

Key developments during the week

- President signs ordinances on insurance, coal auction
- Govt source says holding discussions on conducting FY15 gilt switch
- FY15 direct tax mop-up seen 200-300-bln-rupees short of aim
- Minister Sinha says govt on track on its divestment roadmap
- Minister Sinha says to factor in Pay Commission, GST in FY16 Budget
- Steel minister may seek import duty hike on products; wants no duty on inputs
- CBEC head says edible oil import duty hike on cooling global prices
- CBEC head says in process of framing GST rules
- Oil minister says disbursed 5.5 bln rupees under LPG cash subsidy scheme
- Cabinet recommends re-promulgation of coal ordinance to President
- Cabinet approves ordinance, paves way for 49% FDI in insurance
- Govt source says finance minister mulls re-look at fiscal consolidation roadmap
- Jaitley says have time till Dec 31 to decide on auto excise duty
- Coal minister says no question of power tariff going up on coal auction
- Cabinet approves 100% FDI in medical device manufacturing via automatic route
- Finance ministry source says PMO wants govt to meet 4.1% fiscal gap aim in FY15
- EPFO projects FY16 total accretion at 892 bln rupees, up 12.4% on year
- India Apr-Dec advance tax collection up about 9% on year

INDEX	26-Dec-14	19-Dec-14	Change (in %)
NIFTY	8200.70	8225.20	-0.30
SENSEX	27241.78	27371.84	-0.48
NSE 500	6674.80	6670.15	0.07
NSE MIDCAP	3292.70	3269.35	0.71
NIFTY JUNIOR	18207.30	18133.45	0.41
BSE SMALLCAP	10894.89	10922.21	-0.25
BSE 200	3380.42	3381.13	-0.02

INDEX	26-Dec-14	19-Dec-14	Change (in %)
BSE CD	9359.50	9490.07	-1.38
BSE OIL AND GAS	9878.81	9988.19	-1.10
BSE PSU	8121.33	8083.90	0.46
BSE FMCG	7686.06	7709.80	-0.31
BSE CAPITAL GOODS	15113.05	15388.57	-1.79
BSE AUTO	18455.13	18360.88	0.51
BSE REALTY	1533.94	1498.49	2.37
BSE BANK	21253.30	21145.78	0.51
BSE TECH	5762.49	5808.76	-0.80
BSE HEALTHCARE	14409.51	14399.02	0.07
BSE IT	10422.16	10560.26	-1.31
BSE METAL	10562.54	10617.33	-0.52

INDEX	26-Dec-14	19-Dec-14	Change (in %)
DOW JONES	18053.71	17804.80	1.40
HANG SENG	23349.34	23116.63	1.01
NIKKEI	17818.96	17621.40	1.12
FTSE	6609.93	6545.27	0.99

Domestic events week ahead

- **Dec 31:** CPI for industrial workers for November, by Labour Bureau.
- **Dec 31:** Core sector growth for November, by commerce and industry ministry.
- **Dec 31:** Government finances for Apr-Nov, by CGA.
- **Jan 02:** Manufacturing PMI for December, by HSBC.
- **Jan 02:** WMA and forex reserves as on Dec 26, by RBI.
- **Jan 02-09:** Power generation for December, by Central Electricity Authority.

Source: NW18

Global events week ahead

- **Dec 29:** Greek Presidential Elections
- **Dec 30:** Spanish Flash CPI y/y, US CB Consumer Confidence
- **Dec 31:** US Unemployment Claims, US Chicago PMI, US Pending Home Sales m/m, US Crude Oil Inventories
- **Jan 01:** China Manufacturing PMI
- **Jan 02:** China HSBC Final Manufacturing PMI, Spanish Unemployment Change, Spanish Manufacturing PMI, Italian Manufacturing PMI, Europe Final Manufacturing PMI, UK Manufacturing PMI, US Final Manufacturing PMI, US ISM Manufacturing PMI, US Construction Spending m/m, US ISM Manufacturing Prices
- **Jan 03:** China Non-Manufacturing PMI



Weekly Sector Outlook and Stock Picks

Auto sector – Seen flat this week tracking broader market

Shares of leading automobile manufacturing companies are seen flat this week tracking the broader market. The underlying bias is expected to remain bearish in week due to heavy selling by foreign institutional investors. Counters such as Mahindra & Mahindra and Tata Motors are likely to see further correction owing to weak despatches by these companies to dealers over the past few months. Two-wheeler companies shares to do better than those of four wheeler and commercial vehicle manufacturers, mainly due to sustained demand for their products. Demand for two-wheelers, particularly scooters, is seen remaining at sustained levels. Scooters sales have been growing month-on-month for the past two years led by demand in urban India. Hero MotoCorp and TVS Motor Company are seen positive this week. Hero MotoCorp is the second-largest player in the scooters segment, while TVS Motor Co is the third largest. There is buzz around shares of Hero MotoCorp due to the company's renewed focus on exports.

Bank Sector – Seen consolidating despite broadly bearish market

Bank stocks may beat the likely bearish wider market trend and consolidate this week as overall sentiment for the sector remains positive. Bank Nifty is likely to consolidate in the near term, but private sector bank stocks facing some profit booking pressure may drag Bank Nifty down. Meanwhile, foreign institutional investor activity is expected to be muted due to the year-end holiday season abroad. Market participants will also remain cautious ahead of the first bankers' retreat scheduled for Jan 2-3. Heads of all public sector banks and financial institutions, along with Prime Minister Narendra Modi, Finance Minister Arun Jaitley, and Reserve Bank of India Governor Raghuram Rajan, among others, will be in attendance. We expect that reforms related to public sector banks will be a key agenda at the meeting, which will lend cues to the market going ahead.

Capital Goods Sector – Seen extending losses this week

Shares of capital goods companies are seen extending losses this week, tracking the wider market that is likely to see subdued trading. We also see weakening of west Asian economies, on account of the fall in crude oil prices; hurting the order visibility and payment cycles of capital goods companies, especially sector major L&T. Brent crude oil prices, which have touched a sub-\$60 per barrel price last week, were holding steady above \$60 a barrel. However, we believe that there are no near-term triggers, which may shoot prices upwards, and added that a price cut is imminent. Similarly, energy and environment maker Thermax is also likely to see the impact of subdued demand from west Asia, which is one of its key markets in terms of project orders. With the demand from international market softening and domestic market yet to show significant signs of recovery, investors resort to profit booking at the current levels as most companies are already sitting on plump valuation.

Cement Sector – Seen down on profit booking; UltraTech top pick

Shares of most cement companies are seen trading down this week because of profit booking. However, some long-term investors may look to build position in stocks such as UltraTech in anticipation of a pick-up in demand during Jan-Mar. Most investors are bullish on UltraTech Cement after its acquisition of cement units of Jaiprakash Associates early this week. Under the deal, the Aditya Birla Group Company will acquire two cement manufacturing plants of Jaiprakash Associates in Madhya Pradesh for 54 bln rupees. Post acquisition, UltraTech's capacity is likely to increase to nearly 65 mln from 60 mln tonne at present. The company also has plans to further increase capacity to 71 mln tonne by end of 2015-16 (Apr-Mar). UltraTech is well prepared to ride the impending upturn coupled with premium profitability and healthy balance sheet make it the most attractive bet in cement universe.

FMCG Sector – Seen rangebound with a negative bias this week

Shares of fast moving consumer goods companies are seen in a narrow band this week as participation from foreign institutional investors would be low owing to year-end holidays. Rollover of derivatives positions to the January series is largely in line with the three-month average. However, positions taken in index heavyweights such as Hindustan Unilever and ITC are more on the short side. Overall, the sector has seen liquidation of long positions and therefore we are slightly cautious. The BSE FMCG Index fell by 0.3% on week, primarily due to selling in index majors HUL and ITC. Barring Dabur India, all other major stocks in the sector ended in the negative territory.

**IT Sector – Not much action likely ahead of Oct-Dec results**

Shares of information technology companies are seen largely flattish this week, with Oct-Dec earnings drawing near. A weak rupee is expected to lend support, but a cut in outlook by market leader Tata Consultancy Services and ongoing transformation at Wipro and Infosys is likely to curb enthusiasm about the sector. The Oct-Dec quarterly earnings that will start trickling in from next week will also have an impact on stock prices. A weak rupee inflates earnings of IT companies, which are denominated in foreign currencies, mostly US dollars. Over the past two weeks, the rupee has depreciated to 63.60 against the dollar from around 61.30 and a bounce back seems unlikely any time soon. However, tempered updates to full-year expectations and choppiness in the overall equity market due to withdrawal of foreign investors has prevented the full impact of the recent rupee devaluation from being reflected in stock prices of major IT companies. IT stocks to do well this week due to positive signals from US-based competitor Accenture, but the optimism proved misplaced as almost all of them underperformed the Nifty.

Oil Sector – Most counters seen muted as crude slide continues

Shares of state-owned oil retailers IOC, BPCL and HPCL may remain under pressure in the near term due to the consistent fall in crude oil prices, which is piling up inventory losses for these companies. However, stability in prices of the commodity at lower levels may aid some recovery in stock prices. Broadly, these stocks may play in a range with a negative bias. Brent crude oil prices were holding steady above \$60 a barrel as fears of a supply glut were abated partially by Saudi Arabia's confident assumption of oil regaining \$80 level next year and positive data on third-quarter economic growth in US along with declining jobless claims. There are no key near-term triggers for the three counters. The fortnightly revision in diesel and petrol prices is due this week. Prices are most likely to be cut, but if crude prices recover in the next two to three days, the revision may be small which may provide some sentimental support to IOC, BPCL and HPCL. For determining prices of diesel and petrol, the prices of the fuels in the international market on the previous day are taken into account. The low oil prices are also weighing in upstream companies ONGC, Oil India and Cairn India. The three stocks will closely track prices of the commodity and are seen muted in the near term. Futures contracts in ONGC and Reliance Industries witnessed some formation of short positions in the recent rollover to January contracts.

Pharma sector – Profit booking may pull sector down this week

Shares of frontline pharmaceutical companies are likely to trade negatively this week as we expect profit booking in the space, clubbed with continued weakness over the past few weeks. For the last 2-3 weeks, profit booking has been taking place, and it could continue this week also. Dr Reddy's Laboratories Ltd to be weakest among the sector, as they have not shown any sign of retracement from the downfalls being witnessed in the last couple of weeks. Shares of Cipla Ltd are likely to be rangebound this week. Lupin's shares are expected to trade negatively this week.

Metal Sector – May move in range this week, Chinese data eyed

Shares of metal companies are expected to move in a narrow range this week, with investor's eyeing official December manufacturing data from China, the world's largest consumer and producer of metals. An HSBC poll had shown earlier that China's purchasing managers' index had fallen to 49.5 in December from November's reading of 50, its first contraction in seven months. A confirmation in this regard could severely dampen the sentiment around metals. In the domestic scenario, the steel ministry is likely to urge the finance ministry to raise import duty on alloy and non-alloy steel products to 10% from 7.5% currently, thus benefitting steel producers in the country which now have to compete with lower-priced Chinese imports. The ministry would also push for scrapping of 2.5% import duty on coking coal and iron ore, the two main ingredients for production of steel. However, do not see any immediate reason to cheer as we believe that till a concrete development occurs in this regard the scenario would remain unchanged.

Telecom Sector – To move in line with broader market this week

Shares of major telecom companies are expected to move along with broader market this week, with some hopes of marginal recovery in specific stocks. Telecom stocks are going to exhibit mixed trends this week, with stocks of Idea Cellular expected to continue its positive run, while those of Reliance Communications may remain as underperformer. The street will also look out for indications whether telecom players such as Vodafone, Idea Cellular and others starts charging mobile users for voice-over-internet calls or use it as a strong competitive differentiation plank. On Dec 24, Bharti Airtel said that it will separately charge its mobile internet users for calls made through applications such as Skype, Viber that use the voice-over-internet protocol technology. The move triggered immediate outrage, with subscribers taking on social media to oppose the move.



Market Range for Week 7950- 8480

Nifty	Values
Support 1	8140
Support 2	8050
Support 3	7980
Resistance 1	8280
Resistance 2	8350
Resistance 3	8480

Resistance – Nifty facing Resistance level @8280 level above this level it may go up to @8350 & @ 8480 level.

Support - Support comes for market @8140 level for Nifty; below this level Nifty next support @8050 and @7980 will be the major support for market.

Technical – Last week Nifty opened at 8255 & it made a high of 8364. Last week we have seen some profit booking. Nifty made a low of 8147 & closed at 8200. Last week Nifty drags 217 points from its high & on weekly basis it closed at 25 points lower. Sensex made a weekly high of 27851 & a low of 27091 almost it drags 760 points in the week from its high. So overall last week we have seen profit booking from higher levels.

For the coming week the market range we expect 7950-8480

Weekly Chart View –

On daily chart Nifty below short term moving avg(50DMA) & can see “Doji” candle. On weekly chart trading between short term moving avg(5&20WMA). So overall from here we can see still some more consolidation & for sustainable upside move need to close above 8350-8380 levels.

Weekly Chart





Weekly Sectoral Technical Outlook

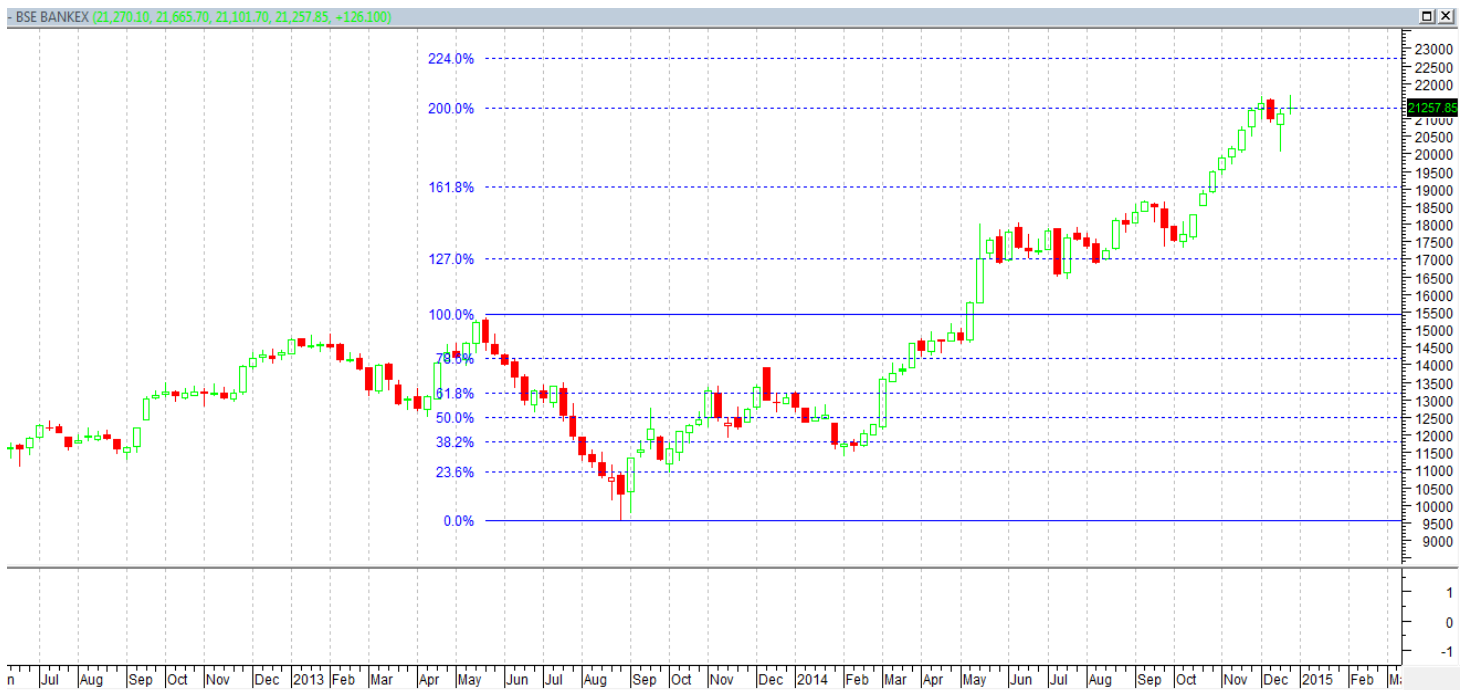
BSE Auto Index	CMP: 18455
-----------------------	-------------------



BSE Auto

At present we are observing two consecutive narrow range body formations which suggest indecisiveness prevailing at current level. We reiterate our view that there is no clear signal to go long in this sector. On the upside it can bounce up to 18600 – 18850 level. At present, to go long in this sector, one should wait for clear bullish pattern to be formed in weekly or in daily chart.

BSE Bankex	CMP: 21253
-------------------	-------------------



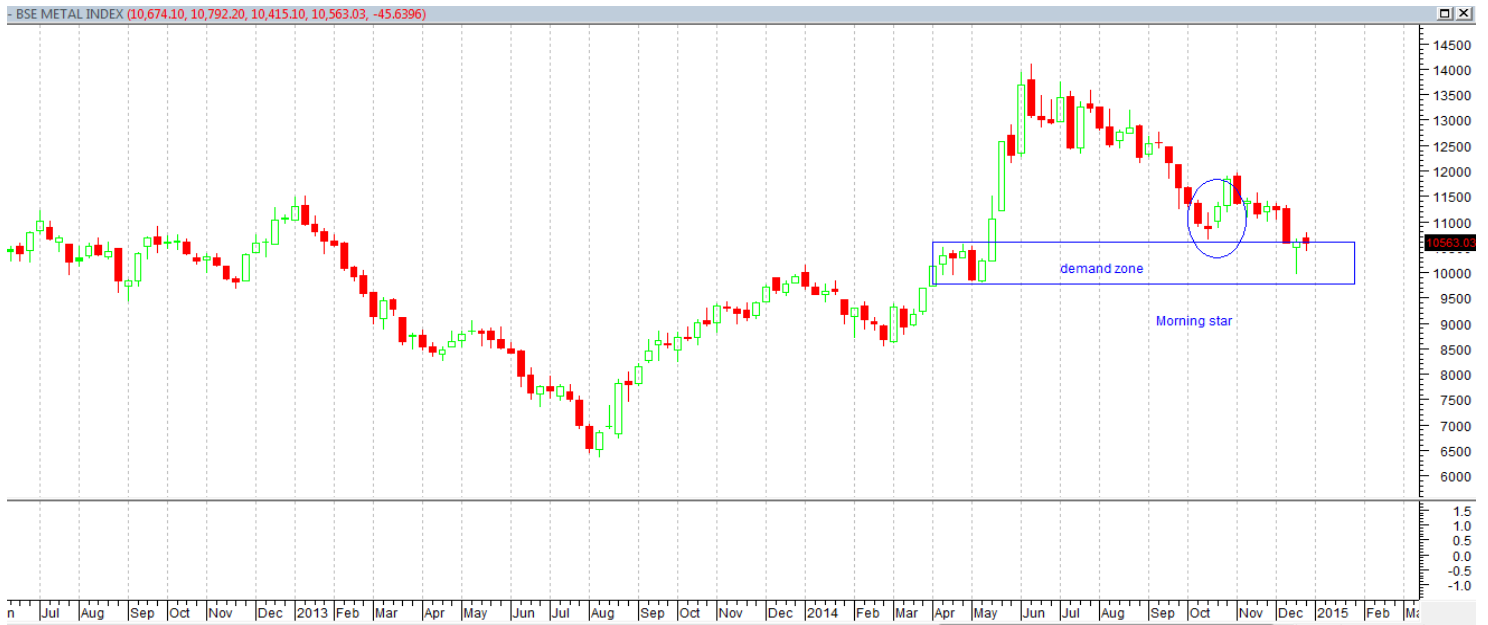
BSE Bankex

As we had recommended to go long in this sector above 21300, one should now trial the stop loss to 21000. On the upside, this sector has potential to test it can test 21900 – 22300 levels.



BSE Metal Index

CMP: 10562

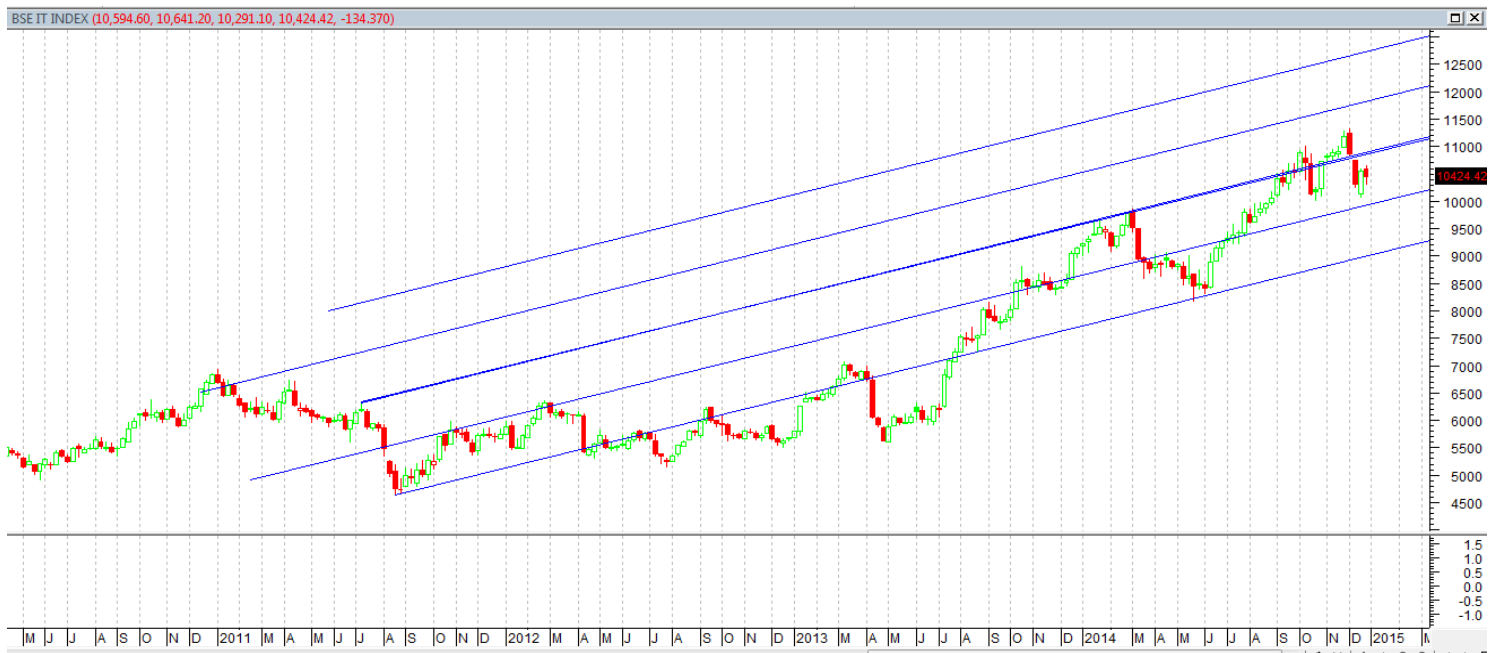


BSE Metal Index

We reiterate our earlier view that prices have bounced from the demand zone. Further the weekly chart is showing positive divergence in the momentum indicators. However, for this sector to activate the positive divergence, the sector needs to give strong weekly close above 10645 levels. Hence one should wait for clear signal to emerge in this sector.

BSE IT

CMP: 10422



BSE IT

At present we have seen that prices have crossed the high of the piercing candlestick pattern. Hence those long in this sector should maintain stop loss of 10000. On the upside this sector can test 10800 – 11250 level.



Weekly Technicals of Key Companies –

Company	Closing 26-Dec-14	Buy/Sell Trigger	Resistnace 1	Resistance 2	Support 1	Support 2
ACC	1393.50	1393.67	1411.13	1428.77	1376.03	1358.57
AMBUJACEM	226.05	227.32	230.53	235.02	222.83	219.62
ASIANPAINT	727.05	733.35	744.70	762.35	715.70	704.35
AXISBANK	494.45	495.65	504.80	515.15	485.30	476.15
BAJAJ-AUTO	2480.70	2490.93	2528.77	2576.83	2442.87	2405.03
BANKBARODA	1068.20	1060.22	1087.88	1107.57	1040.53	1012.87
BHARTIARTL	354.30	351.90	359.80	365.30	346.40	338.50
BHEL	251.55	257.10	264.15	276.75	244.50	237.45
BPCL	645.70	645.98	662.22	678.73	629.47	613.23
CAIRN	241.85	243.48	248.17	254.48	237.17	232.48
CIPLA	622.80	623.93	635.32	647.83	611.42	600.03
COALINDIA	378.35	381.75	389.95	401.55	370.15	361.95
DLF	136.20	134.33	138.77	141.33	131.77	127.33
DRREDDY	3134.10	3168.75	3220.35	3306.60	3082.50	3030.90
GAIL	437.65	439.88	449.77	461.88	427.77	417.88
GRASIM	3382.25	3417.38	3479.77	3577.28	3319.87	3257.48
HCLTECH	1564.65	1524.85	1634.70	1704.75	1454.80	1344.95
HDFC	1116.15	1124.75	1157.30	1198.45	1083.60	1051.05
HDFCBANK	948.65	954.57	968.03	987.42	935.18	921.72
HEROMOTOCO	3096.40	3106.60	3151.80	3207.20	3051.20	3006.00
HINDALCO	152.00	153.48	157.37	162.73	148.12	144.23
HINDUNILVR	750.35	755.22	765.93	781.52	739.63	728.92
ICICIBANK	350.95	353.65	359.20	367.45	345.40	339.85
IDFC	154.65	155.20	158.30	161.95	151.55	148.45
INDUSINDBK	784.45	780.78	797.47	810.48	767.77	751.08
INFY	1952.25	1963.07	2011.08	2069.92	1904.23	1856.22
ITC	367.95	370.93	375.47	382.98	363.42	358.88
JINDALSTEL	149.30	146.22	153.98	158.67	141.53	133.77
KOTAKBANK	1253.05	1253.35	1271.70	1290.35	1234.70	1216.35
LT	1490.20	1501.55	1532.55	1574.90	1459.20	1428.20
LUPIN	1406.95	1420.53	1449.02	1491.08	1378.47	1349.98
M&M	1255.30	1254.83	1284.27	1313.23	1225.87	1196.43
MARUTI	3333.10	3361.03	3396.07	3459.03	3298.07	3263.03
NMDC	144.50	144.35	147.70	150.90	141.15	137.80
NTPC	139.30	139.77	143.38	147.47	135.68	132.07
ONGC	344.45	347.93	354.82	365.18	337.57	330.68
PNB	222.25	222.75	226.50	230.75	218.50	214.75
POWERGRID	137.10	136.98	139.87	142.63	134.22	131.33
RELIANCE	888.85	891.88	903.77	918.68	876.97	865.08
SBIN	307.65	307.83	312.32	316.98	303.17	298.68
SSLT	207.50	208.58	215.72	223.93	200.37	193.23
SUNPHARMA	811.15	811.17	822.33	833.52	799.98	788.82
TATAMOTORS	485.15	488.52	498.08	511.02	475.58	466.02
TATAPOWER	81.15	82.08	83.67	86.18	79.57	77.98
TATASTEEL	398.25	399.32	408.53	418.82	389.03	379.82
TCS	2505.00	2502.22	2539.43	2573.87	2467.78	2430.57
TECHM	2566.70	2561.25	2621.40	2676.10	2506.55	2446.40
ULTRACEMCO	2602.95	2588.33	2678.62	2754.28	2512.67	2422.38
WIPRO	547.40	548.15	556.20	565.00	539.35	531.30
ZEEL	376.90	378.22	382.38	387.87	372.73	368.57



Arihant Fundamental Desk: Stocks under our radar

Company and Sector	Current Price	Target Price	Research Call	EPS (Rs/share)			P/E (x)			ROE %		
				FY14	FY15E	FY16E	FY14	FY15E	FY16E	FY14	FY15E	FY16E
Automobile												
M&M	1255	1385	Hold	63.7	69.5	81.7	19.7	18.1	15.4	24.0	21.7	21.6
Maruti Suzuki	3331	3192	Neutral	92.1	117.8	168.9	36.2	28.3	19.7	13.3	14.8	18.1
Tata Motors	485	605	Buy	53.6	56.0	64.0	9.0	8.7	7.6	35.3	32.1	23.2
TVS Motors	262	193	Reduce	5.4	7.4	11.5	48.4	35.4	22.7	19.6	22.6	31.2
Bajaj Auto	2474	2360	Neutral	112.1	105.1	142.8	22.1	23.5	17.3	37.0	29.6	34.8
Hero MotoCorp	3097	3119	Neutral	105.6	139.3	165.0	29.3	22.2	18.8	39.8	45.2	44.2
Banking												
BOB	1069	1134	Hold	106.4	137.3	187.5	10.0	7.8	5.7	13.4	15.3	18.1
Federal Bank	148	177	Accumulate	9.8	10.5	11.6	15.1	14.1	12.7	12.6	12.3	12.4
Yes Bank	742	734	Neutral	36.5	45.9	43.7	20.3	16.2	17.0	23.7	23.2	22.2
Indusind Bank	784	754	Neutral	26.9	34.2	45.3	29.2	22.9	17.3	17.6	19.1	21.2
Bank of Mah	42	41	Neutral	4.6	5.7	7.0	9.2	7.4	6.1	7.4	9.7	11.1
DCB	121	128	Hold	6.0	6.3	6.7	20.1	19.2	18.0	14.1	12.8	12.0
Andhra Bank	90	105	Accumulate	7.6	8.6	15.3	11.9	10.5	5.9	5.0	5.5	10.1
HDFC Bank	948	1084	Accumulate	35.3	43.3	57.6	26.9	21.9	16.5	21.0	22.0	24.0
Cement												
Ultratech Cement	2597	3016	Accumulate	80.0	114.0	155.0	32.5	22.8	19.5	13.0	16.0	18.0
ACC	1393	1664	Accumulate	58.3	65.5	83.5	23.9	21.3	16.7	14.4	15.3	18.3
Ambuja Cement	226	270	Accumulate	8.4	9.2	13.7	26.9	24.6	16.5	13.6	13.9	18.4
JK Cement	643	729	Accumulate	13.9	21.8	35.0	46.3	29.5	20.8	5.5	8.2	12.0
IT												
Infosys	1950	2177	Hold	186.4	203.8	224.1	10.5	9.6	8.7	26.1	24.5	23.9
TCS	2506	2599	Neutral	97.6	113.0	127.8	25.7	22.2	19.6	39.6	35.8	34.2
Wipro	548	741	Buy	30.5	36.9	41.5	18.0	14.8	13.2	21.2	24.3	25.1
Metal												
SAIL	81	88	Hold	6.3	8.1	10.5	12.8	10.0	7.7	6.1	7.4	8.9
Tata Steel	398	586	Buy	37.0	54.0	72.0	10.8	7.4	5.5	8.9	11.1	13.1
JSW Steel	1047	1426	Buy	65.9	134.0	165.9	15.9	7.8	6.3	8.1	13.9	15.3
Hindustan Zinc	162	186	Accumulate	16.3	19.0	19.8	9.9	8.5	8.2	18.5	18.4	16.7
Coal India	378	355	Reduce	23.9	28.0	32.1	15.8	13.5	11.8	35.6	35.5	34.9
Hindalco	152	166	Hold	10.5	11.9	12.9	14.5	12.8	11.8	5.4	5.8	6.0

Note: Bank's Book values are as per Bloomberg estimates

Rating scale	
BUY	>20%
ACCUMULATE	12-20%
HOLD	5-12%
NEUTRAL	0-5%
REDUCE	< 0%



Contact

SMS: 'Arihant' to 56677

Website

www.arihantcapital.com

Email Id

research@arihantcapital.com

**Arihant is Forbes Asia's '200 Best under a \$Billion' Company
'Best Emerging Commodities Broker' awarded by UTV Bloomberg**

Disclaimer: This document has been prepared by Arihant Capital Markets Limited (hereinafter called as Arihant) and its subsidiaries and associated companies. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. Receipt and review of this document constitutes your agreement not to circulate, redistribute, retransmit or disclose to others the contents, opinions, conclusion, or information contained herein. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. All recipients of this material should before dealing and or transacting in any of the products referred to in this material make their own investigation, seek appropriate professional advice. The investments discussed in this material may not be suitable for all investors. The recipient alone shall be fully responsible/are liable for any decision taken on the basis of this material. Arihant Capital Markets Ltd (including its affiliates) or its officers, directors, personnel and employees, including persons involved in the preparation or issuance of this material may; (a) from time to time, have positions in, and buy or sell or (b) be engaged in any other transaction and earn brokerage or other compensation in the financial instruments/products discussed herein or act as advisor or lender/borrower in respect of such securities/financial instruments/products or have other potential conflict of interest with respect to any recommendation and related information and opinions. The said persons may have acted upon and/or in a manner contradictory with the information contained here and may have a position or be otherwise interested in the investment referred to in this document before its publication. The user of this report assumes the entire risk of any use made of this data / Report. Arihant especially states that it has no financial liability, whatsoever, to the users of this Report.

ARIHANT Capital Markets Ltd

#1011, Solitaire Corporate Park, Building No.10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E), Mumbai-400093
T. 022-42254800. Fax: 022-42254880

www.arihantcapital.com

RCH-WMR-00