPI inflation rate was 5.85% a year ago. India's inflation rates based on retail prices rose in July 2014; the inflation rate based on Consumer Price Index (combined) rose to 7.96% in July 2014 from 7.46% a month ago.

Inflation	July 2014	June 2014
Food articles	8.43%	8.14%
Primary articles	6.78%	6.84%
Manufactured products	3.67%	3.61%
Fuel & power	7.40%	9.04%

- **India 1Q2015 tax mop-up Rs 2.589 trln, up 5.5% YoY:** The government's Apr-Jul 2014 tax mop-up rose by 5.5% on year to Rs 2.589 trln. Services tax collection rose 18.8% to Rs 416.28 bn, while income tax mop-up grew 14.3% on year to Rs 649.05 bn. Revenues from other taxes, including securities transaction tax (STT) and wealth tax, rose 32.9% to Rs 36.77 bn. Excise duty collection during Apr-Jul 2014 fell 4.5% to Rs 322.64 bn, while customs mop-up fell 3.9% to Rs 538.81 bn. Corporation tax mop-up rose 2.7% to Rs 625.18 bn in Apr-Jul 2014. The Budget for FY15 aims at total tax collections of Rs 13.645 trln, up 17.7% from Rs 11.589 trln a year ago. The government's net tax collections in Apr-Jul 2014 rose 1.2% on year to Rs 1.469 trln.
- **India Apr-Jul fiscal gap declines 4.6% to Rs 3.249 trln as spending falls:** The Indian government's fiscal deficit contracted 4.6% on year to Rs 3.249 trln in Apr-Jul as spending fell drastically in June and July 2014. The fiscal deficit in FY15 accounted for 61.2% of the budget estimate of Rs 5.312 trln for the full year compared with 62.8% in the same period of last year. The government's total expenditure declined 3.3% to Rs 5.039 trln in Apr-Jul. The fiscal deficit in July 2014 declined 65.2% on year to Rs 271 bn as government's expenditure fell 35% to Rs 903 bn rupees. The revenue deficit in Apr-Jul 2014 declined 4% to Rs 2.664 trln. Total receipts of the government declined 0.9% to Rs 1.790 trln in Apr-Jul 2014 as tax and non-tax revenues remained lacklustre. The government's net tax collections in Apr-Jul 2014 rose 1.2% on year to Rs 1.469 trln, while non-tax revenues declined 7.3% to Rs 288 bn.

(Negative)

- **June industrial output growth moderates to 3.4%:** India's industrial output growth moderated to 3.4% in June 2014 from 5% (revised from 4.7%) in May 2014, primarily because of contraction in the consumer durables sector. The Index of Industrial Production had contracted by 1.8% in the year-ago period. A decline in consumer goods and consumer durables sectors pulled the overall factory production down.

Sector	June 2014 YoY
Capital Goods	23%
Manufacturing Sector	1.8%
Consumer Goods	-10%
Electricity	15.7%
Intermediate Goods	2.7%
Mining Output	4.3%

- **July trade gap widens to 1-year high as oil imports pick up:** India's trade deficit rose to a 1-year high of $12.23 bn in July 2014 as compared to $11.76 bn in June 2014, pulled up by an increase in oil imports. The country's trade deficit in July 2014 was, however, down 2.1% from the year-ago level of $12.49 bn. India's exports rose 7.3% on year to $27.73 bn in July 2014, while imports grew 4.3% to $39.96 bn. The rise in imports in July was led by oil, which rose 12.8% on year to $14.35 bn. Gold imports declined a sharp 26.4% to $1.81 bn.

Auto Sector August Sales

Passenger vehicle (PV) segment a mixed bag

India's largest car manufacturer, **Maruti Suzuki's,** PVs volume was up 30.4% yoy to 82,823 units in August 2014. Company's domestic volumes also went up 29.3% yoy to 98,304 units while exports rose by 10.3% yoy to 12,472 units. The company's sales were driven by the compact cars, comprising Swift, Estilo, Celerio, Ritz and Dzire, which zoomed 53.2% yoy at 46,759 units. However the second largest player **Hyundai** (unlisted) posted 8% yoy decline in total sales while exports were down 40.2% yoy. **Mahindra & Mahindra** PV shipments were down 10.6% yoy, while its total sales were down 7.2% yoy. **Tata Motors** sales continued to remain down in August 2014. Its PV volumes registered a 5% drop yoy to 10,975 units.

2Ws: Two-wheeler segment continue to rise in August

Country's largest two-wheeler maker, **Hero MotoCorp's** volumes were up 21% yoy to 558,609 units in August 2014, whereas its toughest competitor, **Honda** (unlisted), saw its 2W shipments grow strongly by 26% yoy driven by 47.6% yoy growth in scooters and 6.35% yoy in motorcycles. **Bajaj Auto's** motorcycle sales witnessed a rise of 2% yoy at 284,302 units while company's total sales up 8% yoy at 336,840 units. Its total exports up 21% yoy at 175,127 units. **TVS Motor** 2W volumes increased 47% yoy and its total sales also registered 46% yoy growth pushed by a jump of 28% yoy in exports.

3-wheeler segment volume up

Atul Auto, India's leading 3W manufacturer, registered volume growth of 6.2% yoy at 3,402 units in August 2014. Sales of **TVS**'s 3W also recorded a strong growth of 39% yoy at 9,820 units.

Tractor segment volume mixed

M&M's August total tractor sales up 6% yoy at 15,006 units while **Escorts** registered 7.3% yoy drop in total tractor sales to 3,624 units in August 2014.

Commercial vehicle (CV) segment volume mixed

The medium and heavy commercial vehicle (M&HCV) segment reported volume growth in August 2014. **Ashok Leyland**'s sales were up by 17% yoy to 8,331 units while **Tata Motors** M&HCV sales up 11% to 9,141 units. The light commercial vehicle (LCV) segment registered mixed sales in August 2014. Company's CV sales witnessed a 23% yoy decline to 25,428 units, with medium and heavy CV sales up 11% to 9,141 units. **Tata Motor's** light commercial vehicle (LCV) shipments registered a decline of 35% yoy to 16,287 units. The total sales of the company (including PV) were down 18% yoy to 40,883 vehicles. Sales of Mahindra and Mahindra 4W CVs fell 5.4% yoy at 12,975 units and its exports were down 25.8% yoy to 2,030 units.

Ashok Leyland registered a jump of 14% yoy in LCV sales to 2,501 units. **Eicher Motors'** sales of branded trucks and buses recorded a decline of 5.6% yoy to 3,027 units in August 2014. In the domestic CV market (5T and above), Eicher trucks and buses have recorded sales of 2,571 units in August 2014 as compared to 2,757 units in August 2013, fell by 6.7% yoy while its exports, recorded sales of 456 units in August 2014, a growth of 1.3% yoy.

Q1FY15 Result Update: Nifty Companies

Positive Performance:

- **BPCL** reported a rise of 709.11% in net profit, yoy, at Rs 1,216.26 crore for the quarter ended June 30, 2014.
- **Hero Motocorp** reported a 2.58% rise in net profit, yoy, at Rs 562.76 crore.
- **Jindal Steel and Power** reported a 28.22% rise in net profit, yoy, at Rs 306.27 crore.
- **NMDC** reported a 21.81% rise in net profit, yoy, at Rs 1,915.01 crore.
- **ONGC** reported a 19.07% rise in net profit, yoy, at Rs 4,781.79 crore.
- **Power Grid** reported a 9.24% rise in net profit, yoy, at Rs 1,136.51 crore.
- **SBI** reported a 3.33% rise in net profit, yoy, at Rs 3,349.08 crore.
- **Sun Pharma** reported a 4.07% rise in net profit, yoy, at Rs 47.56 crore.
- **Tata Steel** reported a 67.24% rise in net profit, yoy, at Rs 2,267.98 crore.

Negative Performance:

- **BHEL** reported a decline of 58.43% in net profit, yoy, at Rs 193.50 crore for the quarter ended June 30, 2014.
- **Cipla** reported a 30.05% decline in net profit, yoy, at Rs 332.17 crore.
- **Coal India** reported a 66.15% decline in net profit, yoy, at Rs 1,202.02 crore.
- **GAIL** reported a 23.11% decline in net profit, yoy, at Rs 621.44 crore.
- **Grasim Industries** reported a 53.20% decline in net profit, yoy, at Rs 105.84 crore.
- **Hindalco Industries** reported a 30.92% decline in net profit, yoy, at Rs 327.50 crore.
- **Mahindra & Mahindra** reported a 5.98% decline in net profit, yoy, at Rs 881.78 crore.
- **Tata Motors** reported a 44.02% decline in net profit, yoy, at Rs 393.65 crore.
- **Tata Power** reported a 28.30% decline in net profit, yoy, at Rs 255.96 crore.

ARI - Equity Outlook & Commodity Pick

Nifty Technical Outlook

Indian equity markets delivered a stellar performance in the month of August as it registered new all time high due to strong FII Inflows which reflects their confidence in Modi's governance. On the sectoral front auto, healthcare and consumer durable led the rally whereas realty and metal ended on the losing side. The Sensex closed with net gains of 2.87% whereas the Nifty gained 3.02% vis-à-vis the previous month.

Technical Observation

- On the **monthly chart,** we are observing that prices have taken support at the 5 month EMA and have formed a bull candle. This suggests that momentum on the upside is likely to continue.
- On the **weekly chart,** we are observing a narrow range body formation which suggests that markets are cautious at current level.
- On the **daily chart,** we are observing that markets are close near the new all time high. This suggests that the undertone in the market is positive.

Future Outlook:

Combining the above pattern formations it is evident that the undertone in the market is positive. We maintain our positive stance on Nifty and we are of the opinion that if Nifty manages to give a daily close above 8050 level then we could witness a power pack rally up to 8200 – 8348 – 8400 levels. On the downside, 7784 – 7737 – 7690 – 7627 levels may act as support for the month.

We reiterate our view that looking at the longer term channel, we are of the opinion that momentum on the upside is likely to continue. Hence traders are advised to adopt positive approach towards the markets. IT, Cement and FMCG sectors likely to perform going forward.

Dhaniya – Looking for 'Dhan' in Dhaniya Sell

CMP: ₹ 12,000 (as on 04th Sep)

Sell: ₹ 12,000

Target Price: ₹ 10,900-10,100

Stop-Loss: >₹ 12,300

Dhaniya is one of the most consistently performing commodity on NCDEX' spices complex. After marking an all-time high this year, the commodity is now showing signs of the beginning of a corrective phase. So, let's weigh the 'early bird' opportunity on technical & fundamental parameters.

On technical chart, the long-lasting impulsive rally began in 2010 and the peak achieved this year looks like 'the tired bull's leg' of this rally. We can see a cluster of negative to indecisive candlesticks which are again forming a sub-cluster of insider candlesticks. This step wise marginal fall has shaped up into a rounding top formation with a mid-term trend line breakdown already in place. Momentum indicators are playing a crucial role here by giving early indications of a correction. RSI and MACD are already in a negative divergence within their negative crossovers while ADX is the highlight among all, displaying an extreme end of main directional line. Volumes are also shrinking since the electrifying commodity is presently in a low momentum.

On fundamental front, there is no supply concern at present in the backdrop of a steady demand. Since 80% of the total crop is consumed locally, export demand is generally consistent but the queries usually slows down in this part of the year as the cultivation stage of the next crop begin a month later.

We recommend selling Dhaniya October contract at CMP of Rs 12,000 and add more below Rs 11,700 for targets Rs 10,900-10,100 with a stop loss above Rs 12,300.

ARI - Currency Outlook

Dollar index is zooming and reached its 14 months high (near about $84) against other major currencies on the back of ongoing improvement in the US economic health. As of now, the other economic players are getting defensive in their approach and making arrangements for saving their economies from the clutches of domestic deflation.

USD/INR:

In all these situations, heads-off to Apex bank of India, RBI, that it is continuously and keen watching the world's major economic activities and responding vigorously. RBI is taking the steps like issuing bonds and selling dollar through state-runs banks is helping Indian rupee strengthen. Also, non-stop inflow of FIIs in domestic share market and opening up of door for FDI is letting rupee to gain grounds. In addition, higher-than-expected GDP growth in Apr-Jun 2014 also suggested that Indian economy may turned the corner after growing below 5% for the last two years.

Overall, USD/INR (CMP Rs. 60.70) currency pair may continue to trade in dilemma. However, broader view is still negative. Major support is seen at Rs. 59.50 and then Rs. 58.30; resistance is at Rs.61.10 and then Rs.61.65. Best trading strategy for high risk trader is to sell on rise.

EUR/INR:

The EUR/INR is moving into the month trading at Rs.78.64 as on 05th September 2014 touching a long term low as well as its lowest point as the US dollar soared. Incoming economic data for euro zone continues to prove largely disappointing. Following a lackluster start to the year, the already meager economic recovery came to a halt during the second quarter, held back by the region's three largest economies. Moreover, the European Central Bank cut euro zone interest rates and unveiled an asset-backed securities program. Also, heightened geopolitical tension between Europe and Russia over Ukraine is adding to the weakness of European currency.

On technical ground, EUR/INR (CMP Rs.78.64) prices may continue to remain downside till Rs. 77.20 and then Rs.76.00. Immediate resistance is seen at 79.73. Traders who are on the short side can wait and hold for the given support levels.

GBP/INR:

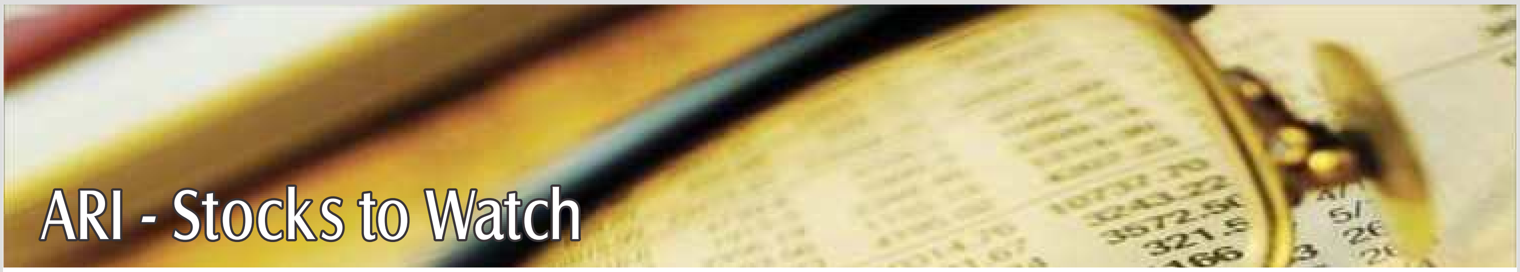
A stiff decline in the GBP/INR is seen since the starting of the September month as traders worried about economic data and the lack of support from the Bank of England. However, the recovery in UK is looking increasingly resilient, with business optimism at the highest level since 1973 and business investment marking a comeback. However, the major economic data from US should be keenly watched if one has to completely analyze the trend of GBP.

On technical ground, GBP/INR (CMP Rs.99.04) prices may continue to remain downside till Rs.98.20 and then Rs.97.00. Immediate resistance is seen at 100.20.

JPY/INR:

Entering September, JPY/INR is also on its multi-month range and weakened during August (till Rs.58.18), driving technical selling. The BoJ's policy stance remains aggressive as it struggles to meet its 2% inflation goal and sentiment remains bearish in yen. Japan's headline inflation remains temporarily elevated due to last April's consumption tax rate increase. Regardless, we maintain our view that the BoJ may provide additional stimulus by potentially extending and increasing its asset purchase program in the coming months, if the tax hike leads to a prolonged economic downturn. Japan's growth outlook remains challenging.

In the broader term, we recommend selling on rise strategy for the JPY/INR (CMP Rs.57.73). Support is seen at Rs. 57.30; on sustained trade below market is likely to test Rs. 55.00 levels. Resistance is at 58.60 and then 59.20.



ARI - Stocks to Watch

Biocon Ltd BUY

CMP: ₹ 487 (as on 02nd Sep, 2014)

Buy: ₹ 487-474

Target Price: ₹ 520-560-580

Stop-Loss: ₹ 460

Biocon Ltd is an integrated healthcare company engaged in the manufacturing of biopharmaceutical products through using fermentation-based technology. The company has successfully evolved into an emerging global biopharma enterprise, serving its partners and customers in over 75 countries. It produces range of active pharmaceutical ingredients (APIs), branded formulations and biological. It has 70 brands spread across six therapeutic segments includes Diabetology, Oncotherapeutics, Nephrology, Cardiology, Immunotherapy and Comprehensive Care. It offers contract research services to overseas customers in the field of synthetic chemistry and molecular biology, sale of products arising from research activities and undertakes clinical research activities on discovering biomarkers.

Technical Outlook:

On the daily chart, the stock has given a strong breakout from the downward sloping trendline. This suggests upside momentum. Further, the prices are trending in an upward sloping channel. On the upside immediate resistance is at 520 – 525 zones. Any strong move above that would propel this counter to test the upper trendline of the channel which is at 570 – 580 range.

We recommend BUY on the stock at Rs 487 or on a decline up to Rs 474 levels with a stop loss of Rs 460 for a target of Rs 520 – 560 – 580 levels.

Ultratech Cement Ltd BUY

CMP: ₹ 2719 (as on 02nd Sep, 2014)

Buy: ₹ 2719-2650

Target Price: ₹ 2816-2900-3000

Stop-Loss: ₹ 2555

Ultratech Cement Ltd is India's largest and among the world's leading manufacturers of cement. The company provides a range of products that cater to all the needs from laying the foundation to delivering the final touches. The company manufactures and provides ordinary Portland and Portland Pozzolana Cement, ready-mix concrete, and white cement. White cement is manufactured under Birla White brand, ready mix concretes under Ultratech Concrete brand and new age building products under Ultratech Building Products Division. The retail outlets of the company operate under Ultratech Building Solutions. The company is also an exporter of cement clinker spanning export markets in countries across the Indian Ocean, Africa, Europe and the Middle East. The company conducts business activity in United Arab Emirates, Sri Lanka, Bahrain, and Bangladesh.

Technical Outlook:

On the daily chart, the stock has bounced from the lower trendline of the channel, which is an indicator that the stock has made an intermediate bottom at Rs 2541 level. Further the stock is on the verge of giving a downward sloping trendline breakout. This suggests upside momentum.

We recommend BUY on the stock at Rs 2719 or on a decline up to Rs 2650 levels with a stop loss of Rs 2555 for a target of Rs 2816-2900-3000 levels.

ARI - Fundamental Pick

Emami Ltd. — BUY

Target Price: Rs 750

Value Parameters	
BSE Code	531162
NSE Symbol	EMAMILTD
CMP	Rs 699
Face Value	Rs 1
52 Week High/Low	719/421
Market Cap (Rs cr)	15,378
EPS (Rs) (FY14)	17.7
PE ratio (x)	39

Company Overview:

Emami Ltd. is a Kolkata based FMCG company founded in 1974 with presence across the globe. The company blends their Ayurvedic lineage with modern sciences and cater to niche market targeting rural and semi urban areas, which are underpenetrated. Some of the major brands of the company are Boroplus, Fair and Handsome, Navratana, Zandu, Fast Relief etc. Few of these brands like Boroplus, Fair and Handsome and Navratana are leaders in their segment.

Investment Rationale

Highest revenue growth in last 15 quarters: Q1FY15 revenue witnessed revival with the strong 25.6% YoY growth to Rs. 481 crores. Domestic volume grew by 13% YoY. International business witnessed 104% growth in revenue to Rs 62.6 crores. Company is virtually debt free and is maintaining a healthy dividend payout of 41.08%.

Company is in the process of expansion: By venturing in new segments like light hair oil segment and deodorant (launched in May 2014 called "HE") the company expects to have market share of about 6% in deodorant market over next 2 years. Acquisition of "She Comfort" brand to make entry into an underpenetrated segment (acquisition on June 2014 and start production from August 2014).

Net Sales for Emami grew at a healthy 15% CAGR from FY10 through FY14. Navratana Cool Talc and Boroplus antiseptic cream gave a fillip with 71% & 30% growth respectively. We expect "HE", "SHE" and 7 in one hair oil to drive revenue growth for next few years.

Valuations

We value it at PE of 25x FY16E EPS of Rs. 30 and arrive at target price of Rs. 750 and recommend to buy on declines.

Tata Chemicals Ltd. — BUY

Target Price: Rs 525

Value Parameters	
BSE Code	500770
NSE Symbol	TATACHEM
CMP	Rs 414
Face Value	Rs 10
52 Week High/Low	Rs 418/236
Market Cap (Rs cr)	10,515
Adjusted EPS (Rs) (FY14) (Consolidated)	19.3
Adjusted PE ratio (Consolidated) (x)	18.8
EPS (Rs) (FY14) (Standalone)	17.6
PE ratio (standalone)	16.7

Company Overview:

Tata Chemicals Limited (TCL) began its long and passionate journey to serve society through science back in 1939 and has done so for nearly 75 years now. A pioneer in the production of synthetic soda ash in India, it is the second largest soda ash manufacturer in the world. The Company is the national leader in the branded salt category reaching over 7.5 crore household. TCL is also national leader in the branded pulses segment and the first indigenous Nano tech water purifier.

Investment Rationale

TCL's Q1FY15 consolidated revenue increased by 17.4% to Rs 3846 crores on YoY basis and EBIDTA increased by 22.4% and stood at Rs 503.6 crores.

Company is doing restructuring and has also embarked on a debt reduction drive for the next five years. In its UK subsidiary, it plans to bring down the debt from the current level of £120 million to £70 million while debt in Kenyan subsidiary , it will bring down the debt from the current level of $118 million to $60 million, in India, it plans to cut its gross debt of Rs.3,000 crore by 50% .

Management is confident about buoyancy in its domestic and global soda ash business and also expects its margin to remain stable. The company is focused on debt repayment. Free cash flow generation is likely to strengthen the balance sheet.

Valuations

We have valued Tata Chemicals at PE of 15x its FY16E EPS of Rs 35 and have arrived at a fair value of Rs. 525 per share. We recommend buy rating on Tata Chemicals

Note: FY14 consolidated P&L includes exceptional item of Rs. 1420 crores which is largely due to impairment of assets.

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ARI - Mutual Fund Update

Mutual Fund Roundup

Indian equity markets ended the August month at record closing high levels on strong capital inflows and optimism of economic revival. The barometer index, Sensex delivered gains of 2.87% closing the month at 26638.11 while CNX Nifty ended with 3.02% gain settling at 7954.35.

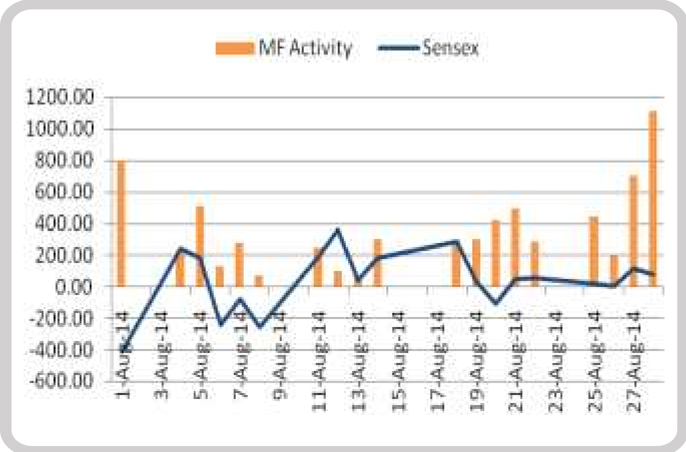
MF Activity

Indian equity markets continued to deliver gains during the month of August 2014. Indian mutual funds turned net buyers of equities to the tune of Rs 6,957.40 crore for the month of August 2014, making it the highest monthly inflow in more than six-and-a-half years. This also marks the fourth consecutive month of inflows into equities. Highest buying was recorded in the fifth week of the month when the fund houses made total net buy of Rs 2,443.50 crore of equities. Foreign institutional investors (FIIs), on the other hand, also turned net buyers of Indian equities pumping in flows of an astounding Rs 5,429.76 crore.

Mutual Fund Activity in August 2014

(₹ in Crores)	Gross Purchases	Gross Sales	Net Investment
1st Week	1483.60	681.70	801.90
2nd Week	4023.50	2817.00	1206.40
3rd Week	2996.00	2282.50	713.40
4th Week	4487.10	2694.90	1792.20
5th Week	4886.30	2442.80	2443.50
Total	**17876.50**	**10918.90**	**6957.40**

(Source : SEBI)



Movers and Shakers

Equity Category

In the equity diversified category, Sahara R.E.A.L Fund delivered positive returns of 9.65% followed by ICICI Prudential Value Fund (9%), Reliance Close Ended Equity Fund (8.90%), UTI Mid Cap Fund (8.66%) and Franklin India High Growth Companies Fund (8.55%).

Monthly Best Performer: All Equity Diversified Funds

Scheme Name	Last 1 Month %
Sahara R.E.A.L Fund	9.65
ICICI Prudential Value Fund - Series 3	9.00
Reliance Close Ended Equity Fund - Series B	8.90
UTI Mid Cap Fund	8.66
Franklin India High Growth Companies Fund	8.55

(Source : Mutual Fund India)

In the sectoral category, Reliance Pharma Fund outperformed during the month registering a return of 10.98% followed by Franklin Build India Fund (10.06%), UTI Pharma and Healthcare Fund (9.40%), SBI Pharma Fund (8.68%) and UTI Transportation and Logistics Fund (8.64%).

Monthly Best Performer: All Sectoral Funds

Scheme Name	Last 1 Month %
Reliance Pharma Fund	10.98
Franklin Build India Fund	10.06
UTI Pharma and Healthcare Fund	9.40
SBI Pharma Fund	8.68
UTI Transportation and Logistics Fund	8.64

(Source : Mutual Fund India)

Debt Category

Among the debt fund category, SBI Dual Advantage Fund - Series I delivered positive return of 1.40% during the month followed by ICICI Prudential Multiple Yield Fund- Plan C (0.90%), IDBI FMP - 370 Days Series III (0.78%), L&T Fixed Maturity Plan - Series XI - Plan B (0.76%) and BOI AXA FMP - Series 5 (0.76%).

Monthly Best Performer: All Debt Funds

Scheme Name	Last 1 Month %
SBI Dual Advantage Fund - Series I	1.40
ICICI Prudential Multiple Yield Fund - Plan C	0.90
IDBI FMP - 370 Days Series III (August 2013)	0.78
L&T Fixed Maturity Plan - Series XI - Plan B	0.76
BOI AXA FMP - Series 5 (366 Days)	0.76

(Source : Mutual Fund India)

Invest through SIP

Indian economy is on the cusp of a strong growth uptrend that could herald 6-7% GDP growth per annum over the next 5-10 years. This will contribute to robust growth in corporate earnings and underpin strong performance of Indian equities. If there was ever a good time to invest in equities, it is now!

Lump sum investing has an element of market timing, which if gets wrong can result in undesirable returns. We therefore recommend making part of your overall investment using the SIP route. It averages your purchase price and eliminates the folly of market timing.

After a careful analysis, we have selected the following schemes for SIP investment considering a long term investment horizon (>5 years). All these schemes have been consistent performers in their category with a strong fund management team and a well-diversified portfolio. We have evaluated them on a risk-return parameter and their performance over different time frames before adding them on our recommendation list.

Scheme Name	Latest NAV	Launch Date	Returns (%)				Min. Investment Amount	
			1 Year	3 Years	5 Years	Since Inception	SIP	Lumpsum
HDFC Equity Fund	437.53	1-Jan-95	84.89	22.21	17.64	21.18	1,000	5,000
HDFC Top 200	322.67	11-Sep-96	72.54	21.12	15.09	21.32	1,000	5,000
DSP BlackRock Opportunities Fund	127.64	16-May-00	60.14	19.00	14.01	19.50	1,000	5,000
IDFC Premier Equity Fund	59.16	28-Sep-05	76.31	23.46	21.42	22.05	2,000	25,000
DSP BlackRock Small and Midcap Fund	29.23	14-Nov-06	96.71	21.65	19.44	14.76	1,000	5,000
ICICI Prudential Focused Bluechip Equity Fund	26.57	23-May-08	56.76	22.39	16.91	16.87	1,000	5,000

NAV and Returns as on 28th August 2014, Returns < 1 yr annualised, > 1 yr compounded annualized

INVESTOR Q&A

How can I invest in international markets?
***Asked by** Arun Pandey, Chandigarh*

A convenient way to invest internationally is through mutual funds (fund of funds) or ETFs. With these funds you can buy shares representing an investment in a basket of stocks or bonds that seeks to track or beat a particular index. This provides greater diversification than most investors can achieve by purchasing individual stocks. There are schemes that let you invest in international markets ranging from Latin America, Europe, China, US and more. These funds can be diversified across countries and sectors, or specialized by region or country.

What is the right time to start planning for the retirement?
***Asked by** Siddhi Sharma, Jaipur*

Planning for retirement is not about dates and deadlines like how you plan your taxes, it's about planning ahead. So be sure to save as much as you can for as long as you can to ensure you don't have to worry about money in your golden years.

The stock markets rose too high in last 3-4 months, is it too late to buy?
***Asked by** Pranav Khandelwal, Ujjain*

Market timing is one of the biggest reasons why investors don't make money. When the stocks are hitting record highs, investors don't like the feeling that they're paying too much. But when stocks are in free fall and hitting lows, investors are afraid they might fall even further. That's the dilemma of the market timer.

Post 2008, most of the retail investors have been sitting on the sidelines and missed out on the stock market's impressive move this year. And you must have realised why trying to time the market is bad. Instead of trying to guess the market movements, which is essentially impossible to do correctly all the time, try to decide the amount you should invest in equity.

Once you decide on how much risk you can stomach, you can then invest in a diversified mutual fund or create a diversified portfolio of direct equity and be patient. Make sure you invest tin fundamentally good companies.

Have a query?

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Preparing for Retirement Risks

Planning for retirement is very essential when you plan your finances and time and again the emphasis on starting to save early for the retirement is reinstated.

Once you decide to start planning for your retirement you need to anticipate and make provision for unanticipated retirement risks. This is essential to maintain your desired lifestyle during your retirement years. It is imperative that you prepare a robust retirement plan that can protect you from various retirement risks.

Ensuring your assets last throughout your retirement years requires careful planning right now to determine how retirement risk factors may affect your income and lifestyle over time. Here's a look at six key retirement risks that you should take into consideration when setting your retirement plan and ensure they do not detriment your well-being in your golden years:

1. **Inflation:** Inflation is the biggest concern for retirees, especially those who are witnessing the impact of rising inflation over the past few years. In the long run you will have years when the inflation will be more than what you had anticipated. Even low rate of inflation can have a serious impact the well-being of retirees who live for many years. For this you need to consider inflation in your plan and need to do investments so that it can beat inflation.

2. **Running out of money and longevity:** You need to work on estimates, assumptions and possibilities to arrive at a sizeable retirement corpus. With increasing life span, many people spend more time in retirement than in working. You need to ensure that your retirement corpus lasts long enough. For someone retiring at age 60, another 25-30 years in retirement is possible and it will be good to plan accordingly.

3. **Investment volatility:** It is important to understand the need for equity exposure because of its long term benefits compared to fixed return investments and maintain a diversified portfolio. However the volatility associated with unknown swings in the market and making poor investment choices can play a spoilsport in your retirement planning. Moreover, investment losses are unbearable after retirement because of lack of supportive income. Although many retirement savers bring down the risk in their portfolio in the years leading up to and immediately after retirement by moving allocation towards safer asset class. Make sure to have a well-diversified portfolio based on your profile both pre and post retirement.

4. **Health expenses:** Health and asset insurance is a must in retirement to take care from risk that you may exposed to. It is important to adopt and maintain a healthy lifestyle including a proper diet, regular exercise and preventative care. While health insurance is a must but after a certain age it may be difficult to obtain insurance. As you grow older you are prone to have greater healthcare needs and may need frequent treatment for a number of different health-related issues. So make sure you plan a sufficient corpus to take care of unexpected healthcare needs.

5. **Depleting assets too quickly:** You need to create a plan to spend your nest egg after retirement. You need to set up regular withdrawals from investment accounts, spending only the interest and dividends earned each month and using capital savings only for emergencies or major expenses.

6. **Retiring Young:** If you plan to retire early, you should understand the number of years in retirement that you will live for. Someone wanting to retire at 45 may have worked for the retirement corpus for 20 years, but life in retirement could be 40 years, which is twice the working years that went into building the corpus. You need to understand the consequences of retiring young and the impact of such a move on your finances and quality lifestyle.

For any question on retirement planning or to avail a free retirement consultation session with our Financial Planner email us at research@arihantcapital.com

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